

U. S. Department of
Homeland Security

United States
Coast Guard



Commandant
United States Coast Guard

2100 Second Street, S.W.
Washington, DC 20593-0001
Staff Symbol: CG-0921
Phone: (202) 372-3500
FAX: (202) 372-2311

DEPARTMENT OF HOMELAND SECURITY

U. S. COAST GUARD

STATEMENT OF

**REAR ADMIRAL GARY BLORE
ASSISTANT COMMANDANT FOR ACQUISITION**

ON AN

OVERVIEW OF COAST GUARD ACQUISITION POLICIES & PROGRAMS

BEFORE THE

SUBCOMMITTEE ON COAST GUARD & MARITIME TRANSPORTATION

COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE

U. S. HOUSE OF REPRESENTATIVES

MARCH 24, 2009

Good morning Mr. Chairman and distinguished members of the Subcommittee. I appreciate the opportunity to meet with you to discuss the Coast Guard's acquisition enterprise and future outlook for ongoing and much-needed recapitalization projects. As the Coast Guard's Assistant Commandant for Acquisition, I am accountable to the Commandant, this Subcommittee, and the American taxpayer to ensure each of our major acquisition projects are developed, executed and completed in the most cost-effective manner possible, and delivered systems and assets meet mission requirements.

A little more than two years ago, our Commandant, Admiral Allen, sat before this Subcommittee and outlined the beginnings of a comprehensive acquisition reform effort within the Coast Guard—reforms this Subcommittee helped initiate. Key to those reforms was a fully integrated Coast Guard acquisition community taking over as the Lead Systems Integrator for all major acquisition projects. We recognized those reforms were necessary to avoid repeating the problems we encountered early in the Deepwater program and ensure proper oversight and management of each acquisition project. It has not been easy. And reforms cannot be implemented overnight – it takes time to disentangle or close-out the existing contractual Lead Systems Integrator (LSI) relationships prudently, while minimizing additional costs or schedule delays.

REFORMED ACQUISITION

In a speech in 2008, Admiral Allen remarked what a difference a year had made when referring to the status of Coast Guard acquisition, particularly in the projects initially begun with the Integrated Deepwater System program. It was in July 2007 when those projects and all of Deepwater were integrated with other major acquisition projects under a fully unified acquisition structure. Business improvements associated with the organizational realignment and other reform efforts have led to a number of high profile project successes. We must remain committed to those improvements to continue our positive momentum in the years to come.

By implementing this transformation in acquisition and modernization writ large, our accomplished reforms are benefiting all projects.

For example, improvements in the lines of communication among headquarters offices have set the tone for cooperation. After consolidating the project offices from the former acquisition and Deepwater organizations, the next step was to clarify the roles of key players in acquisition, including program managers, technical authorities and sponsors representatives. Then, it was crucial to record the changes in policies and processes, so these innovations could become part of the culture of acquisition. Likewise, having contracting policy, research and development, and foreign military sales within the same directorate has yielded both increased capacity and innovation.

Our efforts have been informed by input from the Defense Acquisition University, experts in the field of acquisition, as well as the Government Accountability Office and the DHS Office of the Inspector General and framed by the Coast Guard's *Blueprint for Acquisition Reform*—our strategic plan—which outlines business process improvements to shape our acquisition and contracting capabilities. We update the *Blueprint* annually to document progress and ensure effective future planning. With each update, new action items and objectives, building on those completed in previous versions, are outlined. This way, our efforts result in continuous improvement in business practices and functions at every level of the organization.

Another core policy document that has shaped our acquisition work is the recently updated *Major Systems Acquisition Manual [MSAM]*, which serves as a valuable reference for program and project managers. Whereas the *Blueprint* provides a strategic framework within which the Coast Guard's acquisition reforms and improvements are taking place, the *MSAM* provides a standardized publication of current and new acquisition procedures, roles and responsibilities and processes. Each of our acquisition projects is bettered by our having standard, repeatable and documented processes. Later, I will discuss the *Blueprint* and *MSAM* in greater detail.

Deepwater and other programs have drawn on lessons learned from past acquisition disappointments, but have also focused on lessons learned from the most successful projects in the Coast Guard's investment portfolio, including the Response Boat-Medium and the 87-foot Marine Protector-class patrol boat. The Deepwater-funded Mission Effectiveness Project, which is conducting systems recapitalization on 14 Reliance-class and 13 Famous-class medium endurance cutters and 20 of the service's 110-foot Island-class patrol boats, also has served as a model for projects that are within budget, on schedule, and performing as planned.

Thanks largely to the support this Subcommittee has provided, we are now a completely revitalized and improved acquisition organization—better-equipped to oversee costs, manage schedules, and ensure delivered assets meet operational requirements. No longer does the Deepwater program operate separately from other Coast Guard oversight elements. We are one Coast Guard team working together. I do not make any major decisions without coordinating with our sponsor [the Capabilities Directorate] and our technical authorities [including the Human Resources; Engineering and Logistics; and Command, Control, Communications and Information Systems Directorates]. The *MSAM* appropriately assigns everyone a role, and with early input on every project and our personnel working together on acquisition in concert, the Coast Guard will be better-served for years to come.

In fact, the problems with the 123-foot patrol boat conversion and early National Security Cutter design may have been avoided if our newly integrated acquisition organization had existed then. In today's reformed acquisition organization, the final design and asset certification is accomplished by Coast Guard technical authorities, rather than industry third party entities, often using other government personnel, such as the Naval Sea Systems Command (NAVSEA), to assist with any analysis. Further, the acquisition command structure is on equal footing with the operational sponsor and technical authorities for decisions. Future acquisition success depends on continued dedication to these checks and balances.

In whole, these reforms are helping us complete the transition to the Coast Guard being the Lead Systems Integrator (LSI) for all acquisition projects. For all practical purposes, the Coast Guard is the LSI today. The role of Integrated Coast Guard Systems (ICGS) is reduced drastically over what it was two years ago and we are continuing to phase out all reliance on a private sector LSI for Deepwater program assets entirely. Any remaining instances of ICGS involvement as a LSI are based on the need to close-out pre-existing contractual relationships or gain rights to system designs and plans. We will not renew the current LSI award term contract when it expires in 2011, at that point the Coast Guard will complete its transition to being the LSI for all programs and projects. Let there be no doubt about our commitment, we are currently modifying the existing award term contract by removing the option for continuing the contract beyond 2011.

What we have found through these reforms is we have a lot of good projects that have shown we really do know how to do acquisition. With this in mind, we are focused to answer the following questions: What constitutes this process we call acquisition, and what are the things we do right, so we can identify and capture them as best practices.

CORNERSTONES FOR SUCCESSFUL ACQUISITION

The reason our projects are well-run now is because we accept and are practicing eight fundamental cornerstones of successful acquisition. Doing acquisition right means adhering strictly to each cornerstone. I appreciate the support of this Committee, most recently described in its published Views and Estimates Letter for Fiscal Year 2010, as we have reformed our processes and business practices to embrace these cornerstones. In fact, much of our effort has been guided directly by recommendations from this Committee and its staff.

The eight cornerstones for successful acquisition include many of the process changes that we have already instituted, such as independent review and inter-agency technical authority approval of designs, onsite government inspection at production facilities, and close partnerships with Department of Homeland Security (DHS), with the U.S. Navy, and with the Coast Guard's own technical authorities. Each of the eight cornerstones is listed below:

1. System of checks and balances between the operational sponsor, technical authorities and acquirers;
2. Reliance on organic Coast Guard final certification of asset and system operational capabilities;
3. Reliable, standard reference for acquisition management (*MSAM*);
4. Robust strategic planning (*Blueprint*);
5. Commitment to transparency through comprehensive reporting;
6. Avoidance of duplication of effort through partnerships with similar DHS and Navy organizations;
7. Independent validation through use of third party assessments to inform final Coast Guard decisions and certification; and,
8. Renewed departmental oversight through DHS approval of key project decisions as defined in DHS policy and the *MSAM*.

(1) Checks and Balances

The principle of checks and balances, achieved through the integration now in place between the acquisition organization, the operational sponsor and each of three technical authorities, is critical to ensuring assets and systems are designed and built to meet unique Coast Guard mission requirements. Additionally, it enhances our ability to control costs effectively, manage each asset contract properly, and exert appropriate contractor oversight. Under this structure, each project decision effectively balances performance requirements, cost and schedule to achieve best value for the taxpayer.

From requirements development to contract award and construction to delivery, each key decision depends on balancing input from each integrated partner. Adherence to the system of checks and balances means no one organizational entity is more important or influential than the others in acquisition decision processes. Each has defined roles and responsibilities, outlined in

the *Major Systems Acquisition Manual*, and identified participation throughout the acquisition process. Because each partner now is recognized and valued equally throughout the acquisition process, no single entity has a more direct line to the Commandant than the others.

An example of this participation is the current assignment of technical authority engineers at production facilities to provide technical guidance to the project teams. Those engineers work side-by-side with our on-site project management staff to oversee the construction process. Technical authority system managers and product lines at the Coast Guard's Aviation Logistics Center have been assigned for each aviation acquisition project. Through that direct involvement, the technical authority provides engineering expertise, inspection, certification, configuration management and logistics throughout the acquisition process. And, technical authority engineers are also assigned full time to our Project Resident Office Gulf Coast in Pascagoula, Miss., where they assist in the oversight of shipbuilding efforts for Coast Guard projects.

Another example is our new process for procuring major systems. Prior to issuing any Request for Proposal (RFP) for an acquisition project, the operational sponsor, technical authorities, and acquirers work in a collaborative effort to define requirements and establish each acquisition project strategy. Once proposals are received, each is reviewed within that same collaborative group. Contractor past performance is evaluated, proposed designs are assessed for viability, and cost and schedule projections are examined. Final award determination is made after consideration of input from each collaborative partner, based on the decision criteria articulated in the RFP.

(2) Organic Coast Guard Certification

The Coast Guard's mission set is unique among all federal agencies. When the environment is at its worst, we need to be at our best. Whether standing atop the watchman's tower in our ports, rescuing the stranded sailor at sea, protecting our maritime resources, stopping illegal drugs and migrants from reaching our shores, deploying to our flood-soaked cities, or literally sailing into the eye of the storm, our men and women need assets and systems ready to safely and effectively accomplish the mission. As an operational agency, with accountability to its personnel and the public, the Coast Guard must be responsible for all asset and system final certifications.

As an active aviator in past career assignments, I relied on my fellow Coast Guard colleagues to certify my aircraft and its systems each time I entered the cockpit. I knew the expertise of those colleagues and gained confidence knowing they had vouched for the equipment employed by me and my crew. What's more, I knew that if anything ever did need repair or replacement, those same colleagues were on-call and on-duty to ensure that my aircraft was ready each and every time I lifted off for a mission. That confidence would have been gone if I had been forced to rely on a remote third party to certify my aircraft based on an independent schedule not necessarily linked to Coast Guard priorities.

If certification responsibility is not held inviolate by the Coast Guard, mission execution will be threatened through lengthened schedules and increased cost across acquisition projects. For example, in the area of patrol boats, the Coast Guard engineers and operators are the foremost recognized experts in the world. Even the U.S. Navy, as expressed in a letter

from the Secretary of the Navy, does not have the current capacity to certify Coast Guard assets and systems. Additionally, it is the Coast Guard's organic maintenance forces that help inform certification standards and vice versa.

Ultimately, unless the Coast Guard maintains responsibility for asset and system certification, our ability to manage acquisition projects, control schedules and cost, and ensure operational safety and effectiveness will be severely weakened. We must remain accountable for the assets and systems we operate. We ensure that accountability through certification by Coast Guard engineers and operators.

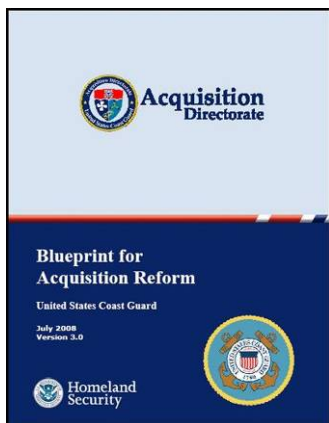
(3) Standard Reference for Acquisition Management

Major system acquisitions are complex and require standardized processes and procedures to ensure successful delivery. What we found as we began our reform efforts was standardization did not exist across all our major acquisition projects. Key decisions were managed differently, with vastly different levels of data and documentation.



We've fixed that and now have firm, standard processes that are applied throughout each project. Our program and project managers have a reliable source for management procedures, the *Major Systems Acquisition Manual (MSAM)*. That guidebook establishes processes for each aspect of acquisition project management, as well as defining roles and responsibilities of all participants in the process. It establishes documentation procedures and ensures adequate oversight of contractor deliverables. It mandates proven acquisition procedures and ensures that each acquisition project is managed through sustainable and repeatable processes. Recently, we updated the MSAM to ensure compliance with the most recent departmental instructions.

(4) Robust Strategic Planning



Development of a strategic plan, and tracking successful completion of objectives under that plan, is essential to any organizational dedicated to continuous improvement. For Coast Guard acquisition transformation, the *Blueprint for Acquisition Reform* is our multi-year strategic plan. Developed by our acquisition community to further implement the Commandant's vision of a reformed and consolidated acquisition community, the *Blueprint* focuses on improved organization and business practices, and guides our efforts to further establish the capability to organically acquire assets and services.

We developed the *Blueprint* through consideration of numerous studies (e.g., General Accounting Office (GAO) and DHS Office of the Inspector General (OIG) assessments), acquisition best practices, lessons-learned, and input from the Defense Acquisition University. It aligns with the Office of Federal Procurement Policy (OFPP) "*Guidelines for Assessing the Acquisition Function*" published in May, 2008 and is based on GAO's "*Framework for Assessing the Acquisition Function at Federal Agencies*." Acquisition reform initiatives in the *Blueprint* target each of the four areas with the greatest impact on efficient and effective acquisition as identified in the OFPP *Guidelines*, which include: 1) organizational

alignment and leadership; 2) human capital; 3) policies and processes; and 4) information management and stewardship.

Our first publication of the *Blueprint* was completed at the standup of the new acquisition organization in July 2007. That publication, Version 2.0, included an action plan of 102 acquisition reform items. With each annual update, we continue to improve acquisition processes and introduce best practices into the *Blueprint*. Each updated version incorporates insight from new studies and assessments, lessons learned from previous and ongoing acquisitions, input from acquisition personnel, and additional feedback from Congress and other federal oversight agencies (e.g., GAO).

During the 2008 *Blueprint* annual update (Version 3.0), 61 new items were added to existing acquisition transformation efforts already underway, resulting in a total of 163 acquisition reform actions to be implemented. Additionally, the 2008 update included a summary of directorate objectives to be completed within one year. To date, 64 percent (104 of 163 items) of the acquisition reform actions have been completed, 87 percent of the directorate objectives (21 of 24 items) have been met, and all other actions are being tracked to ensure they are completed on schedule.

Today, your Coast Guard has a more efficient, effective, and disciplined approach to acquisition, largely due to reform measures implemented in fulfillment of the *Blueprint*, that include:

- Establishing and issuing comprehensive financial metrics, with financial, schedule, and earned value management reports for program and project managers to provide project information and updates to senior Coast Guard leadership, DHS and Congress.
- Preparing and submitting standard quarterly project reports to Coast Guard leadership, DHS and Congress.
- Updating the *Major Systems Acquisition Manual (MSAM)*, with standardized organization-wide repeatable processes and written guidance for program managers.
- Establishing an Office of Acquisition Workforce Personnel within the acquisition directorate to promote hiring and certification of government personnel and acquisition professionals, which had been identified as a key weakness in the old acquisition organization. We've built a larger acquisition staff (about 850 total) and hired over 100 acquisition personnel into critical acquisition positions (program management, engineering, and contracting).
- Hiring a Senior Executive Service Head of Contracting Activity to strengthen contracting, centralize procurement, and ensure alignment with DHS policy.
- Identifying a Senior Executive Service Competition Advocate to promote competition, challenge overly restrictive requirements, and identify opportunities for Coast Guard-wide needs.

These *Blueprint* accomplishments mean that, for all practical purposes, the new reformed Coast Guard acquisition organization is fully operational, as shown in the successful management of acquisition projects. In fact, the *Blueprint for Acquisition Reform* has been highlighted by GAO and the DHS Chief Procurement Officer as a model for reforming acquisition practices.

(5) Commitment to Transparency

No acquisition program could be managed successfully without full transparency in its processes and procedures. Without transparency, the government could not provide the oversight necessary to effectively manage acquisition functions—whether that oversight comes from the Coast Guard, DHS or Congress, nor could it maintain confidence in the integrity of the government’s business processes. We’ve worked hard during the last few years to improve our transparency to Congress and the public. I hope that, through success in this area, we have fostered increased information flow, better understanding of complex acquisition projects, identified areas for continuous improvement, and elevated trust among congressional and public stakeholders.

A particular challenge in this area is ensuring that appropriate oversight information is shared with each responsible oversight organization, whether at the agency, departmental, Administration or Congressional level. Each year, legislative requirements mandate completion and delivery of numerous additional acquisition reports to various congressional committees. I’ve been concerned for some time over the effort necessary to create these different reports for separate committees to share virtually the same information. This is especially true given that project staffs are limited in size, with their priority being to properly execute complex projects. Increasing reporting requirements place immense pressure on limited project management resources and necessitate an ever-growing, fully dedicated report completion staff.

That said, I also recognize the absolute necessity for transparency and appreciate the value gained through effective program oversight.

So, in an effort to better facilitate that oversight through improved information flow, we have worked over the last two years to develop a comprehensive, regular project reporting structure aimed at providing necessary information to all stakeholders, including this Subcommittee. We examined current and past congressional reporting requirements, reporting requirements in DHS acquisition policy, and best reporting recommendations from DAU and other acquisition experts to properly capture the types of useful information necessary for effective oversight.

The result is our *Quarterly Project Report (QPR)* within the *Quarterly Acquisition Report to Congress*, a comprehensive written report that provides robust cost, schedule and performance information, as well as identification of recent successes, upcoming milestones and most pressing challenges for each project. The *QPR* provides updated information at useful intervals and enables readers to monitor project trends and identify future areas for increased attention. At each publication, the *QPR* is provided to senior Coast Guard, DHS and Administration leaders, as well as Congressional committees. The usefulness of the *QPR*’s reporting structure has even prompted DHS to implement a requirement for similar reports from each component agency.

I hope the *QPR* can aid this Subcommittee in its oversight responsibilities. If you find the report lacks any necessary information, please let me or my staff know. Our desire is to continually improve our reporting efforts as part of our commitment to complete transparency.

(6) Avoidance of Duplication of Effort

While unique as a complete set, many of our Coast Guard missions are similar in some ways to other federal agencies. As such, opportunities exist to leverage similar efforts instead of duplicating them independently. Avoidance of duplication encompasses two areas—acquisition services and project execution. For example, we are not interested in recreating a Naval Sea Systems Command for the Coast Guard. Instead, we manage our acquisition projects and, when acquisition activities outside of Coast Guard core competencies are needed, we arrange to use NAVSEA and capitalize on its expertise for our projects.

An example of leveraging project execution efforts is our current effort with the U.S. Navy and Customs and Border Patrol to develop a viable unmanned aerial system approach useful to each agency. Coast Guard operational requirements call for an unmanned aerial vehicle, capable of vertical launch from the deck of our cutters, for surveillance and reconnaissance in a cutter's patrol area. To assess the technological viability of a Vertical (Take off & Landing) Unmanned Aerial Vehicles, our Research and Development Center has joined with the Navy in its assessment of the most likely platforms to meet mission requirements. Because the Navy was already conducting this effort, it made sense for us to join them, rather than duplicate the cost and time necessary to run a separate assessment of the same platforms. Likewise, rather than duplicating Customs and Border Protection efforts already underway, we've joined with them to examine viable mid-altitude unmanned systems.

This type of collaborative effort does more than just save government money and time. It also enables better interoperability and logistics support across agencies, which ultimately enhances mission execution.

(7) Independent Validation

While we maintain the absolute criticality for final asset and system certification conducted by the Coast Guard, we've also renewed our commitment to independent validation in our projects through third party experts. Independent validation assessments, in many cases, provide invaluable input into the Coast Guard's own certification process, allowing our engineers and other professionals to make better-informed decisions regarding designs and operational capabilities of assets and systems. This independent validation also avoids the duplication of effort I mentioned above by leveraging available expertise of government and private organizations to inform our decision making and certification processes.

Specifically, as I have mentioned, we continue to benefit from a robust partnership with the Navy, where we leverage our relationship for better acquisition governance, planning, oversight and testing through a variety of close working partnerships.

Our current Navy partnerships include:

- Naval Sea Systems Command (NAVSEA);
- Naval Surface Warfare Center (NSWC);
- Program Executive Officer (PEO) Ships;
- PEO Integrated Warfare Systems (PEO IWS);
- Naval Air Systems Command (NAVAIR);

- Space & Naval Warfare Systems Command (SPAWAR);
- Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP);
- Commander, Operational Test and Evaluation Force (COMOPTEVFOR); and,
- Board of Inspection and Survey (INSURV).

(8) Renewed Departmental Oversight

In the early days of the Deepwater program, already in existence when DHS stood up, some normally departmental authority at key decision points was delegated. We have now re-established those oversight processes and have fully embraced the DHS's role in our acquisition management processes. All Level I acquisition projects (valued at greater than \$1 billion total life-cycle cost) now require a DHS decision at each key decision point before proceeding further, a procedure regularly followed in the Coast Guard's legacy (non-Deepwater) acquisition projects. And, as I mentioned earlier, we provide regular project status updates to DHS through our *QPR*. Additionally, DHS officials are regularly briefed on acquisition projects status and challenges.

VISIBLE RESULTS

For Deepwater, the results of our acquisition reform efforts speak for themselves.



In the National Security Cutter project, we've delivered the first cutter, *CGC Bertholf*, which was commissioned in August of last year. We have been actively running *Bertholf* through her paces during the operational test and evaluation process now underway and have received very positive feedback from her crew and the Coast Guard's operational community. Of particular note, *Bertholf* has conducted her first operational patrols and completed flight deck dynamic interface testing and attained interim flight deck certification. Additionally, *Bertholf* recently conducted towing exercises with *CGC Morgenthau*, a fueling at sea evolution with *USNS Kaiser*, and testing of the 57mm deck gun and close-in weapon system against high-speed maneuvering surface targets and unmanned aerial vehicles. The second National Security Cutter (NSC), *Waesche*, is on track for delivery late in 2009, with fabrication begun and the keel laying for the third cutter, *Stratton*, scheduled for summer 2009.

We continue to see real progress in the areas of Information Assurance, which includes TEMPEST, on the NSC. Our technical authority, with support from the Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) and NSC project managers, conducted TEMPEST certification inspections prior to preliminary acceptance of *Bertholf* in May 2008. Those pre-delivery inspections have contributed to building a TEMPEST baseline, which will serve as a reference point for all future TEMPEST-related activities. Using the test-fix-test methodology, we now have resolved all 122 visual TEMPEST discrepancies identified during that pre-acceptance process. We are conducting additional instrumented TEMPEST surveys using a National Security Agency (NSA) approved contractor to prepare for final TEMPEST testing, which is scheduled to be conducted by SPAWAR in April 2009.

We continue to build on lessons learned and are making some significant improvements to the *Stratton*, including construction process efficiencies, enhanced functionality and better hull design. One of the most notable process improvements is a significant reduction in the number of grand blocks—multiple units stacked together in large assembly halls away from the waterfront—used to assemble the ships hull. We used 29 grand blocks to assemble *Bertholf*, but expect to use as few as 14 to assemble *Stratton*. This will enable more sub-assembly work in each grand block in a controlled environment and potentially lead to fewer construction hours compared to the process for *Bertholf*.

Other improvements include an enhanced replenishment at sea station, which incorporates a redesigned refueling area that will be more efficient and ergonomic for cutter personnel. We are also improving the gas turbine removal route, which will make it easier to remove and repair the gas turbine modules that power the cutter. And we have enhanced the hull fatigue design on *Stratton*, ensuring she will achieve a 30-year fatigue life.

We are currently working toward production award for the fourth NSC, *Hamilton*. In line with accomplished acquisition reforms and our efforts to become the lead systems integrator, the production award for *Hamilton* will occur outside the Integrated Coast Guard Systems (ICGS) LSI construct and include a fixed price contract structure.



Our HC-144A Ocean Sentry maritime patrol aircraft project is also experiencing significant success. We have already taken delivery of seven HC-144 aircraft, with four more on order. We have also taken delivery of three mission system pallets, with nine more on order. We continue working with the contractor to refine software and hardware interface issues and are looking at ways to minimize those issues with future deliveries.

The operational value of this extremely capable aircraft is already being shown. On February 6, 2009, the HC-144A Ocean Sentry officially stood the watch for the first time on a scheduled operational patrol. During that patrol, the aircraft crew was able to respond to a distress notification from a 78-foot fishing vessel approximately 228 miles southwest of Mobile, Ala., in the Gulf of Mexico. The crew received the distress call on the aircraft's new emergency direction finding equipment. Once on scene, the crew quickly established communications with the vessel and determined the boat was not in actual distress—the crew had accidentally activated the vessel's electronic distress beacon. But, the case illustrated the aircraft's ability to quickly hone in on distress signals and respond to the scene.

In another instance, a HC-144A crew in a normal training mission in January 2008 diverted and responded to the crash of two U.S. Air Force F-15 fighters in the Gulf of Mexico. In that case, the crew was able to quickly arrive on scene, locate a survivor using the aircraft's enhanced bubble search window, establish communications with potential Good Samaritan vessels in the area and, as On Scene Commander (OSC), coordinate the search and rescue response between the Air Force, Coast Guard, and other federal and state agencies.



We have installed new surface search radars on five HC-130H Hercules long range surveillance aircraft, and completed the installation of other new mission systems aboard three HC-130Js, with two more in modification.

One example of the capabilities of this upgraded platform occurred on September 4, 2008, when a Coast Guard HC-130H from Air Station Clearwater, Fla., used the aircraft's newly installed Selex radar system to locate and identify three people atop an overturned 15-foot boat 47 nautical miles northwest of Puerta Plata, Dominican Republic. The boat was carrying four passengers from the Dominican Republic en route to Puerto Rico when it capsized, separating the fourth passenger from the boat. After locating the boat and passengers, the aircrew vectored a Coast Guard HH-65C helicopter. They also used the onboard Automatic Identification System (AIS), which is integrated with the SELEX radar, to identify a nearby Good Samaritan vessel, the cruise ship *Carnival Destiny*. The *Destiny* made best speed to assist as needed but finally continued to its original course after the Coast Guard HH-65C crew completed the rescue of the three surviving passengers. The Coast Guard returned the survivors to the Dominican Republic, where they received medical treatment for severe dehydration.



Having upgraded the engines and transmissions on all HH-65C helicopters, we are now also delivering MH-65C Dolphin multi-mission cutter helicopters to air stations across the nation with newly installed airborne use of force capabilities. Eventually, all Coast Guard HH-65C helicopters will be upgraded and re-designated as our Multi-Mission Cutter Helicopter.

The Coast Guard's Helicopter Interdiction Tactical Squadron (HITRON) received delivery of its first MH-65C in October 2007. Pilot and crew training began almost immediately and the first MH-65C deployed aboard *CGC Dallas* in January 2008. In March 2008, the MH-65C interdicted a 'go-fast' boat carrying 3,286 pounds of cocaine. Since then, the MH-65C has been involved in 15 interdictions. So far in fiscal year 2009, the MH-65C has successfully interdicted 11 go-fasts, resulting in the seizure of more than six tons of cocaine and more than two tons of marijuana; having a combined estimated street value of more than \$178 million. The MH-65C has cemented its place at the forefront of our nation's efforts to stop illegal drugs from reaching our streets.

Additionally, these helicopters have proven extremely valuable in assisting with identification and stopping of Self-Propelled Semi-Submersible (SPSS) vessels.



The Mission Effectiveness Project, which is completing systems recapitalization for our 110-foot, 210-foot and 270-foot in-service cutters, continues to progress on schedule and on budget. In March of 2008, we completed the MEP availability for *CGC Seneca*, the seventh of 26 total 270-foot Medium Endurance Cutter availabilities (13 cutters with two availabilities each). In November 2008, *CGC Resolute* completed its MEP availability, the seventh of 14 total 210-

foot cutter availabilities. And in December 2008 we completed the MEP availability of *CGC Sitkinak*, the seventh of 20 total 110-foot patrol boat availabilities. Currently, six cutters are at the Coast Guard Yard undergoing MEP availabilities—three 210-foot cutters and three 110-foot patrol boats.

And our reform efforts are directly measured in the recent contract award for the critically needed Fast Response Cutter Sentinel-class patrol boat. Initially planned as part of the Deepwater program, to be delivered through Integrated Coast Guard Systems, we took this project back within the Coast Guard to ensure full and open competition and responsible program management. We have abided strictly to our reformed acquisition processes, conducting a deliberative proposal review and award determination with integrated participation from technical authorities and the operational community. Based on the cornerstones for



successful acquisition, this project also adheres to *MSAM* guidelines, full reporting, independent assessment and validation, leveraging internal and external partnerships, and robust departmental oversight.

For other programs, those not originally affiliated with Deepwater, adherence to sound acquisition processes likewise has had positive results.

For example, the Response Boat-Medium (RB-M) project is in low rate initial production (LRIP) and has delivered seven of an eventual 180 new boats, with the eighth delivery scheduled for later this week. We have 36 RB-M's on order, with plans in place to order an additional 30 in FY2009. To support those orders, the contractor opened a second production facility outside of Green Bay, Wis. in September 2008. These boats, already making a difference in some high-profile real-world search and rescue cases, are helping Coast Guard Sectors across the nation carry out an operational evaluation to inform future production decisions. For example, a RB-M recently delivered to Coast Guard Sector New York responded to the U.S. Airways passenger jet that ditched in the Hudson River on January 15, 2009. And, the RB-M delivered to Coast Guard Sector Key West was recently featured prominently on the television show *America's Most Wanted* for its dramatic operational capabilities.



The 87-foot Coastal Patrol Boat project is completing delivery of the final cutters of the class, which are replacing the decommissioned fleet of 82-foot Point class cutters. Two 87-foot Coastal Patrol Boats were commissioned this month—*CGC Alligator* in St. Petersburg, Fla., on March 9 and *CGC Reef Shark* in San Juan, PR on March 23.

The Rescue 21 project, our maritime “911” service, is also making good progress, having recently delivered the 19th of 39 sectors, with Sector North Carolina coming online. Once that Sector’s Rescue 21 system is fully operational, we will be providing search and rescue radio and direction finding coverage along 27,649 miles of U.S. coastline. Our operational men and women have already reported numerous lives saved due to the increased capabilities the Rescue 21 systems provides.



For example, on January 14, 2009, an 18-foot recreational fishing boat capsized with six men onboard in the frigid waters around the Chesapeake Bay Bridge-Tunnel near Hampton Roads, Va. When the boat began taking on water in rough January seas, the men only had time to grab a handheld radio and call, “Mayday! Mayday! Mayday!” Shortly thereafter, the boat capsized and all six men were plunged into the 43-degree water. Coast Guard Sector Hampton Roads received the mayday call at 9:09 AM, but

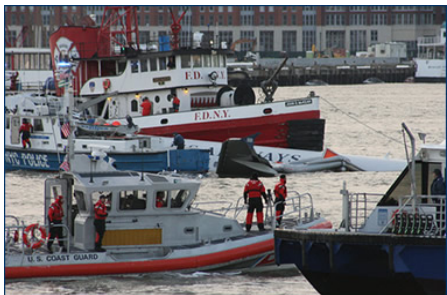
was unable to communicate with the men over the radio. Using the recently installed Rescue 21 system, with its improved direction finding capabilities, Coast Guard watchstanders were able to quickly pinpoint the vicinity where the mayday call originated using only the lone mayday transmission. A nearby Coast Guard HH-60 helicopter responded to the location and dropped a rescue swimmer into the water. Overhearing the radio transmissions and seeing the Coast Guard helicopter, a Maryland pilot boat also came to aid in the rescue. The “mayday” call came in at 9:09 AM. The Coast Guard helicopter arrived on-scene at 9:29 AM and all six fishermen were out of the water by 9:42 AM. Four of the men survived the hypothermic temperatures after being rescued. Without Rescue 21, the Coast Guard would have been unable to locate the stricken fishing boat so quickly and more men likely would have died.

We recently awarded a contract for the second increment of the Nationwide Automatic Identification System, which will allow the government to identify, track and communicate with vessels navigating to and from U.S. ports. Another new initiative, called Interagency Operations Center/Command 21 will standardize and integrate the Coast Guard’s command, control and communications capabilities and provide DHS capability for command, control, and coordination with other federal, state and local partner agencies.



As the Acquisition Directorate motto states, “mission execution begins here.” Success at headquarters has had a real impact on the Coast Guard men and women in the field, giving them the tools they need to serve the nation. Without our acquisition programs, there would be no Rescue 21; no

upgraded or armed HH-65C helicopters; no Response Boat-Medium; no upgraded mission systems onboard our HC-130 fleet; and no prospect for replacement for our severely aging fleet of cutters and maritime patrol aircraft. Mission execution really does begin with effective acquisition.



The news picture of the ditched US Airways flight in the Hudson River, with the RB-M in the foreground, really brings home the notion that it is not just about a paper contract. At the end of the day, when we get those assets deployed, we are saving lives, or interdicting illegal drugs off our coast, or stopping illegal migrants.

ADDRESSING PROJECT CHALLENGES

In addition to enabling current and future project success, our reform efforts are facilitating the successful resolution of past and current project challenges.

One such challenge is the fatigue lifespan of the National Security Cutter—which the Coast Guard insists be at least 30 years—meaning at least 30 years before the onset of major repairs due to normal mission use. In 2007, in accordance with the acquisition success cornerstones and working through our technical authority for engineering and logistics, the Coast Guard arranged to work with the Navy’s Naval Surface Warfare Center, Carderock Division to provide independent third party analysis of fatigue design solutions developed by Coast Guard naval engineers. Using the newest available computer fatigue modeling software, Carderock reached two main conclusions in its final report, presented to the Coast Guard earlier this year.

First, Carderock determined Coast Guard-developed design fatigue enhancements for the hulls of NSCs three through eight will achieve the desired 30-year fatigue life, while also recommending monitoring of localized stress in several structural details. Second, the report identifies major improvements with fatigue life after completing identified modifications to hulls one and two, but the Carderock transmittal letter recommends more data be gathered for several areas which are still modeling a less-than 30-year fatigue life.

We agree with Carderock’s assessments. In fact, we have already outfitted *CGC Bertholf* with strain gauge sensors to measure actual encountered stresses and collect data to enable more precise design modeling. Our technical authority is also reviewing each area identified by Carderock, based on Coast Guard missions and the planned operational profile of the NSC, and will develop a plan to address those concerns prior to implementing any related design fix. Plans are to gather data and modify design enhancements over a span of multiple years, even after NSCs one and two transition to full operations, as the upgrades are completed over potentially several future yard availabilities. We plan to continue to collaborate with Carderock to conduct further analysis, including possible re-validation of changes to the proposed design as a result of the recommendations in their report.

Another persistent challenge is controlling costs in complex, multiple-year projects - especially those costs driven by economic factors outside the Coast Guard’s control, more specifically, those types of cost increases recently impacting the National Security Cutter and Maritime Patrol Aircraft projects. Current economic conditions have seen a steady six-month decline in the cost of commodities such as nickel, steel and copper. However, when we award production contracts, our contract price reflects commodity prices at the time of award. In the case of the National Security Cutter we are executing production contracts for NSCs two and three and the long lead time materials contract for NSC four that were priced based on historically high commodity and fuel prices in effect during the summer of 2008. Likewise, when current NSC and MPA contracts were awarded, the value of the U.S. dollar was at a record low when compared to other foreign currencies, meaning all foreign components necessary for production were more expensive.

While the government will never be able to eliminate these types of cost changes completely, we have taken steps to minimize their impact within Coast Guard acquisitions. Once again, by building on the cornerstones for acquisition success, we have established a firm commitment to independent cost estimates within each project to validate projected program costs. We have

initiated more rigorous government oversight of contractor performance and cost accounting, including renewed emphasis on Earned Value Management data. And we continue to work with industry to balance risk and ensure affordable acquisition programs at best value for the government.

Within our fixed wing aircraft acquisition projects, we are successfully addressing mission system reliability issues. As we have steadily increased the operational tempo of our three missionized HC-130J aircraft, we have experienced some mission system reliability issues—both software (reboots) and hardware (computer card replacements). While separate, we are addressing similar reliability issues with the mission system pallet aboard the HC-144A. In both cases, we are working within our system of checks and balances directly with our technical authority and operational sponsor to aggressively resolve the issues with the contractors. Where applicable, our efforts include warranty work with the contractor. In both cases, we are working closely with the contractor on minor hardware replacements and software upgrades that we expect to complete this year, and already have achieved significant success. We continue to see improved reliability through our ongoing operator training, updates to operational procedures, and increased operator familiarity with each system.

With regard to the 123-foot patrol boats, the Department of Justice (DOJ) and the DHS OIG are continuing their investigations into the project. In February 2009, DOJ informed a federal court in Texas its investigation was not yet complete and it could not make a determination on whether to intervene in a pending Qui Tam false claims action on behalf of the government within the deadline established by the court. When the court declined to extend its deadline, DOJ advised the Court it would not intervene at the time, but would continue its investigation. This decision does not prevent the Qui Tam action from proceeding, or foreclose DOJ's intervention. The Coast Guard continues to support those investigations as the most probable course for any government recovery of funds.

Simultaneous to our support of the DOJ investigation, we have also undertaken an independent engineering analysis through the Navy's Naval Sea Systems Command, which we expect to be completed sometime this summer. Additionally, we are working with the Department of Justice to release five of the eight patrol boats to salvage systems, equipment and parts still of value to the Coast Guard. The remaining three cutters would remain untouched for evidence purposes in support of the ongoing investigations.

ACQUISITION WORKFORCE

As acquisition policy and process improvements have promoted project successes, one persistent set of challenges has been the recruitment, development, and retention of a highly qualified acquisition workforce. We have accomplished much in our reforms of contracting, business and financial management, program management, systems engineering and other key disciplines. But, like other federal agencies, we must work hard to attract and retain the best and brightest in a highly competitive market.

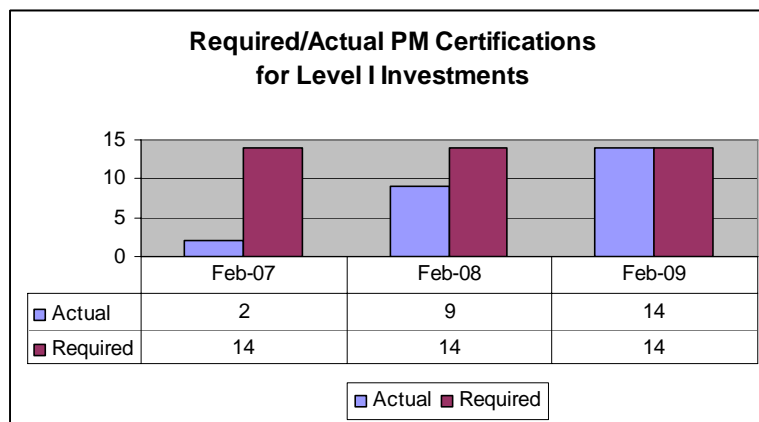
In the 1990s, the level of investment in Coast Guard acquisition was approximately \$200 million. Today it is approximately \$1.5 billion. This growth in investment has required our professional workforce to grow to ensure adequate program management and contractor oversight and

management. We have worked hard to build capacity. Today the Acquisition Directorate has 855 military and government civilian personnel, and is continuing to grow—including 104 new hires in CY2008 and 10 new hires thus far in CY2009.

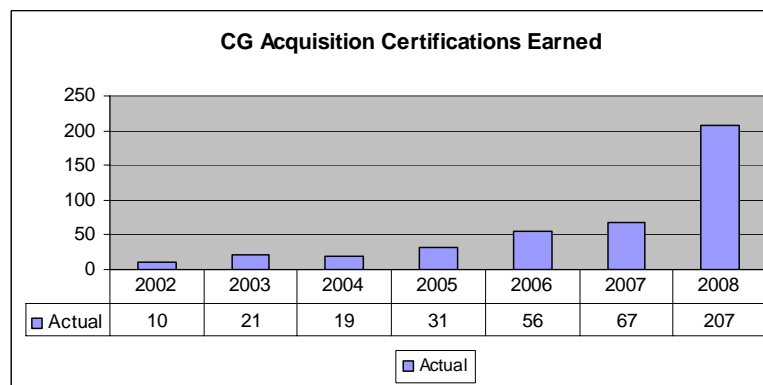
With many agencies competing for qualified acquisition professionals, it is critically important for the Coast Guard to remain competitive in the labor market. The Coast Guard must be able to use all hiring and workforce management tools effectively and expeditiously.

Once hired, however, another challenge is ensuring the appropriate training, skills, and career progression for our workforce. As a government manager, I have an obligation to properly equip my personnel with the skills and tools they need to accomplish their missions.

One of the areas where we have placed enormous pressure is on our training and certification programs. A couple of years ago we had a lot of people who might have had the right experience but had not completed required training or certification, so it was difficult to see standardized skills across projects. We have addressed this challenge. Today, of the 14 Level I investments in our acquisition portfolio (valued at greater than \$1 billion total life cycle cost), 100 percent are led by DHS Level III (senior) certified program managers, as illustrated in the graph below:



Additionally, we have encouraged our entire acquisition workforce to achieve appropriate certifications. Those efforts have also been very successful, with dramatically increased numbers of certifications achieved as shown below:



We have also developed a new *Human Capital Strategic Plan* that outlines several goals aimed at improving the skills of our workforce. An overarching objective is to raise the profile of Coast Guard acquisition as a profession with well-defined career paths for both uniformed and civilian employees. That strategy sets goals for training and educational opportunities, using internal resources as well as reaching out to third parties, such as the Defense Acquisition University and the Naval Postgraduate School, to provide additional support.

The goal in these efforts is to improve the career path that can be followed by uniformed and civilian employees, ultimately narrowing the gap between the complexity of acquisition tasks and the availability of skilled workers to accomplish them.

LOOKING TO THE FUTURE

With acquisition reform firmly taking root, the future of Coast Guard acquisition is bright. We have learned from the past, but our focus remains on the future. Reformed processes have already led to acquisition success, but I am confident our greatest successes lay ahead, if we remain committed to the foundational principles and acquisition cornerstones that have driven our reforms. As the Coast Guard's mission support organization is established fully, those principles will become further engrained in our mission support and acquisition culture.

The future will see new requirements for ever new assets and systems. In fact, we will soon begin the largest single acquisition project in our history—the Off-Shore Patrol Cutter. Now that our reforms are in place, I am confident that and other future projects will be managed effectively and efficiently.

A key element of future acquisition success is the integration of the Coast Guard's Research and Development (R&D) Program with the acquisition community. It is here technologies, assets, and systems can be tested and evaluated prior to initiating a full acquisition program of record. In this way, the R&D Program enables more efficient project planning as developmental efforts are handled by dedicated and objective research and development professionals, rather than project management staff.

The R&D Center recently achieved a major milestone last month when it moved to a new facility. Its new home will better support the growth and additional resources necessary to meet the Coast Guard's current and future R&D needs. And by working to meet those needs, the R&D Center is contributing to today's operational mission demands. Through strategic partnerships with research laboratories—such as John's Hopkins University Applied Physics Laboratory and Sandia National Laboratories—the R&D Center is well-positioned to link operational sponsors and acquisition program managers through pre-acquisition activities, as well as explore modern real-world concepts and technologies for operational and regulatory programs.



For example, in 2005, after recognizing a need among Coast Guard operational units, the R&D Center began work on a biometrics project to enhance identification efforts by deployed Coast Guard personnel. As part of a collaborative effort that includes the Department of Homeland Security Science and Technology Directorate,

US-VISIT, Customs and Border Protection, Immigration and Customs Enforcement, the U.S.

Attorney's Office, and Coast Guard operational community representatives, the R&D center has led development and delivery of a biometrics at sea program that has had a significant impact on our ability to identify and prosecute persons attempting to re-enter the country illegally, those suspected of being alien smugglers, wanted felons, and known or suspected terrorists. Since the R&D Center's biometrics program began in 2006, the Coast Guard has collected over 2,500 biometrics signatures to date, with over 25 percent of those signatures returning a positive match, resulting in over 250 successful prosecutions. During that same period, we have seen a 75 percent reduction in the migrants trying to navigate the Mona Pass—one of the busiest migrant thoroughfares in the Caribbean.

Additionally, the R&D Center is conducting an evaluation of the capabilities of the most effective unmanned aerial system to operate from the deck of the National Security Cutter. The R&D Center effort on this project includes collaboration with Coast Guard operational sponsors and acquisition program managers, as well as external partners and contractors, including the Navy's Naval Air Systems Command, ABS-G Consulting, the Federal Aviation Administration and Sandia National Laboratories. Specific R&D Center Unmanned Aerial Systems (UAS) activities include: participation in tests with the Defense Advanced Research Projects Agency (DARPA) and U.S. Special Operations Command; participation in shipboard UAS tests aboard the National Oceanic and Atmospheric Administration ship *Oscar Dyson*; and completion of a dry-fit of a UAS on *CGC Bertholf*. We also participated in lessons learned from Navy Vertical Unmanned Aerial Systems experience with the *USS McInerney*. Ultimately, these efforts will enable the R&D Center to objectively recommend those platform attributes most likely to meet Coast Guard mission requirements.

The Department recently approved our UAS strategy and authorized a ship-based UAS demonstration, as well as the planning of land-based UAS advanced concept technology demonstrations (ACTD). Therefore, in addition to the R&D Center's ship-based UAS efforts currently underway, its researchers also will explore viable solutions to meet Coast Guard needs for land-based mid- and high-altitude unmanned aerial systems. Those efforts also include comprehensive UAS technology demonstrations, including partnering with sister agencies such as Customs and Border Protection.

Another critical contributor to our current and future acquisition success is the Coast Guard's active Foreign Military Sales (FMS) office. Begun as part of the Coast Guard's Office of International Affairs to handle excess defense article transfers to allied nations, our FMS office completed its first new procurement case in 2001 through the Navy's International Programs Office (IPO). In fact, more than 80 percent of our FMS management and execution is funded through the Navy IPO from the Department of Defense FMS administration trust fund, a pooled fund supplied via a surcharge assessed to foreign purchasers on every FMS case. In 2005, the



Coast Guard's FMS office was transferred to the Deepwater Program Executive Officer and became part of the larger acquisition directorate in July 2007. During the past three years, our active FMS projects have more than doubled to \$100 million, and annual new FMS projects have increased from \$10 million to more than \$50 million.

Recently, our FMS staff reached a major milestone—transfer of the 200th vessel. Those transfers include deliveries to 37 nations of such platforms as 25-foot

Defender-class response boats to 210-foot Reliance-class cutters. Delivery of these assets has been critical to the development of allied navies and coast guards around the world. Some of our strategic allies who have received assets include: Argentina, Chile, Columbia, Ghana, Nigeria, Tunisia, Iraq, Yemen, Bangladesh, and Pakistan. In addition to saving the Coast Guard \$25 million in disposal costs, these deliveries are strengthening U.S. national security in the maritime domain by building capacity for our international partners. By continuing these transactions, we are building enduring partnerships that enhance our capability to pursue cooperatively shared maritime safety and security goals.

CONCLUSION

Today, I am pleased to represent a wholly reformed acquisition organization, with processes and procedures in place to ensure successful program management and oversight. That statement does not imply that I do not expect there will be challenges ahead - there assuredly will be. But, it expresses my confidence that, by following the processes now in place and adhering to the cornerstones of successful acquisition, we will be able to meet and address those challenges successfully to facilitate delivery of assets and systems with capabilities to meet the mission needs of today and tomorrow.



The most poignant example of the success of our reformed acquisition processes is the recently awarded contract for our Fast Response Cutter Sentinel-class patrol boat. With a total potential contract value of more than \$1 billion, it was a highly competitive process. Our selection was deliberate and thorough to ensure an absolutely fair, full and open competition resulting in a patrol boat contract award that was the best value to the government. A post-award protest was filed with GAO, where our process and award determination were carefully and objectively reviewed. Our actions passed the review - and the protest was denied. Another post-award protest was then filed with the U.S. Court of Federal Claims, where it was later withdrawn by the protestor and “dismissed with prejudice” by the judge - again showing, through an external and objective review, that our robust acquisition process was beyond reproach.

As the yard stick by which to measure the success of our reformed acquisition enterprise, the Sentinel project provides a number of assurances - all built on the cornerstones for successful acquisition - for its own and future acquisition management successes, including:

- Establishment and maintenance of a direct Coast Guard relationship with the contractor, rather than through a separate lead systems integrator;
- Development of detailed technical requirements, and firm adherence to those requirements throughout the proposal design evaluation process and construction;
- Classification of cutters to established and recognized standards (i.e., American Bureau of Shipping and High Speed Naval Vessel Rules);
- Use of parent craft designs where applicable, with parent craft designer and builder co-located on engineering team;
- On-site government staff at production facilities;
- Fixed price contract structure;
- Extensive involvement of technical authority throughout acquisition and delivery

- process;
- Independent validation (i.e., independent cost estimates and design assessments);
- Leveraging Navy and other government partnerships; and,
- Ability to re-compete thru options for data and licensing.

The Sentinel project has become the model for all current and future Coast Guard acquisition programs. By adopting needed reforms, and guided by this Subcommittee, we've demonstrated the right way to develop and manage an acquisition project. With those reforms solidly in place, the foundation for continued success is firm.

Thank you. I look forward to your questions.