



Highlights of [GAO-08-745](#), a report to congressional committees

## Why GAO Did This Study

The Coast Guard's Deepwater Program, under the Department of Homeland Security (DHS), has experienced serious performance and management problems.

Deepwater is intended to replace or modernize Coast Guard vessels, aircraft, and the communications and electronic systems that link them together. As of fiscal year 2008, over \$4 billion has been appropriated for Deepwater. The Coast Guard awarded a contract in June 2002 to a lead system integrator, Integrated Coast Guard Systems (ICGS), to execute the program using a system-of-systems approach.

In response to a Senate report accompanying a Department of Homeland Security appropriations bill, 2008, this GAO report assesses whether the changes the Coast Guard is making to its management and acquisition approach to Deepwater will put it in a position to realize better outcomes. GAO reviewed key program documents and interviewed Coast Guard and contractor personnel.

## What GAO Recommends

GAO is making three recommendations: that DHS improve oversight of Deepwater acquisitions and that the Coast Guard revise the major systems acquisition process for limited initial production and increase visibility into Northrop Grumman's earned value management system. DHS is taking the first recommendation under advisement; the Coast Guard generally agreed with the others.

To view the full product, including the scope and methodology, click on [GAO-08-745](#). For more information, contact John Hutton at (202) 512-4841 or [huttonj@gao.gov](mailto:huttonj@gao.gov).

## COAST GUARD

### Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain

#### What GAO Found

Coast Guard leadership is making positive changes to its management and acquisition approach to the Deepwater Program that should put it in a position to realize better outcomes, although challenges to its efforts remain.

- The Coast Guard has increased accountability by bringing Deepwater under a restructured acquisition function and investing its government project managers with management and oversight responsibilities formerly held by ICGS. Coast Guard project managers and technical experts—as opposed to contractor representatives—now hold the greater balance of management responsibility and accountability for program outcomes. However, like other federal agencies, the Coast Guard has faced obstacles in building an adequate government workforce. It has various initiatives under way to develop and retain a workforce capable of managing this complex acquisition program, but faced with an almost 20 percent vacancy rate, it is relying on support contractors, such as cost estimators, in key positions.
- The Coast Guard's decision to manage Deepwater under an asset-based approach, rather than as an overall system-of-systems, has resulted in increased government control and visibility over acquisitions. Agency officials have begun to hold competitions for Deepwater assets outside of the ICGS contract. While the asset-based approach is beneficial, certain cross-cutting aspects of Deepwater, such as the program's communications and intelligence components and the numbers of each asset needed, still require a systems-level approach. The Coast Guard recognizes this but is not yet fully positioned to manage these aspects.
- The Coast Guard has begun to follow the disciplined, project management framework of its *Major Systems Acquisition Manual* (MSAM), which requires documentation and high-level executive approval of decisions at key points in a program's life cycle. But the consequences of not following this approach in the past are now evident, as Deepwater assets have been delivered without a determination of whether their planned capabilities would meet mission needs. The MSAM process currently allows limited initial production to proceed before the majority of design activities have been completed. In addition, a disconnect between MSAM requirements and current practice exists because DHS had earlier delegated to the Coast Guard all Deepwater acquisition decisions, resulting in little departmental oversight.
- Coast Guard project managers and decision makers are now receiving information intended to help manage project outcomes, but some key information is unreliable. The earned value management data reported by ICGS lacks sufficient transparency to be useful to Coast Guard program managers, and subcontractor Northrop Grumman's system for producing the data may need to be re-certified to ensure its reliability. Officials state that they are addressing these issues through joint efforts with the Navy and the Defense Contract Management Agency.