



Highlights of [GAO-09-682](#), a report to congressional committees

Why GAO Did This Study

The Deepwater Program includes efforts to build or modernize ships and aircraft and to procure other capabilities. In 2002, the Coast Guard contracted with Integrated Coast Guard Systems (ICGS) to manage the acquisition as systems integrator. After a series of project failures, the Coast Guard announced in April 2007 that it would take over the lead role, with future work on individual assets bid competitively, and a program baseline of \$24.2 billion was set. In June 2008, GAO reported on the Coast Guard's progress and made several recommendations, which the Coast Guard and the Department of Homeland Security (DHS) have addressed. In response to a Senate report accompanying the DHS Appropriations Bill, 2009, GAO addressed (1) efforts to manage Deepwater, (2) changes in cost and schedule of the assets, and (3) efforts to build an acquisition workforce. GAO reviewed Coast Guard and DHS documents and interviewed officials.

What GAO Recommends

GAO recommends that the Coast Guard bring certain assets into compliance with its acquisition processes before exercising additional contract options, consult with DHS regarding an apparent inconsistency between their acquisition policies, and better present asset costs to Congress in its budget submissions. In written comments, the Coast Guard agreed with the first two items; DHS stated that it will take the third under advisement.

View [GAO-09-682](#) or [key components](#). For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

COAST GUARD

As Deepwater Systems Integrator, Coast Guard Is Reassessing Costs and Capabilities but Lags in Applying Its Disciplined Acquisition Approach

What GAO Found

The Coast Guard has assumed the role of systems integrator for the overall Deepwater Program by reducing the scope of the work on contract with ICGS and assigning these functions to Coast Guard stakeholders. As part of its systems integration responsibilities, the Coast Guard has undertaken a fundamental reassessment of the capabilities, number, and mix of assets it needs and expects to complete this analysis by the summer of 2009. At the individual Deepwater asset level, the Coast Guard has improved and begun to apply the disciplined management process contained in its *Major Systems Acquisition Manual (MSAM)*, but did not meet its goal of complete adherence to this process for all Deepwater assets by the end of March 2009. For example, key acquisition management activities—such as operational requirements documents and test plans—are not in place for assets with contracts or orders recently awarded (such as the Fast Response Cutter and C4ISR) or in production, placing the Coast Guard at risk of cost growth or schedule slips. In addition, the *MSAM* does not appear to be consistent with recent DHS policy that requires entities responsible for operational testing to be independent of the system's users.

Due in part to the Coast Guard's increased insight into what it is buying, the anticipated cost, schedules, and capabilities of many Deepwater assets have changed since the \$24.2 billion baseline was established in 2007. Coast Guard officials have stated that this baseline reflected not a traditional cost estimate, but rather the anticipated contract costs as determined by ICGS. As the Coast Guard has developed its own cost baselines for some assets, it has become apparent that some of these assets it is procuring will likely cost more than anticipated—up to \$2.7 billion more based on information to date. This represents approximately 39 percent cost growth for the assets with revised cost estimates. As more cost baselines are developed and approved, further cost growth is likely. Updated baselines also indicate that schedules have slipped for several of the assets. In addition, the current structure of the Coast Guard's budget submission to Congress does not include details at the asset level, such as estimates of total costs and total numbers to be procured, as do those of the Department of Defense, which acquires similar systems.

One reason the Coast Guard hired a contractor as a systems integrator was because it recognized that it lacked the experience and depth in workforce to manage the acquisition internally. The Coast Guard acknowledges that it still faces challenges in hiring and retaining qualified acquisition personnel and that this situation poses a risk to the successful execution of its acquisition programs. According to human capital officials in the acquisition directorate, as of April 2009, the acquisition branch had 16 percent of positions unfilled, including key jobs such as contracting officers and systems engineers. Even as it attempts to fill its current vacancies, the Coast Guard plans to increase the size of its acquisition workforce significantly; the fiscal year 2010 budget request includes funding for 100 new acquisition workforce positions. In the meantime, the Coast Guard has been increasing its use of support contractors.