



Highlights of [GAO-07-460T](#), a testimony before the Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard, Committee on Commerce, Science & Transportation, U.S. Senate

## Why GAO Did This Study

The Coast Guard's Deepwater program is a 25-year, \$24 billion plan to replace or modernize its fleet of vessels and aircraft. While there is widespread acknowledgment that many of the Coast Guard's aging assets need replacement or renovation, concerns exist about the acquisition approach the Coast Guard adopted in launching the Deepwater program. From the outset, GAO has expressed concern about the risks involved with the Coast Guard's acquisition strategy, and continues to review Deepwater program management.

This statement discusses (1) the Coast Guard's acquisition approach for the Deepwater program; (2) previous GAO recommendations to the Coast Guard on Deepwater, highlighting the importance of Integrated Product Teams; and (3) operational challenges the Coast Guard is facing because of performance and design problems with Deepwater patrol boats.

## What GAO Recommends

GAO made 11 recommendations in 2004 in the areas of management and oversight, contractor accountability, and cost control through competition. In April 2006, we reported that the Coast Guard had implemented five of the recommendations, had begun to address five other recommendations, and declined to implement one recommendation.

[www.gao.gov/cgi-bin/getrpt?GAO-07-460T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-460T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Stephen Caldwell at (202) 512-9610 or [caldwells@gao.gov](mailto:caldwells@gao.gov).

# COAST GUARD

## Coast Guard Efforts to Improve Management and Address Operational Challenges in the Deepwater Program

### What GAO Found

In 2001, we described the Deepwater project as “risky” due to the unique, untried acquisition strategy for a project of this magnitude within the Coast Guard. The Coast Guard used a system-of-systems approach to replace deteriorating assets with a single, integrated package of aircraft, vessels, and unmanned aerial vehicles. The Coast Guard also used a system integrator—which can give the contractor extensive involvement in requirements development, design, and source selection of major system and subsystem subcontractors. The Deepwater program is also a performance-based acquisition, meaning that it is structured around the results to be achieved rather than the manner in which the work is performed. If performance-based acquisitions are not appropriately planned and structured, there is an increased risk that the government may receive products or services that are over cost estimates, delivered late, and of unacceptable quality.

GAO's reported concerns and related recommendations in 2004 and in subsequent assessments in 2005 and 2006 have centered on three main areas: program management, contractor accountability, and cost control through competition. In the area of program management, GAO's prior work has found that Integrated Product Teams—the Coast Guard's primary tool for managing the program and overseeing the contractor—have struggled to carry out their missions effectively. We have ongoing work reviewing Deepwater implementation and contract oversight and will continue to monitor the Coast Guard's implementation of our recommendations.

In addition to these management issues, the Coast Guard is facing operational challenges because of performance and design problems with Deepwater patrol boats. Specifically, problems with the conversion of 110-foot patrol boats to 123-foot patrol boats ultimately led the Coast Guard to suspend all normal operations of its converted 123-foot patrol boats on November 30, 2006; the Coast Guard is now exploring options to address the resulting operational gaps. In February 2006, the Coast Guard suspended design work on the Fast Response Cutter (FRC)—which was intended to replace the patrol boats—due to design risks. In moving forward with the FRC acquisition, the Coast Guard will end up with two separate classes of FRCs—an outcome that has resulted in a slippage of the anticipated FRC delivery date.