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# *Office of Inspector General*

# *Audit Report*

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## **REPORT ON THE AUDIT OF THE GREAT LAKES ICEBREAKER CAPABILITY REPLACEMENT PROJECT**

*United States Coast Guard*

*Report Number: MH-2002-001*

*Date Issued: October 11, 2001*





# Memorandum

U.S. Department of  
Transportation  
Office of the Secretary  
of Transportation  
Office of Inspector General

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Subject: INFORMATION: Report on the Audit of the Great  
Lakes Icebreaker Capability Replacement Project  
United States Coast Guard  
MH-2002-001

Date: October 11, 2001

From: Alexis M. Stefani   
Assistant Inspector General for Auditing

Reply To  
Attn. Of: JA-40

To: Commandant  
United States Coast Guard

This report provides our observations on the United States Coast Guard's (Coast Guard) plans to procure a replacement for the *USCGC Mackinaw*. The *USCGC Mackinaw*, the only Coast Guard heavy icebreaker operating in the Great Lakes, is being replaced because of its age and escalating operating cost of approximately \$7 million annually. The Senate Appropriations Committee in Report No. 106-309 granted Coast Guard the authority to enter into a contract for the Great Lakes Icebreaker Capability Replacement Project (GLIB). The GLIB's Request for Proposals (RFP) provides for a multi-purpose cutter, capable of heavy icebreaking and also functioning as a buoy tender in the Great Lakes. The objective, scope, and methodology of our audit are discussed in the Exhibit.

Because of concerns regarding competition, the Senate Appropriations Committee, in Report No. 106-309, asked us to determine whether "the design specifications and requirements of the RFP will not preclude full and fair competition." During the course of our work, we also obtained information on the cost, funding, justification, and capabilities for the multi-purpose cutter. Coast Guard expects to award the design and construction contract by mid-October 2001.

## **RESULTS**

The GLIB RFP, issued on December 21, 2000, allows for full and fair competition. Our review and comparison of the requirements outlined in the Federal Acquisition Regulation (FAR) and Coast Guard Acquisition Procedures, showed that Coast Guard's procedures parallel the requirements of FAR. We also

determined that the GLIB RFP, Acquisition Plan, Proposal Evaluation Plan and Source Selection Plan comply with FAR Parts 6 and 15, which cover competition requirements and contracting by negotiation, respectively.

The United States Army Corps of Engineers' Marine Design Center assisted us in assessing the technical requirements in the RFP and other project documents. We concluded that the RFP should allow broad participation by shipyards, including those far removed from the Great Lakes and those that do not have experience with icebreakers. The RFP allows each shipyard to propose a vessel design tailored to standards, practices, and past experiences employed by that shipyard. Therefore, no shipyard is put at a competitive disadvantage by a specific technical requirement. The information required in the RFP, such as past performance and technical/management proposals, are common throughout the commercial shipbuilding industry and can be submitted by any qualified shipyard. Also, the use of commercial standards allows participation by shipyards that specialize in building either commercial vessels or military vessels.

### **ACTION REQUIRED**

No action is required because we are not making any recommendations. If I can answer any questions or be of further assistance, please feel free to call me at (202) 366-1992 or Thomas J. Howard, Deputy Assistant Inspector General for Maritime and Highway Safety Programs, at (202) 366-5630.

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## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### ***Objective***

Our audit objective was to evaluate whether the design specifications and requirements outlined in the Request for Proposals (RFP) will allow for full and fair competition. We also obtained information on the cost, funding, justification and capabilities for the multi-purpose icebreaker/buoy tender.

### ***Scope and Methodology***

To achieve our objective, we interviewed and obtained information from the following sources.

#### ***Coast Guard Headquarters, Washington, DC***

##### **Office of Chief of Staff**

- Office of Programs
- Office of Procurement Management

##### **Office of Operations**

- Office of Cutter Forces
- Office of Aids to Navigation

##### **Office of Acquisitions**

- Great Lakes Ice Breaker Project Office
- Acquisition Technical Support
- Seagoing Buoy Tender Replacement Project

#### ***Coast Guard - Outside Washington, DC***

##### **Ninth District, Cleveland, OH**

- Office of Operations
- Office of Aids to Navigation
- *USCGC Mackinaw* Commander

##### **Headquarters Unit, Baltimore, MD**

- Engineering Logistics Center

#### ***Other Government Agencies***

- Military Sealift Command, Washington, DC
- National Data Buoy Center of the National Oceanic and Atmospheric Administration, Stennis Space Center, MS
- National Science Foundation, Ballston, VA
- U.S. Army Corp of Engineers Marine Design Center, Philadelphia, PA
- Volpe National Transportation Systems Center, Cambridge, MA

***Private Industry Companies and Organizations in the Great Lakes***

- Gaelic Tugboat Company, Grosse Ile, MI
- Great Lakes Towing, Cleveland, OH
- Lake Carriers Association, Cleveland, OH
- Malcolm Marine, Bark River, MI
- Van Enkevort Company, Bark River, MI

***Shipbuilders***

- Basic Marine, Escanaba, MI
- Bender Shipbuilding, Mobile, AL
- Edison Chouest Offshore, Galiano, LA
- Halter Marine, Gulfport, MS
- Marinette Marine, Marinette, WI
- Northrop Grunman, Arlington, VA

To determine whether the design specifications and requirements outlined in the RFP will allow for full and fair competition, we evaluated whether the procurement administrative procedures comply with the Federal Acquisition Regulation. We also interviewed Coast Guard Headquarters officials to discuss and obtain copies of the RFP, Coast Guard Acquisition Procedures, Great Lakes Icebreaker Capability Replacement Project (GLIB) Acquisition Plan, and GLIB Proposal Evaluation Procedures. We contacted shipbuilders to discuss any concerns they may have with the fairness of the RFP. We also obtained an independent assessment on the fairness of the technical requirements in the RFP from the United States Army Corps of Engineers' Marine Design Center. An Office of Inspector General staff engineer provided assistance in the review of this assessment.

We conducted the review between September 2000 and August 2001 in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States.