



# Department of Homeland Security Office of Inspector General

## Coast Guard's Blueprint for Acquisition Reform Needs Improved Oversight





# Homeland Security

APR 26 2010

## Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the U.S. Coast Guard's implementation of its Blueprint for Acquisition Reform. The report is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General

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## Abbreviations

Blueprint	Blueprint for Acquisition Reform / Blueprint for Continuous Improvement
DHS	Department of Homeland Security
GAO	Government Accountability Office
OIG	Office of Inspector General

# OIG

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*Department of Homeland Security  
Office of Inspector General*

## **Executive Summary**

The Coast Guard began realigning its acquisition function in 2007 in response to issues reported by our office and the Government Accountability Office. The Coast Guard's Blueprint for Acquisition Reform sets forth objectives and specific action items for improving its acquisition function and contracting capabilities. We conducted this audit to determine the progress the U.S. Coast Guard has made in implementing its Blueprint.

The Coast Guard can improve Blueprint implementation oversight by (1) establishing a method to measure outcomes of completed Blueprint action items, and (2) prioritizing the action items. The Coast Guard uses the percentage of Blueprint action items completed to report accomplishment, even though this information does not measure improvements to acquisition functions. The Coast Guard also has not established priorities for initiating or completing the action items or evaluated the impact of missed completion milestone dates. As a result, the Coast Guard may not have an accurate assessment of its progress in improving its acquisition function.

We are recommending that the Coast Guard establish better measures and priorities for successful implementation of its Blueprint for Acquisition Reform. The Coast Guard concurred with the recommendations and has taken action to implement them.

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## Background

Over the past 5 years, the Government Accountability Office (GAO) and the Department of Homeland Security Office of Inspector General (OIG) have issued a number of audit reports citing systemic issues in the Coast Guard's systems acquisition function and structure related to effective program management, contractor oversight, adequate staffing, data tracking, and performance measures (see Appendix D). As a result, in 2007, the Coast Guard began realigning its acquisition function.

To enhance mission execution, the Coast Guard developed a Blueprint for Acquisition Reform (Blueprint), which sets forth a number of specific tasks for improving the acquisition function and contracting capabilities. The Blueprint consists of action items in four major areas defined by the GAO *Framework for Assessing the Acquisition Function at Federal Agencies*.<sup>1</sup> The framework provides general guidance to evaluate an agency's acquisition function and identifies areas that need improvement. The following four major areas are included in the framework:

**Organizational Alignment:** Focuses on organizational placement and effectiveness of the acquisition function to ensure that it continues to provide needed services.

**Policies and Processes:** Develops the Coast Guard's acquisition management functions to support the acquisition mission efficiently and consistently.

**Human Capital:** Documents the Acquisition Directorate's strategy for hiring, training, and retaining a workforce with the necessary skills, certifications, and experience to manage and monitor complex acquisition programs.

**Information Management and Stewardship:** Documents the Acquisition Directorate's efforts to collect, analyze, and act on data that identify opportunities to reduce costs, improve performance, measure contract compliance, and provide better management of acquisition investments.

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<sup>1</sup> *Framework for Assessing the Acquisition Function at Federal Agencies*, GAO-05-218G, September 2005. The GAO Framework is included in the Office of Federal Procurement Policy's *Guidelines for Assessing Acquisition Function*, May 2008.

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The Coast Guard publishes an updated Blueprint annually, making it available to the public on the Coast Guard website, and provides copies to Congress, DHS, GAO, and the Office of Management and Budget.

## **Results of Audit**

The Coast Guard can improve Blueprint implementation oversight by (1) establishing a method to measure outcomes of completed Blueprint action items, and (2) prioritizing the action items. The Coast Guard uses the percentage of Blueprint action items completed to report accomplishment, even though this information does not measure improvements to acquisition functions. The Coast Guard also has not established priorities for initiating or completing the action items or evaluated the impact of missed completion milestone dates. As a result, the Coast Guard may not have an accurate assessment of its progress in improving its acquisition function.

### **Better Measures Needed to Assess Acquisition Improvements**

The Coast Guard has not instituted a methodology, including baselines and overarching program goals, against which to accurately assess and report on overall improvements to its acquisition function. Instead, the Coast Guard measures Blueprint implementation progress based on the number of action items completed.

The Coast Guard annually develops the Blueprint action items based on suggestions for improvements and best practices and then assigns the action items to acquisition personnel for completion. The Coast Guard uses input from program managers, division chiefs, and office chiefs to establish accountability and the estimated completion date for each action item. The Coast Guard also has a process for closing and verifying completion of the action items and determining next steps (see Appendix C).

Personnel in the Office of Strategic Planning and Communications report progress in completing action items to the Assistant Commandant for Acquisition and the Vice Commandant on a biweekly basis. In these reports, the Coast Guard uses the total number of completed action items to measure the progress toward improvement of the acquisition function. The Coast Guard uses this simplified measurement approach because it allows accomplishments to be measured and action item completion to be verified.

In the current version of the Blueprint, dated July 2009, the Coast Guard noted it had completed 131 of 215 (61%) action items. They include the following:

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- Reorganizing and aligning responsibilities by creating a single acquisition office that manages all projects,
  - Developing the Acquisition Human Capital Strategic Plan,
  - Updating the Major Systems Acquisition Manual used for managing projects in the new organization,
  - Developing project management information systems, and
  - Certifying all program and project managers with the proper program management skill level required to manage projects.

In the fourth version of the Blueprint issued in July 2009, the Coast Guard changed the title to Blueprint for Continuous Improvement in recognition of the incremental improvements made.

Measuring action items completed does not provide the Coast Guard with an accurate assessment of progress. The Coast Guard may be overstating its accomplishments by measuring outputs instead of performance outcomes. For example, the Coast Guard initiated an effort to adopt tenure service agreements for employees by the first quarter of Fiscal Year 2011. One of the action items was to perform initial research on the feasibility of adopting the service agreements. Another action item was to draft a memorandum proposing the service agreements to the Coast Guard. Although both action items were reported as completed, the new service agreements have not yet been adopted.

In another example, the Coast Guard wanted to expand and build upon existing surveys to solicit views on the effectiveness of communications, acquisition processes, and other areas needing improvement. The Coast Guard closed the action after redesigning the customer and employee survey questionnaires and included the action in its overall measure of accomplishment. However, the Coast Guard did not distribute the survey, analyze the results, or use the results to improve communications and acquisition processes. Because developing the survey alone did not accomplish the objective of soliciting customer and employee views, the Coast Guard overstated its progress toward improvement by identifying this as a completed action.

## **Prioritization of Action Items Needed**

The Coast Guard does not establish priorities among the action items or identify interrelationships and the sequence for accomplishing tasks in a building block approach. The Coast Guard monitors individual action items only to ensure that they meet their assigned completion dates. Staff members may revise action item completion dates without evaluating the effect on other action items or the overall improvement program. The

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Coast Guard scheduled 158 action items for completion by the end of Fiscal Year 2009, of which 36 (23%) were rescheduled without determining the impact on acquisition improvements.

For example, an action item scheduled for completion in the second quarter of Fiscal Year 2008 was extended twice and rescheduled for the first quarter of Fiscal Year 2010. The Coast Guard completed this fundamental action item on December 23, 2009. This action item was to examine existing infrastructure in order to allow executive leadership to establish an appropriate forum to promote integration and coordination among the agency's budgetary processes and human capital, acquisition, and financial management functions. Extending the completion date may put a critical acquisition operating process at risk because of the delay in coordinating these functions.

The Coast Guard stated that quarterly meetings are held with the Office of Strategic Planning and Communications and the Assistant Commandant for Acquisition to report and discuss progress, delays, and rescheduling of action items. Though the goal of these quarterly meetings is to review action items and prioritize work, the Coast Guard did not justify any schedule changes or decisions made during these meetings. If a particular action item is not completed during the year, the Coast Guard does not revise the action item completion date until the annual review of the Blueprint.

## **Recommendations**

We recommend that the Commandant, U.S. Coast Guard:

**Recommendation #1:** Establish a more effective methodology for assessing progress in implementing the Blueprint for Acquisition Reform by measuring outcomes and not outputs.

**Recommendation #2:** Establish priorities among the action items, identifying interrelationships and the sequence for accomplishing tasks in a building block approach.

**Recommendation #3:** Evaluate and take corrective actions to mitigate the effect of delayed completion of action items on acquisition reform.



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## **Management Comments and OIG Analysis**

The Coast Guard concurred with two of the recommendations and partially concurred with the remaining recommendation in the report. The Coast Guard has begun formulating plans to implement the recommendations contained in the report.

### **Management Comments to Recommendation 1:**

The Coast Guard concurred with our recommendation to establish a more effective methodology for assessing progress in implementing the Blueprint for Acquisition Reform by measuring outcomes and not outputs. The Coast Guard stated that a plan is being developed to implement baseline measurements and increase the effectiveness of outcome reporting. In the next revision of the Blueprint, the Coast Guard will align all action items with specific goals for the acquisition enterprise and measurable performance objectives to provide traceability. The Coast Guard is continuing its research for additional ways to refine measurements for action item outcomes and long term effects on the acquisition enterprise.

### **OIG Analysis**

We consider this recommendation resolved and open until plans to implement baseline measurements and increase the effectiveness of outcome reporting are developed and implemented.

### **Management Comments to Recommendation 2:**

The Coast Guard concurred in part with our recommendation to establish priorities among the action items, identifying interrelationships and the sequence for accomplishing tasks in a building block approach. The Coast Guard stated that action items in the current and past editions of the Blueprint were prioritized based on due dates established during senior leadership discussion sessions. In the next update to the Blueprint for Continuous Improvement, the Coast Guard will systematically prioritize action items based on established criteria. Additionally, the Coast Guard is working to modify the Blueprint action plan to better demonstrate interrelationships and sequencing of action items as they relate to acquisition enterprise goals and their measurable performance objectives.

The Coast Guard disagrees that staff may be revising action item completion dates without evaluating the effect on other action

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items or the impact on the overall improvement program. During the annual leadership discussion sessions, Acquisition Directorate senior leadership, office and division chiefs, and members of the Senior Executive Service review each request to change an action item completion date, including justification provided by the action owners.

The Coast Guard further stated that in the future, the prioritization process will be systematically documented and published to increase transparency, including full documentation of all changes to the previously established completion dates.

### **OIG Analysis**

The Coast Guard acknowledges that the process for prioritization can be more transparent. Our review of action items disclosed that over 20% of assigned completion dates slipped without full documentation of the reasons for these decisions. The actions taken by the Coast Guard to systematically document the process for prioritizing action items and to make the process more transparent addresses the intent of our recommendation. We consider this recommendation resolved and open until systematic documentation and publication of the prioritization process is completed.

### **Management Comments to Recommendation 3:**

The Coast Guard concurred with our recommendation to evaluate and take corrective actions to mitigate the effect of delayed completion of action items on acquisition reform. The Coast Guard stated that in future editions of the Blueprint, it will clearly prioritize and link action items to specific goals and measurable objectives, enabling Coast Guard leadership and action item owners to better understand the impact of postponing action items. Action item owners will be required to provide a detailed impact statement for a delayed action item to enhance transparency, so Coast Guard leadership can make informed decisions on whether to delay completion of an action item.

### **OIG Analysis**

We consider this recommendation resolved and open until new requirements described above are incorporated into the next version of the Blueprint.

## Appendix A

### Purpose, Scope, and Methodology

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The purpose of this audit was to determine the progress the U.S. Coast Guard has made in implementing its Blueprint, including reasons for not meeting pre-established milestones. We reviewed internal controls pertinent to our overall objective. We analyzed supporting documentation for select action items implemented, interviewed key personnel, and observed operations for several management information systems.

During our audit, we visited the U.S. Coast Guard Acquisition Directorate in Washington, D.C. We reviewed U.S. Coast Guard's implementation of action items in the different Blueprint versions.

- *Blueprint for Acquisition Reform, Version 2, dated July 2007*
- *Blueprint for Acquisition Reform, Version 3, dated July 2008*
- *Blueprint for Continuous Improvement, Version 4, dated July 2009*

We selected a judgmental sample of 28 of 132 action items in the Blueprint based on action items in the four major areas defined by the GAO Framework. Of the 28 action items selected, we reviewed 8 that were reported closed in Version 3, 9 that should have been completed in Version 3 by the time of our review, and 11 reported closed in Version 4. Our review included the scheduling and prioritization of action items, analysis of supporting documentation, and observation and testing of the completed action items.

We reviewed the development and tracking of Blueprint action items; Major Systems Acquisition Manual updates for action items selected; Program and Project Manager certification for projects; compared and analyzed scheduled completion dates for action items in Blueprint Versions 2, 3, and 4 and actions taken to ensure that internal controls for the new organization are in place, monitored, and tested.

We conducted this performance audit between July and November 2009 under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix B Management Comments to the Draft Report

U.S. Department of  
Homeland Security  
United States  
Coast Guard



Commandant  
United States Coast Guard

2100 Second Street, S.W., Stop 7245  
Washington, DC 20593-0001  
Staff Symbol: CG-823  
Phone: (202) 372-3533  
Fax: (202) 372-2311

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APR - 7 2010

### MEMORANDUM

From: T. W. JONES, CAPT  
COMDT (CG-82)

A handwritten signature in blue ink, appearing to read "T. W. Jones".

Reply to: Audit Manager,  
Attn of: Mark Kulwicki  
(202) 372-3533

To: Assistant Inspector General for Audits

Subj: RESPONSE TO DRAFT REPORT, "COAST GUARD'S BLUEPRINT FOR  
ACQUISITION REFORM NEEDS IMPROVED OVERSIGHT"

Ref: (a) Office of the Inspector General (OIG) Draft Report of March 2010

1. This letter transmits the Coast Guard's response to the Office of Inspector General's (OIG) draft report findings and recommendations in reference (a).
2. Coast Guard concurs with recommendations #1 and #3, and concurs in-part with #2. Recommendations will be addressed in the next revision of the *Blueprint* in summer 2010.
3. If you have any questions, my point of contact is Mr. Mark Kulwicki at (202) 372-3533. Alternately, our Chief of External Coordination in the Office of Budget & Programs, Commander Todd Offutt, can be reached at (202) 372-3535.

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Enclosure: (1) USCG Comments

## Appendix B Management Comments to the Draft Report

### UNITED STATES COAST GUARD (USCG) RESPONSE ON THE DEPARTMENT OF HOMELAND SECURITY INSPECTOR GENERAL DRAFT REPORT

**TITLE: “Coast Guard’s Blueprint for Acquisition Reform Needs Improved Planning and Oversight”**

#### **COAST GUARD’S GENERAL COMMENTS ON DHS OIG FINDINGS:**

The Coast Guard concurs with the draft report’s three recommendations and has been working to address them in the next revision of the *Blueprint* (summer 2010). Through the *Blueprint* and complementary strategies, policies and processes, the Coast Guard is fully committed to the evolution and correct alignment of authority and responsibility in its acquisition enterprise. The Coast Guard looks forward to continuing to refine these efforts to ensure that they meet the expectations of stakeholders, which includes the OIG, Congress and others.

The Coast Guard values and recognizes that the *Blueprint* and its action item matrix are constantly evolving tools for planning, executing and assessing progress in the service’s acquisition enterprise. In addition to the findings noted in the report, the Coast Guard recommends that the OIG report acknowledge the Coast Guard has demonstrated a commitment to oversight of *Blueprint for Continuous Improvement* implementation by developing a strategic planning process that incorporates feedback from stakeholders, provides visibility to Coast Guard leadership and validation of action completion, as shown in Appendix C of the subject draft report.

#### **Recommendations**

**OIG Recommendation #1:** Establish a more effective methodology for assessing progress in implementing the *Blueprint for Acquisition Reform* by measuring outcomes and not outputs.

**USCG Response:** Concur. The Coast Guard is developing a plan to implement baseline measurements and increase effectiveness of process outcome reporting. In the next revision of the *Blueprint*, the Coast Guard will align all action items with specific goals for the acquisition enterprise. The acquisition enterprise goals will have measurable performance objectives to provide traceability between completion of action items and achievement of goals. The Coast Guard is also continuing its research for additional ways to refine how it measures action item outcomes and long term effects on the acquisition enterprise.

## Appendix B

### Management Comments to the Draft Report

**OIG Recommendation #2:** Establish priorities among the action items, identifying interrelationships and the sequence for accomplishing tasks in a building block approach.

**USCG Response:** Concur in part. Action items in current and past editions of the *Blueprint* are prioritized based on due dates established during senior leadership discussion sessions. In the next update to the *Blueprint for Continuous Improvement*, the Coast Guard will systematically prioritize action items based on established criteria. Additionally, the Coast Guard is working to modify the *Blueprint* action plan to better demonstrate interrelationships and sequencing of action items as they relate to acquisition enterprise goals and their measurable performance objectives.

The Coast Guard disagrees with the finding that staff may revise action item completion dates without evaluating the effect on other action items or the overall improvement program. During the annual leadership discussion sessions, CG-9 Senior Leadership, Office and Division Chiefs, and members of the Senior Executive Service, review each request to change an action item completion date, including justification provided by the action owners.

In the future, the prioritization process will be systematically documented and published to increase transparency, including full documentation of all changes to the previously established completion dates.

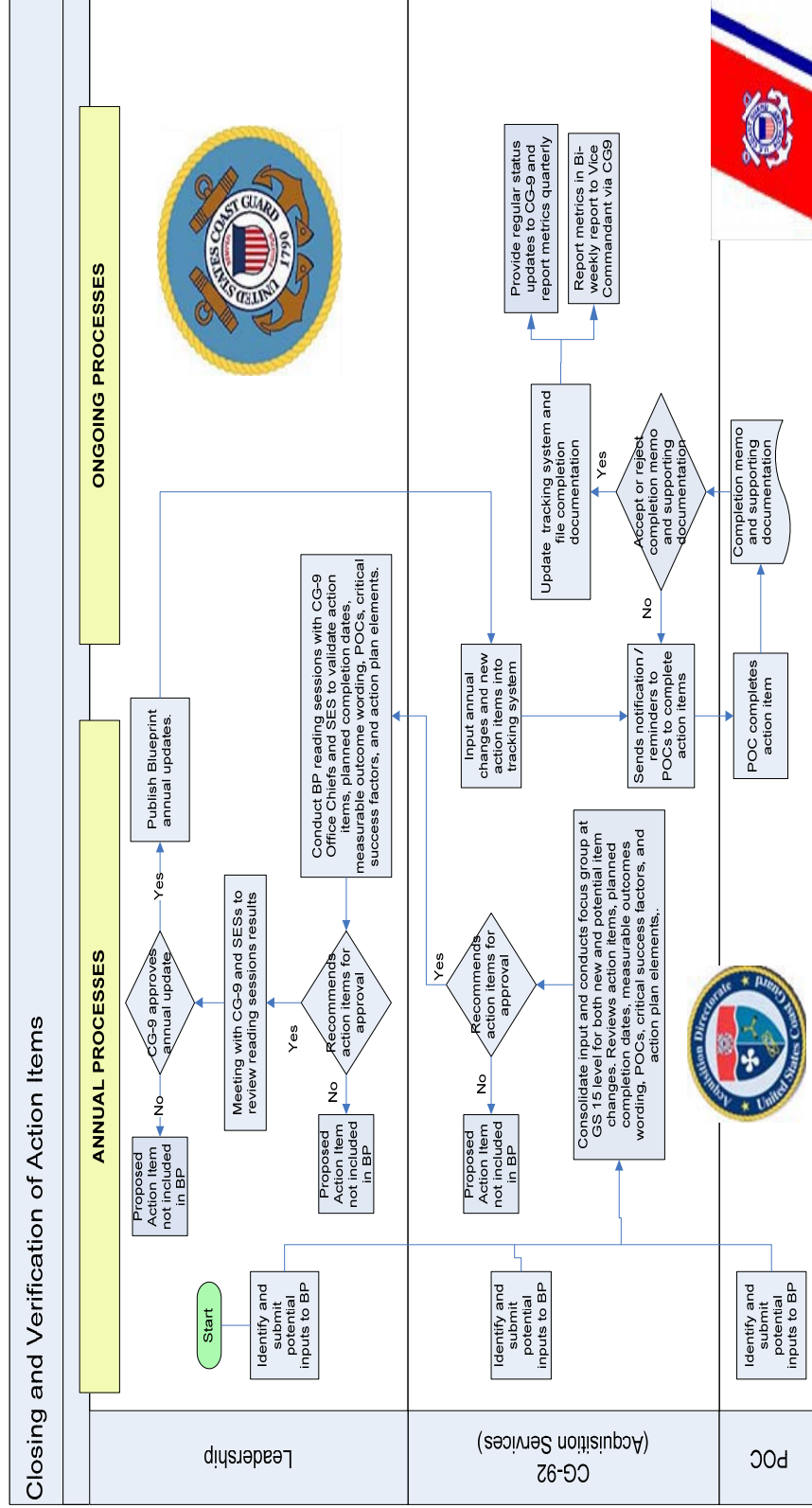
**OIG Recommendation #3:** Evaluate and take corrective actions to mitigate the effect of delayed completion of action items on acquisition reform.

**USCG Response:** Concur. In future editions of the *Blueprint*, the Coast Guard will clearly prioritize and link action items to specific goals and measurable objectives, enabling Coast Guard leadership and action item owners to better understand the impact of postponing action items. Action owners will be required to provide a detailed impact statement for a delayed action item to enhance transparency so Coast Guard leadership can make informed decisions on whether to delay completion of an action item.

With respect to extending completion dates, the Coast Guard completed action items as soon as practicable based on necessary coordination and collaboration with related offices. In some cases, action could not be completed until the Mission Support Organization, which is the acquisition enterprise's parent organization in the chain of command, was established and labor relations negotiations were completed in June 2009. Afterwards, the Coast Guard chartered an Executive Oversight Council to coordinate key acquisition and financial management functions across the Mission Support Organization and with other key Coast Guard stakeholders.

## Appendix C Development and Tracking of Blueprint Action Items

This flowchart shows the process for the tracking and closing of action items for the Blueprint. The Coast Guard gathers suggestions from all acquisition personnel for potential action items to improve the acquisitions functions. The Office of Strategic Planning and Communications, CG-925, compiles the suggestions. Program managers review the action items for recommendation to the Commandant. After approval by the Commandant, the Coast Guard publishes the action items in the Blueprint. The Office of Strategic Planning and Communication also tracks the completion of the action items and reports progress to the Assistant Commandant for Acquisition and the Vice Commandant on a biweekly basis.



Source: U.S. Coast Guard

**Appendix D**  
**Prior Reports Related to Coast Guard Acquisition Reform**

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<b>Report Title</b>	<b>Date Issued</b>
<i>Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight, GAO-04-380</i>	March 9, 2004
<i>Coast Guard: Deepwater Program Acquisition Schedule Update Needed, GAO-04-695</i>	June 14, 2004
<i>Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges, GAO-05-307T</i>	April 20, 2005
<i>Coast Guard: Changes to Deepwater Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring is Warranted, GAO-06-546</i>	April 28, 2006
<i>Improvements Needed in the U.S. Coast Guard's Acquisition and Implementation Deepwater Information Technology System, OIG-06-55</i>	August 11, 2006
<i>Acquisition of the National Security Cutter, OIG-07-23</i>	January 23, 2007
<i>110'/123' Maritime Patrol Boat Modernization Project, OIG-07-27</i>	February 9, 2007
<i>Coast Guard: As Deepwater Systems Integrator, Coast Guard Is Reassessing Costs and Capabilities but Lags in Applying Its Disciplined Acquisition Approach, GAO-09-682</i>	July 14, 2009

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**Appendix E**  
**Major Contributors to This Report**

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Brooke Bebow, Director  
Carlos Berrios, Audit Manager  
Jeanette Hyatt, Auditor  
Kevin King, Auditor  
Rebecca Mogg, Program Analyst  
Lindsay Kirchoffner, Program Analyst  
James Bess, Referencer  
Lorinda Couch, Desk Officer

**Appendix F**  
**Report Distribution**

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- Write to us at:  
DHS Office of Inspector General/MAIL STOP 2600,  
Attention: Office of Investigations - Hotline,  
245 Murray Drive, SW, Building 410,  
Washington, DC 20528.

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