COAST GUARD

Preliminary Observations on Deepwater Program Assets and Management Challenges

Statement of John P. Hutton, Acting Director Acquisition and Sourcing Management
Highlights of GAO-07-446T, a testimony for the Subcommittee on Homeland Security, Committee on Appropriations, House of Representatives

Why GAO Did This Study
The U.S. Coast Guard’s Deepwater program was designed to upgrade or replace its aging legacy aircraft and vessels with assets focusing on the Coast Guard’s traditional at-sea roles. After the September 11, 2001 terrorist attacks, the Coast Guard took on additional security missions, resulting in revisions to the Deepwater plan. GAO’s prior work raised concerns about Coast Guard’s efforts to upgrade or acquire assets on schedule, and manage and effectively monitor the system integrator.

This testimony provides GAO’s preliminary observations on (1) events and issues surrounding the Coast Guard’s bridging strategy to convert the legacy 110-foot patrol boats to 123-foot patrol boats; (2) the status of the Coast Guard’s efforts to acquire new or upgraded Deepwater assets; and (3) the Coast Guard’s ability to effectively manage the Deepwater program, hold contractors accountable, and control costs through competition. GAO’s preliminary observations are based on audit work performed from August 2006 to February 2007.

What GAO Recommends
This testimony contains no recommendations. In 2004, GAO made 11 recommendations on management and oversight, contractor accountability, and cost control through competition, and reported in April 2006 that progress had been made but continued monitoring was warranted.

www.gao.gov/cgi-bin/getrpt?GAO-07-446T.

To view the full product, including the scope and methodology, click on the link above.
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The U.S. Coast Guard's Deepwater program was designed to upgrade or replace its aging legacy aircraft and vessels with assets focusing on the Coast Guard's traditional at-sea roles. After the September 11, 2001 terrorist attacks, the Coast Guard took on additional security missions, resulting in revisions to the Deepwater plan. GAO's prior work raised concerns about Coast Guard's efforts to upgrade or acquire assets on schedule, and manage and effectively monitor the system integrator.

This testimony provides GAO's preliminary observations on (1) events and issues surrounding the Coast Guard's bridging strategy to convert the legacy 110-foot patrol boats to 123-foot patrol boats; (2) the status of the Coast Guard's efforts to acquire new or upgraded Deepwater assets; and (3) the Coast Guard's ability to effectively manage the Deepwater program, hold contractors accountable, and control costs through competition. GAO's preliminary observations are based on audit work performed from August 2006 to February 2007.

What GAO Found
Numerous events since January 2001 led up to the failure of the Coast Guard's bridging strategy to convert its legacy 110-foot patrol boats into 123-foot patrol boats. These converted boats were removed from service on November 30, 2006 because of operational and safety concerns. According to the Coast Guard Commandant, actions are being taken to mitigate the impact of the removal of these patrol boats on mission activities. For example, patrol hours of some 110-foot patrol boats have been increased through the addition of crews from the 123-foot patrol boats, and other Coast Guard vessels have been deployed to assist in carrying out missions.

The delivery record for the 10 classes of upgraded or new Deepwater aircraft and vessels is mixed. Specifically, 7 of the 10 asset classes are on or ahead of schedule. Among these, 5 first-in-class assets have been delivered on or ahead of schedule; 2 others remain on time but their planned delivery dates are in 2009 or beyond; therefore, delays could still potentially occur. Three Deepwater asset classes are currently behind schedule due to various problems related to designs, technology, or funding. For example, the Fast Response Cutter (a new vessel), which had been scheduled for first-in-class delivery in 2007, has been delayed by at least 2 years in part because work on its design was suspended until technical problems can be addressed.

From the program’s outset, GAO has raised concerns about the risks involved with the Coast Guard’s acquisition strategy. In 2004, GAO reported that program management, contractor accountability, and cost control were all challenges, and made recommendations in these areas. Insufficient staffing, ineffective performance measures, and the Coast Guard’s lack of knowledge about the extent to which the contractor was using competition have contributed to program risk. The Coast Guard has taken some actions to address these issues. GAO plans to continue to assess the Coast Guard’s Deepwater program, including its efforts to address GAO recommendations, and will report the findings later this year.

Deepwater Vessel and Aircraft Classes

<table>
<thead>
<tr>
<th>National Security Cutter (NSC)</th>
<th>Offshore Patrol Cutter (OPC)</th>
<th>Fast Response Cutter (FRC)</th>
<th>Short-Range Prosecutor (SRP)</th>
<th>Long-Range Interceptor (LRI)</th>
</tr>
</thead>
</table>

Source: U.S. Coast Guard.
Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to participate in today’s hearing to discuss our preliminary observations on the status of the United States Coast Guard’s Integrated Deepwater System program. These observations are based upon our ongoing analysis for this Committee and the Senate Appropriations Committee, and we plan to provide a more complete analysis when we issue our report later this year.

Deepwater is a 25-year, $24-billion effort to upgrade or replace existing Coast Guard aircraft and vessels in order to carry out its missions along our coastlines and farther out at sea. An initial emphasis of the Deepwater program was to improve existing assets, known as “legacy” assets, as a bridging strategy until new assets could be delivered and begin operating. One of the key legacy assets to be improved was the 110-foot patrol boat, which was to be converted to a 123-foot patrol boat by lengthening the hull and modernizing various components. While the Coast Guard originally planned to convert all 49 of its 110-foot patrol boats to 123-foot patrol boats, it halted the patrol boat conversion program after 8 boats because of hull buckling and the inability of these converted patrol boats to meet post-September 11, 2001 mission requirements.

The Deepwater program is eventually to include 10 major classes of new or upgraded assets—5 major classes each of aircraft and vessels. By 2027, under these 10 asset classes, a total of 215 vessels and 240 aircraft are to be acquired or upgraded. To carry out this effort, the Coast Guard has relied on an acquisition strategy that allows a prime contractor (system integrator) to manage the acquisition process, including identifying the assets needed, and then using tiers of subcontractors to design and build the assets.

Since 2001, we have reviewed the Deepwater program and have informed Congress, the Department of Homeland Security (DHS), and the Coast Guard of the problems, risks, and uncertainties inherent with such a large acquisition. In March 2004, we made recommendations to the Coast Guard to address three broad areas of concern: improving program management, strengthening contractor accountability, and promoting cost control through greater competition among potential subcontractors.1 In April

2006, we issued a follow-on report describing efforts the Coast Guard had taken to address the outstanding recommendations.\(^2\)

This statement offers preliminary observations on the Coast Guard’s management of the Deepwater program. Specifically, it discusses:

- events and issues surrounding the problems encountered with the Coast Guard’s bridging strategy to convert the legacy 110-foot patrol boats to 123-foot patrol boats;
- the status of the Coast Guard’s efforts to acquire new or upgraded Deepwater assets; and
- the Coast Guard’s ability to effectively manage the Deepwater program, hold contractors accountable, and control costs through competition.

The preliminary findings and observations noted in this testimony are based on our review of key documents, including the 2005 Deepwater Acquisition Program Baseline; schedule information provided by the Coast Guard; Coast Guard memoranda regarding the 123-foot patrol boat conversion; and Coast Guard’s human capital plan, its award fee and award term documentation, and its competition monitoring plan. We conducted interviews with Coast Guard officials at agency headquarters in Washington, D.C.; officials in Coast Guard’s System Integration Program Office in Arlington, VA; and Coast Guard contractor staff. In addition, we interviewed Coast Guard officials during visits to the Pacific and Atlantic Area Commands and their associated Maintenance and Logistics Commands and at the Coast Guard’s Aircraft Repair and Supply Center. Our work was conducted from August 2006 to February 2007 in accordance with generally accepted government auditing standards. Appendix I contains a list of related GAO products.

### Summary

Numerous events, dating back to January 2001, resulted in the failure of the Coast Guard’s bridging strategy to convert its legacy 110-foot patrol boats into 123-foot patrol boats. These converted boats were removed from service on November 30, 2006 because of operational and safety concerns. Specifically, the Coast Guard cited that the 123-foot patrol boats in service in Key West, Florida displayed deck cracking, hull buckling, and shaft alignment problems related to other structural issues. The mission of these boats involved, among other things, drug interdiction, intercepting

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illegal aliens, and providing support for antiterrorist activities. According to the Commandant of the Coast Guard, actions are being taken to mitigate the impact of the removal of these patrol boats on mission activities. For example, patrol hours of some 110-foot patrol boats have been increased through the addition of crews from the 123-foot patrol boats; other Coast Guard vessels have been deployed to assist in missions formerly performed by the 123-foot patrol boats; and permission has been secured from the U.S. Navy to continue using 179-foot cutters on loan for an additional 5 years. We will continue to review the actions the Coast Guard is taking to mitigate the removal from service of the 123-foot patrol boats.

Of the 10 classes of upgraded or new Deepwater aircraft and vessels, the delivery record for first-in-class assets (that is, the first of multiple aircraft or vessels to be delivered within each class) is mixed. Specifically, 7 of the 10 asset classes are on or ahead of schedule. Among these, 5 first-in-class assets have been delivered on or ahead of schedule; and 2 others remain on schedule but their planned delivery dates are in 2009 or beyond. Three Deepwater asset classes are currently behind schedule due to various problems related to designs, technology, or funding. For example, the Fast Response Cutter (a new vessel), which had been scheduled for first-in-class delivery in 2007, has been delayed by at least 2 years in part because work on its design was suspended until technical problems related to its hull and other issues can be addressed. The Vertical Unmanned Aerial Vehicle (a new aircraft), which had also been scheduled for delivery in 2007, has been delayed by 6 years due to evolving technological developments, among other things. In addition, the Offshore Patrol Cutter, which had a planned delivery date in 2010, has now been delayed by 5 years.

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—a “systems of systems” approach with a contractor as the integrator. In 2004, we reported that there were significant risks related to program management, contractor accountability, and cost control, and we made recommendations in all these areas. The Coast Guard’s ability to effectively manage the program has been challenged by staffing shortfalls and poor communication and collaboration among Deepwater program staff, contractors, and field personnel. Despite documented problems in schedule, performance, cost control, and contract administration, measures for holding the contractor accountable resulted in an award fee of $4 million (of the maximum $4.6 million) for the first year. Through the first 4 years of the Deepwater contract, the system integrator received
award fees that ranged from 87 percent to 92 percent of the total possible award fee (scores that ranged from “very good” to “excellent” based on Coast Guard criteria), for a total of over $16 million. Further, the program’s ability to control Deepwater costs is uncertain given the Coast Guard’s lack of detailed information on the contractor’s competition decisions. While the Coast Guard has taken some actions to improve program outcomes, our assessment of the program and its efforts to address our recommendations continues, and we plan to report on our findings later this year.

The Coast Guard is the lead federal agency for maritime security within DHS. The Coast Guard is responsible for a variety of missions, including ensuring ports, waterways, and coastline security; conducting search and rescue missions; interdicting illicit drug shipments and illegal aliens; and enforcing fisheries laws. In 1996, in order to continue carrying out its responsibilities and operations, the Coast Guard initiated the Deepwater program to replace or upgrade its aging vessels, aircraft, and other essential equipment.

As originally conceived, Deepwater was designed around producing aircraft and vessels that would function in the Coast Guard’s traditional at-sea roles—such as interdicting illicit drug shipments or rescuing mariners from difficulty at sea—and the original 2002 Deepwater program was focused on those traditional missions. After the terrorist attacks on September 11, 2001, the Coast Guard was also assigned homeland security missions related to protection of ports, waterways, and coastal areas. Based on its revised mission responsibilities, the Coast Guard updated its Deepwater Acquisition Program Baseline in November 2005. The new baseline contained changes in the balance between new assets to be acquired and legacy assets to be upgraded and adjusted the delivery schedule and costs for many of these assets. Overall, the Deepwater acquisition schedule was lengthened by 5 years, with the final assets now scheduled for delivery in 2027.

Upon its completion, the Deepwater program is to consist of 5 new classes of vessels, 1 new class of fixed-wing aircraft, 1 new class of unmanned aerial vehicles, 2 classes of upgraded helicopters, and 1 class of upgraded fixed-wing aircraft. The 215 new vessels consist of five new asset

In addition to these asset classes, Coast Guard plans to procure surveillance data from another unmanned aerial vehicle, the RQ-4A. Because this is not to be acquired as a capital investment, we do not include it among the assets to be acquired or upgraded.
classes—the National Security Cutter (NSC), Offshore Patrol Cutter (OPC), Fast Response Cutter (FRC), Long-Range Interceptor (LRI), and Short-Range Prosecutor (SRP). The 240 aircraft are composed of two new aircraft classes, the Vertical Unmanned Aerial Vehicle (VUAV) and the Maritime Patrol Aircraft (MPA); and three upgraded asset classes—the Long-Range Surveillance Aircraft (LRS), Medium-Range Recovery Helicopter (MRR), and the Multi-Mission Cutter Helicopter (MCH).

Table 1 provides an overview, by asset class, of the Deepwater vessels to be acquired and table 2 provides an overview of the Deepwater aircraft to be acquired or upgraded. As noted in Table 1, the 140-foot FRC was designated as a replacement vessel for the 110-foot and 123-foot patrol boats.
Table 1: Deepwater Vessels to be Acquired

<table>
<thead>
<tr>
<th>National Security Cutter (NSC)</th>
<th>Offshore Patrol Cutter (OPC)</th>
<th>Fast Response Cutter (FRC)</th>
<th>Short-Range Prosecutor (SRP)</th>
<th>Long-Range Interceptor (LRI)</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Image" /></td>
<td><img src="image2.png" alt="Image" /></td>
<td><img src="image3.png" alt="Image" /></td>
<td><img src="image4.png" alt="Image" /></td>
<td><img src="image5.png" alt="Image" /></td>
</tr>
<tr>
<td>Current number of assets planned</td>
<td>8</td>
<td>25</td>
<td>58</td>
<td>91</td>
</tr>
<tr>
<td>Asset being replaced</td>
<td>378-foot high-endurance cutters</td>
<td>210-foot and 270-foot medium-endurance cutters</td>
<td>110-foot and 123-foot patrol boats</td>
<td>New asset</td>
</tr>
</tbody>
</table>
| Missions | • Maritime safety  
• Maritime security  
• Protection of natural resources  
• National defense | • Maritime safety  
• Maritime security  
• Protection of natural resources  
• National defense | • Maritime safety  
• Maritime security  
• Protection of natural resources  
• National defense | • Maritime safety  
• Maritime security | • Maritime safety  
• Maritime security |

Source: GAO analysis of Coast Guard documentation.
Table 2: Deepwater Aircraft to be Upgraded or Acquired

<table>
<thead>
<tr>
<th>Aircraft/Asset Type</th>
<th>Current number of assets planned</th>
<th>Asset being replaced</th>
<th>Missions</th>
</tr>
</thead>
<tbody>
<tr>
<td>HH-65 Multi-Mission Cutter Helicopter (MCH)</td>
<td>102</td>
<td>Upgraded asset (HH-65)</td>
<td>• Maritime safety&lt;br&gt;• Maritime security&lt;br&gt;• Protection of natural resources</td>
</tr>
<tr>
<td>HH-60 Medium Range Recovery Helicopter (MRR)</td>
<td>42</td>
<td>Upgraded asset (HH-60)</td>
<td>• Maritime safety&lt;br&gt;• Maritime security&lt;br&gt;• Protection of natural resources</td>
</tr>
<tr>
<td>Maritime Patrol Aircraft (MPA)</td>
<td>36</td>
<td>HU-25 Falcon</td>
<td>• Maritime safety&lt;br&gt;• Maritime security&lt;br&gt;• Protection of natural resources</td>
</tr>
<tr>
<td>HV-911 Vertical Takeoff Unmanned Aerial Vehicle (VUAV)</td>
<td>45</td>
<td>New asset</td>
<td>• Maritime safety&lt;br&gt;• Maritime security&lt;br&gt;• Protection of natural resources</td>
</tr>
<tr>
<td>Long-Range Surveillance Aircraft (LRS)</td>
<td>22</td>
<td>Upgraded asset (HC-130)</td>
<td>• Maritime safety&lt;br&gt;• Maritime security&lt;br&gt;• Protection of natural resources</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Coast Guard documentation.

Since 2001, we have reviewed the Deepwater program and have informed Congress, DHS, and Coast Guard of the problems, risks, and uncertainties inherent with such a large acquisition that relies on a system integrator to identify the assets needed and then using tiers of subcontractors to design and build the assets. In March 2004, we made recommendations to the Coast Guard to address three broad areas of concern: improving program management, strengthening contractor accountability, and promoting cost control through greater competition among potential subcontractors (see table 3).\(^4\) We have issued a number of follow-on reports describing efforts the Coast Guard has taken to address these recommendations. (See app. I for a list of related GAO products.)

\(^4\) GAO-04-380
Table 3: Status of GAO Recommendations to the U.S. Coast Guard Regarding Management of the Deepwater Program, as of April 28, 2006

<table>
<thead>
<tr>
<th>Areas of concern</th>
<th>Recommendations to the U.S. Coast Guard</th>
<th>Recommendation status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key components of management and oversight</td>
<td>Put in place a human capital plan to ensure adequate staffing of the Deepwater program</td>
<td>Implemented (human capital plan was implemented)</td>
</tr>
<tr>
<td></td>
<td>Improve integrated product teams (IPTs) responsible for managing the program by providing better training, approving charters for sub-IPTs, and improving systems for sharing information between teams</td>
<td>Partially implemented</td>
</tr>
<tr>
<td></td>
<td>Provide field operators and maintenance personnel with timely information and training on how the transition to Deepwater assets will occur and how maintenance responsibilities are to be divided between the system integrator and Coast Guard personnel</td>
<td>Partially implemented</td>
</tr>
<tr>
<td>Procedures for ensuring contractor accountability</td>
<td>Develop measurable award fee criteria consistent with guidance from the Office of Federal Procurement Policy</td>
<td>Implemented</td>
</tr>
<tr>
<td></td>
<td>Provide for better input from U.S. Coast Guard performance monitors</td>
<td>Implemented</td>
</tr>
<tr>
<td></td>
<td>Hold the system integrator accountable in future award fee determinations for improving effectiveness of the IPTs</td>
<td>Implemented</td>
</tr>
<tr>
<td></td>
<td>Establish a baseline for determining whether the acquisition approach is costing the government more than the traditional asset replacement approach</td>
<td>Will not be implemented</td>
</tr>
<tr>
<td></td>
<td>Establish a time frame for when the models and metrics will be in place with the appropriate degree of fidelity to be able to measure contractor’s progress toward improving operational effectiveness</td>
<td>Partially implemented</td>
</tr>
<tr>
<td></td>
<td>Establish criteria to determine when to adjust the project baseline and document the reasons for change</td>
<td>Partially implemented</td>
</tr>
<tr>
<td>Control of future costs through competition</td>
<td>For subcontracts over $5 million awarded by the system integrator to the two major subcontractors, require notification to the Coast Guard about decision to perform the work in-house rather than contracting it out</td>
<td>Implemented</td>
</tr>
<tr>
<td></td>
<td>Develop a comprehensive plan for holding the system integrator accountable for ensuring adequate competition among suppliers</td>
<td>Partially implemented</td>
</tr>
</tbody>
</table>

Between January 2001 and November 2006, numerous events led up to the failure of the Coast Guard’s bridging strategy to convert the legacy 110-foot patrol boats into 123-foot patrol boats. In January 2001, an independent study found that the 110-foot patrol boats based in south Florida and Puerto Rico were experiencing severe hull corrosion and that their structural integrity was deteriorating rapidly. To address these issues, the Coast Guard’s original (2002) Deepwater plan included a strategy to convert all 49 of the 110-foot patrol boats into 123-foot patrol boats to strengthen the hulls. Also, the plan was to provide additional capabilities, such as stern launch and recovery capabilities and enhanced and improved command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR). While Coast Guard originally planned to convert all 49 of its 110-foot patrol boats to 123-foot patrol boats, it halted the patrol boat conversion program after 8 boats because of continued hull buckling and the inability of these converted patrol boats to meet post-September 11, 2001 mission requirements. These 8 converted boats were removed from service on November 30, 2006 because of operational and safety concerns.

The first patrol boat conversion was completed in March 2004, on the Matagorda. Between March 2004 and late August 2004, the Matagorda underwent additional maintenance that was not included in the contract to convert it to 123 feet, according to Coast Guard officials. On September 10, 2004, while en route to its home port in Key West, the Matagorda experienced hull and deck buckling, while transiting the Gulf of Mexico.

By March 2005, 2 other converted 123-foot patrol boats, the Nunivak and the Padre, also began experiencing problems with hull buckling. That same month, similar hull deformations were discovered in 3 other 123-foot patrol boats—the Metompkin, Vashon, and Monhegan. As a result of the deteriorating hull conditions, Coast Guard imposed operational restrictions in April 2005 on the 123-foot patrol boats. These restrictions specified that the converted patrol boats could not operate in seas with wave heights exceeding 8 feet (they were originally intended to operate in seas up to roughly 13 feet) and that they had to operate at reduced speeds. Figure 1 provides a timeline of key events that led to the eventual removal from service of the 123-foot patrol boats.

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5 CSC Advanced Marine, Evaluation of the 110’ WPB Class Cutter Fleet (January 2001).
Figure 1: Timeline of Key Events Leading to Removal from Service of 123-foot Patrol Boats

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/2001</td>
<td>Independent assessment of 22 of the 49 110-foot patrol boat fleet commissioned by Coast Guard indicates moderate to severe corrosion problems with hull plating and supporting structures for the 14 patrol boats stationed in South Florida and Puerto Rico.</td>
</tr>
<tr>
<td>08/2002</td>
<td>Coast Guard issues delivery order for design and construction of first patrol boat designated for conversion to a 123-foot vessel, the <em>Matagorda</em>.</td>
</tr>
<tr>
<td>05/2004</td>
<td>Deepwater test and evaluation team reports that issues with workmanship and construction quality affect crew's ability to operate, and team's ability to conduct testing.</td>
</tr>
<tr>
<td>09/2004</td>
<td><em>Matagorda</em> experiences hull and deck buckling while transiting the Gulf of Mexico. Coast Guard notifies systems integrator that it considers hull buckling a design defect.</td>
</tr>
<tr>
<td>10/2004</td>
<td>Coast Guard and system integrator finalize structural upgrade to address buckling issue; upgrade subsequently installed on <em>Matagorda</em>, <em>Metompkin</em>, <em>Nunivak</em>, <em>Vashon</em>, <em>Monhegan</em>, <em>Manitou</em>; upgrade planned for <em>Padre</em> and <em>Attu</em>.</td>
</tr>
<tr>
<td>03/2005</td>
<td><em>Nunivak</em>, <em>Padre</em> experience hull buckling. A subsequent survey reported that similar deformations occurred on 3 other converted 123-foot patrol boats (<em>Metompkin</em>, <em>Vashon</em>, and <em>Monhegan</em>).</td>
</tr>
<tr>
<td>04/2005</td>
<td>Coast Guard places completed 123-foot patrol boats under operational restrictions; tells system integrator that defects in vessel design prevent operation at full speed under certain sea conditions.</td>
</tr>
<tr>
<td>06/2005</td>
<td>Coast Guard halts conversion of patrol boats at 8, rather than the 49 originally planned, due to continued hull conditions and inability of converted vessels to meet post-9/11 mission requirements.</td>
</tr>
<tr>
<td>11/2006</td>
<td>Coast Guard removes from service 8 converted 123-foot patrol boats assigned to Key West following a comprehensive, independent analysis of their hulls.</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Coast Guard data.

The Coast Guard is taking actions to mitigate the operational impacts resulting from the removal of the 123-foot patrol boats from service. Specifically, in recent testimony, the Commandant of the Coast Guard stated that Coast Guard has taken the following actions:

- multi-crew certain 110-foot patrol boats with crews from the 123-foot patrol boats that have been removed from service so that patrol hours for these vessels can be increased;
- deploying other Coast Guard vessels to assist in missions formerly performed by the 123-foot patrol boats; and
• securing permission from the U.S. Navy to continue using 179-foot cutters on loan from the Navy for an additional 5 years (these were originally to be returned to the Navy in 2008) to supplement the Coast Guard’s patrol craft.

We will continue to review the actions the Coast Guard is taking to mitigate the removal from service of the 123-foot patrol boats as part of our ongoing work.

Our review of available data show that as of January 2007, of the 10 classes of Deepwater assets to be acquired or upgraded, 4 are ahead of schedule; 3 remain on schedule (and for 1 of these, design problems have arisen); and 3 are behind scheduled delivery and face design, funding, or technology challenges. Using the 2005 Deepwater Acquisition Program Baseline as the baseline, figure 2 indicates, for each asset class, whether delivery of the first-in-class (that is, the first of several to be produced in its class) is ahead of schedule, on schedule, or behind schedule, as of January 2007.
Among the Deepwater assets, 3 of the 5 aircraft classes are upgrades to existing legacy systems, and these are all on or ahead of schedule; 1 new aircraft class is ahead of schedule; and the remaining new aircraft class is 6 years behind schedule. With respect to Deepwater vessels, all 5 asset classes are new, and of these, 2 are behind schedule, and a third, while on schedule, faces structural modifications. The remaining 2 new maritime assets are small vessels that are on or ahead of schedule at this time. Table 4 provides an overview of schedule status for the Deepwater aircraft and vessel classes.
### Table 4: Delivery Status of the Deepwater Aircraft and Vessels, as of January 2007

<table>
<thead>
<tr>
<th>Asset category</th>
<th>Behind schedule</th>
<th>On schedule</th>
<th>Ahead of schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgraded legacy aircraft</td>
<td>N/A*</td>
<td>MCH</td>
<td>LRS, MRR</td>
</tr>
<tr>
<td>New aircraft</td>
<td>VUAV</td>
<td>N/A*</td>
<td>MPA</td>
</tr>
<tr>
<td>New vessels</td>
<td>OPC, FRC&quot;</td>
<td>NSC, LRI</td>
<td>SRP</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Coast Guard data.

*There are no such assets in this category.

"The FRC will replace the 110-foot and 123-foot patrol boats.

### Assets That Are on Schedule as of January 2007

#### Long-Range Interceptor

The status of each asset class, and our preliminary observations on the factors affecting their status, is discussed below.

The LRI is a 36-foot small boat that is to be carried and deployed on each NSC and OPC. Coast Guard has one LRI on contract for delivery in August 2007, to match delivery of the first NSC.

#### Short-Range Prosecutor

According to the Coast Guard, the SRP is on schedule at this time and 8 have been delivered to date. Coast Guard is currently planning to pursue construction and delivery of the remaining SRPs outside of the system integrator contract. By doing so, the Coast Guard expects to achieve a cost savings.

#### Maritime Patrol Aircraft

The MPA is a commercial aircraft produced in Spain that is being acquired to replace the legacy HU-25 aircraft and will permit the Coast Guard to carry out missions, such as search and rescue, marine environmental protection, and maritime security. The first MPA was delivered to the Coast Guard in December 2006, and the second and third are due for delivery by April 2007. Pilots and aircrew participated in training classes in Spain, and Coast Guard is to take responsibility for the development and implementation of MPA's maintenance and logistics.

#### Long-Range Surveillance Aircraft

The LRS is an upgraded legacy fixed-wing aircraft that includes 6 C-130Js and 16 C-130Hs. The first aircraft entered the modification process in January 2007, and five additional aircraft are to be modified by July 2008. In fiscal year 2008, funding has been requested to upgrade the C-130H radar and avionics, and for the C-130J fleet introduction.
The MRR is an upgraded legacy HH-60 helicopter. It began receiving a series of upgrades beginning in fiscal year 2006, which will continue into fiscal year 2012, including the service life extension program and radar upgrades.

The MCH is an upgraded legacy HH-65 helicopter. According to Coast Guard officials, the MCH assets will not have a single delivery date, as the process involves three phases of upgrades. Phase I is the purchase and delivery of new engines and engine control systems, Phase II is a service-life extension program, and Phase III includes communications upgrades. A Coast Guard official stated that 84 of the 95 HH-65s should be re-engined by June 2007, and all 95 should be finished by October 2007. The fiscal year 2008 congressional justification states that Phase II began in fiscal year 2007 and will end in fiscal year 2014, and that Phase III is to begin in fiscal year 2008 and is to end in fiscal year 2014.

According to Coast Guard documentation, the NSC is on schedule for delivery despite required modifications regarding its structural integrity. In particular, the Coast Guard Commandant recently stated that internal reviews by Coast Guard engineers, as well as by independent analysts, have concluded that the NSC, as designed, will need structural reinforcement to meet its expected 30-year service life. In addition, the DHS Office of Inspector General recently reported that the NSC design will not achieve a 30-year service life based on an operating profile of 230 days underway per year in general Atlantic and North Pacific sea conditions and added that Coast Guard technical experts believe the NSC’s design deficiencies will lead to increased maintenance costs and reduced service life. To address the structural modifications of the NSC, Coast Guard is taking a two-pronged approach. First, Coast Guard is working with contractors to...
enhance the structural integrity of the hulls of the remaining six NSCs that have not yet been constructed. Second, after determining that the NSC’s deficiencies are not related to the safe operation of the vessel in the near term, Coast Guard has decided to address the structural modifications of the hulls of the first two cutters as part of planned depot-level maintenance about 5 years after they are delivered. The Commandant stated that he decided to delay the repairs to these hulls to prevent further delays in construction and delivery.

Deepwater Assets Behind Schedule as of January 2007

Offshore Patrol Cutter

Coast Guard officials have stated that further work on the development of the OPC is on hold and the Coast Guard did not request funding for the OPC in fiscal years 2007 or 2008. Delivery of the first OPC has been delayed by 5 years—from 2010 to 2015.

Fast Response Cutter

Concerns about the viability of the design of the FRC have delayed the delivery of the first FRC by at least 2 years. As we have previously reported, design and delivery of the original FRC was accelerated as a bridging strategy to offset the failed conversion of the 110-foot patrol boats into 123-foot patrol boats. According to the 2005 Deepwater Acquisition Program Baseline, the first FRC was scheduled to be delivered in 2007—11 years earlier than the 2018 date listed in the original (2002) Deepwater plan. Coast Guard suspended design work on the FRC in late February 2006; however, because of design risks, including excessive weight and horsepower requirements. As a result, Coast Guard is moving forward with a “dual-path approach” for acquiring new patrol boats to replace its existing 110-foot and 123-foot patrol boats.

The first component of this dual path approach is to have the Deepwater system integrator purchase a commercial (off-the-shelf) patrol boat design.

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that can be adapted for Coast Guard use. According to Coast Guard officials, unlike the original plans, this FRC class is not expected to meet all performance requirements originally specified, but is intended as a way to field an FRC more quickly than would otherwise occur and that can, therefore, serve as an interim replacement for the deteriorating fleet of 110-foot patrol boats. The Coast Guard Commandant recently stated that the Coast Guard expects delivery of the commercial FRCs in the first half of fiscal year 2010, about 2 years behind the estimated delivery date specified in the 2005 Deepwater Acquisition Program Baseline.

The second component of the dual-path approach is to eventually acquire another cutter—a redesigned FRC. However, due to continuing questions about the feasibility of its planned composite hull, Coast Guard has now further delayed a decision about its development or acquisition until it receives results from two studies. First, the Coast Guard is conducting a business case analysis comparing the use of composite versus steel hulls. Second, the Coast Guard told us that DHS’s Science and Technology Directorate will be conducting tests on composite hull technology, and that it will wait to see the results of these tests before making a decision on the redesigned FRC. Until recently, the Coast Guard anticipated delivery of the redesigned FRC in 2009 or 2010. However, the decision to not request funding for this redesigned FRC in fiscal year 2008, and to await the results of both studies before moving forward, will likely further delay delivery of the redesigned FRC.

According to the Coast Guard, evolving technological developments and the corresponding amount of funding provided in fiscal year 2006 have delayed the delivery of the VUAV by 6 years—from 2007 to 2013. As a result, the Coast Guard has adjusted the VUAV development plan. The fiscal year 2008 DHS congressional budget justification indicates that the Coast Guard does not plan to request funding for the VUAV through fiscal year 2012. Coast Guard originally intended on matching the NSC and VUAV delivery dates so that the VUAV could be launched from the NSC to provide surveillance capabilities beyond the cutter’s visual range or sensors. However, with the delay in the VUAV’s development schedule, it no longer aligns with the NSC’s initial deployment schedule. Specifically, Coast Guard officials stated that the VUAV will not be integrated with the NSC before fiscal year 2013, 6 years later than planned. Coast Guard

Vertical Unmanned Aerial Vehicle

According to the Coast Guard, evolving technological developments and the corresponding amount of funding provided in fiscal year 2006 have delayed the delivery of the VUAV by 6 years—from 2007 to 2013. As a result, the Coast Guard has adjusted the VUAV development plan. The fiscal year 2008 DHS congressional budget justification indicates that the Coast Guard does not plan to request funding for the VUAV through fiscal year 2012. Coast Guard originally intended on matching the NSC and VUAV delivery dates so that the VUAV could be launched from the NSC to provide surveillance capabilities beyond the cutter’s visual range or sensors. However, with the delay in the VUAV’s development schedule, it no longer aligns with the NSC’s initial deployment schedule. Specifically, Coast Guard officials stated that the VUAV will not be integrated with the NSC before fiscal year 2013, 6 years later than planned. Coast Guard

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8 Coast Guard refers to this vessel as the FRC-B.

9 Coast Guard refers to this as the FRC-A.
officials stated that they are discussing how to address the operational impacts of having the NSC operate without the VUAV. In addition, Coast Guard officials explained that since the time of the original contract award, the Department of Defense has progressed in developing a different unmanned aerial vehicle—the Fire Scout—that Coast Guard officials say is more closely aligned with Coast Guard needs. Coast Guard has issued a contract to an independent third party to compare the capabilities of its planned VUAV to the Fire Scout.

Preliminary Observations on the Status of Deepwater Program Management, Contractor Accountability, and Cost Control

Since the inception of the Deepwater program, we have expressed concerns about the risks involved with the Coast Guard’s system-of-systems acquisition approach and the Coast Guard’s ability to manage and oversee the program. Our concerns have centered on three main areas: program management, contractor accountability, and cost control through competition. We have made a number of recommendations to improve the program—most of which the Coast Guard has agreed with and is working to address. However, while actions are under way, a project of this magnitude will likely continue to experience other problems as more becomes known. We will continue our work focusing on the Coast Guard’s efforts to address our recommendations and report on our findings later this year.

Program Management

In 2004, we reported that the Coast Guard had not effectively implemented key components needed to manage and oversee the system integrator. Specifically, we reported at that time and subsequently on issues related to integrated product teams (IPT), the Coast Guard’s human capital strategy, and communication with field personnel (individuals responsible for operating and maintaining the assets). Our preliminary observations on the Coast Guard’s progress in improving these program management areas, based on our ongoing work, follow.

Integrated Product Teams

In 2004, we found that IPTs, the Coast Guard’s primary tool for managing the Deepwater program and overseeing the contractor, had not been effective due to changing membership, understaffing, insufficient training, lack of authority for decision making, and inadequate communication. We recommended the Coast Guard take actions to address IPT effectiveness. We subsequently reported that IPT decision-making was to a large extent stove-piped, and some teams lacked adequate authority to make decisions
within their realm of responsibility.\textsuperscript{10} Coast Guard officials believed collaboration among the subcontractors was problematic and that the system integrator wielded little influence to compel decisions among them. For example, proposed design changes to assets under construction were submitted as two separate proposals from both subcontractors rather than one coherent plan. According to Coast Guard performance monitors, this approach complicated the government review of design changes because the two proposals often carried overlapping work items, thereby forcing the Coast Guard to act as the system integrator in those situations. Although some efforts have been made to improve the effectiveness of the IPTs—such as providing them with more timely charters and entry-level training—our preliminary observations are that more improvements are needed.

The Coast Guard’s ability to assess IPT performance continues to be problematic. Former assessments of IPT effectiveness simply focused on measures such as frequency of meetings, attendance, and training. As a result, IPTs received positive assessments while the assets under their realm of responsibility—such as the National Security Cutter—were experiencing problems. The new team measurements include outcome-based metrics such as cost and schedule performance of assets (ships, aircraft, and command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR)). However, Deepwater’s overall program management quarterly report shows that the connection between IPT performance and program results continues to be misaligned.\textsuperscript{11} For example, the first quarterly report to incorporate the new measurements, covering the period October to December 2006, indicates that the IPTs’ performance for all domains is “on-schedule or non-problematic” even while some assets’ cost or schedule performance is rated “behind schedule or problematic.” \textsuperscript{12} Further, even though the Deepwater program is addressing fundamental problems surrounding the 123-foot patrol boat and FRC, IPTs no longer exist for these assets. In some cases, Coast Guard officials stated they have established work groups outside of the


\textsuperscript{11} The program management reports were produced on a monthly basis in the past; now they are produced on a quarterly basis.

\textsuperscript{12} IPTs are focused on the development and fielding of a particular product (e.g., the NSC) and are organized by domain. Examples of domains are air, surface, C4ISR, and legacy assets.
We also reported in 2004 that the Coast Guard had not adequately staffed its program management function for Deepwater. Although its Deepwater human capital plan set a goal of a 95 percent or higher “fill rate” annually for both military and civilian personnel, funded positions were below this goal. We recommended that the Coast Guard follow the procedures in its Deepwater human capital plan to ensure that adequate staffing was in place and that turnover of Coast Guard military personnel was proactively addressed. The Coast Guard subsequently revised its Deepwater human capital plan in February 2005 to emphasize workforce planning, including determining needed knowledge, skills, and abilities and developing ways to leverage institutional knowledge as staff rotate out of the program. We reported in 2005 that the Coast Guard also took some short-term steps to improve Deepwater program staffing, such as hiring contractors to assist with program support functions, shifting some positions from military to civilian to mitigate turnover risk, and identifying hard-to-fill positions and developing recruitment plans specifically for them.

However, in February 2007, Coast Guard officials told us that key human capital management objectives outlined in the revised plan have not been accomplished and that the staffing levels needed to accomplish the known workload have not been achieved. In one example, a manager cited the need for five additional staff per asset under his domain to satisfy the current workload in a timely manner: contracting officer’s technical representative, scheduler, cost estimator, analyst, and configuration manager. Further, a February 2007 independent analysis found that the Coast Guard does not possess a sufficient number of acquisition personnel or the right level of experience needed to manage the Deepwater program. The Coast Guard has identified an acquisition structure reorganization that includes human capital as one component of the reform. We will continue to monitor the implementation of the reorganization as part of our ongoing work.

In 2004, we found that the Coast Guard had not adequately communicated to field personnel decisions on how the new and old assets were to be integrated during the transition and whether Coast Guard or system
integrator personnel—or both—would be responsible for maintenance. We recommended that the Coast Guard provide timely information and training on the transition to Deepwater assets. In 2006, we reported that the Coast Guard had taken some steps to improve communications between Deepwater program and field personnel, including having field personnel as members on some IPTs. However, we continued to express concerns that field personnel were not receiving important information regarding training, maintenance, and integration of new Deepwater assets.

During our ongoing work, the field personnel involved in operating and maintaining the assets and Deepwater program staff we interviewed expressed continued concern that maintenance and logistics plans had not been finalized. Another official commented that there continues to be a lack of clarity defining roles and responsibilities between the Coast Guard and system integrator for maintenance and logistics. Coast Guard officials stated in fall 2006 that the system integrator was contractually responsible for developing key documents related to plans for the maintenance and logistics for the NSC and Maritime Patrol Aircraft. However, Deepwater program officials stated that because the Coast Guard was not satisfied with the level of detail provided in early drafts of these plans, it was simultaneously developing “interim” plans that it could rely on while the system integrator continued to develop its own versions. While the Coast Guard’s more active role may help its ability to ensure adequate support for Deepwater assets that are coming on-line in the near term, our ongoing work will continue to focus on this issue.

Concerns Remain with Holding System Integrator Accountable

Our 2004 review revealed that the Coast Guard had not developed quantifiable metrics to hold the system integrator accountable for its ongoing performance. For example, the process by which the Coast Guard assessed performance to make the award fee determination after the first year of the contract lacked rigor. At that time, we also found that the Coast Guard had not yet begun to measure contractor performance against Deepwater program goals—the information it would need by June 2006 to decide whether to extend the system integrator’s contract award term by up to another 5 years. Additionally, we noted that the Coast Guard needed to establish a solid baseline against which to measure progress in lowering total ownership cost—one of the three overarching goals of the Deepwater program. Furthermore, the Coast Guard had not developed criteria for potential adjustments to the baseline. Preliminary observations from our ongoing work on the Coast Guard’s efforts to improve system integrator accountability follow.
In 2004 we found the first annual award fee determination was based largely on unsupported calculations. Despite documented problems in schedule, performance, cost control, and contract administration throughout the first year, the program executive officer awarded the contractor an overall rating of 87 percent, which fell in the “very good” range as reported by the Coast Guard award fee determining official. This rating resulted in an award fee of $4 million of the maximum $4.6 million. The Coast Guard continued to report design, cost, schedule, and delivery problems, and evaluation of the system integrator’s performance continued to result in award fees that ranged from 87 percent to 92 percent of the total possible award fee (with 92 percent falling into the “excellent” range), or $3.5 to $4.8 million annually, for a total of over $16 million the first 4 years on the contract. The Coast Guard continues to revise the award fee criteria under which it assesses the system integrator’s performance.

The current award fee criteria demonstrate the Coast Guard’s effort to use both objective and subjective measures and to move toward clarity and specificity with the criteria being used. For example, the criteria include 24 specific milestone activities and dates to which the system integrator will be held accountable for schedule management. However, we recently observed two changes to the criteria that could affect the Coast Guard’s ability to hold the contractor accountable. First, the current award fee criteria no longer contain measures that specifically address IPTs, despite a recommendation we made in 2004 that the Coast Guard hold the system integrator accountable for IPT effectiveness. The Coast Guard had agreed with this recommendation and, as we reported in 2005, it had incorporated award fee metrics tied to the system integrator’s management of Deepwater, including administration, management commitment, collaboration, training, and empowerment of the IPTs. Second, a new criterion to assess both schedule and cost management states that the Coast Guard will not take into account milestone or cost impacts determined by the government to be factors beyond the system integrator’s control. However, a Coast Guard official stated that there are no formal written guidelines that define what factors are to be considered as being beyond the system integrator’s control, what process the Coast Guard is going to use to make this determination, or who is ultimately responsible for making those determinations.

The Deepwater program management plan included three overarching goals of the Deepwater program: increased operational effectiveness, lower total ownership cost, and customer satisfaction to be used for determining whether to extend the contract period of performance, known as the award term decision. We reported in 2004 that the Coast Guard had
not begun to measure the system integrator’s performance in these three areas, even though the information was essential to determining whether to extend the contract after the first 5 years.14 We also reported that the models the Coast Guard was using to measure operational performance lacked the fidelity to capture whether improvements may be due to Coast Guard or contractor actions, and program officials noted the difficulty of holding the contractor accountable for operational effectiveness before Deepwater assets are delivered. We made a recommendation to Coast Guard to address these issues.

According to a Coast Guard official, the Coast Guard evaluated the contractor subjectively for the first award term period in May 2006, using operational effectiveness, total ownership costs, and customer satisfaction as the criteria. The result was a new award term period of 43 of a possible 60 months. To measure the system’s operational effectiveness, the Coast Guard has developed models to simulate the effect of the Deepwater assets’ capabilities on its ability to meet its missions and to measure the “presence” of those assets. However, in its assessment of the contractor, the Coast Guard assumed full operational capability of assets and communications and did not account for actual asset operating data. Furthermore, the models still lacked the fidelity to capture whether operational improvements are attributable to Coast Guard or contractor actions. As a result the contractor received credit for factors beyond its control—although no formal process existed for approving such factors. Total ownership cost was difficult to measure, thus the contractor was given a neutral score, according to Coast Guard officials.15 Finally, the contractor was rated “marginal” in customer satisfaction.

The Coast Guard has modified the award term evaluation criteria to be used to determine whether to grant a further contract extension after the 43-month period ends in January 2011. The new criteria incorporate more objective measures.

- While the three overall Deepwater program objectives (operational effectiveness, total ownership costs, and customer satisfaction) carried a weight of 100 percent under the first award term decision, they will represent only about a third of the total weight for the second

14 Award-term incentives can best be described as a variant of an award-fee incentive, where the contractor is rewarded for excellent performance with an extension of the contract period instead of additional fee.

15 The award term determination rated total ownership cost as “good.”
award term decision. The criteria include items such as new operational effectiveness measures that will include an evaluation of asset-level key performance parameters, such as endurance, operating range, and detection range.

- The new award term criteria have de-emphasized measurement of total ownership cost, concentrating instead on cost control. Program officials noted the difficulty of estimating ownership costs far into the future, while cost control can be measured objectively using actual costs and earned value data. In 2004, we recommended that the Coast Guard establish a total ownership cost baseline that could be used to periodically measure whether the Deepwater system-of-systems acquisition approach is providing the government with increased efficiencies compared to what it would have cost without this approach. Our recommendation was consistent with the cost baseline criteria set forth in the Deepwater program management plan. The Coast Guard agreed with the recommendation at the time, but subsequently told us it does not plan to implement it.

In our current work, we will explore the implication of the revised award term evaluation criteria and the Coast Guard’s ability to measure the overarching goals of the acquisition strategy.

Establishing Criteria and Documenting Changes to the Baseline

Establishing a solid baseline against which to measure progress in lowering total ownership cost is critical to holding the contractor accountable. The Coast Guard’s original plan, set forth in the Deepwater program management plan, was to establish as its baseline the dollar value of replacing assets under a traditional, asset-by-asset approach as the “upper limit for total ownership cost.” In practice, the Coast Guard decided to use the system integrator’s estimated cost of $70.97 billion plus 10 percent (in fiscal year 2002 dollars) for the system-of-systems approach as the baseline. In 2004, we recommended that the Coast Guard establish criteria to determine when the total ownership cost baseline should be adjusted and ensure that the reasons for any changes are documented.

Since then, the Coast Guard established a process that would require DHS approval for adjustments to the total ownership cost baseline. The Deepwater Program Executive Officer maintains authority to approve baseline revisions at the asset or domain level. However, depending on
the severity of the change, these changes are also subject to review and approval by DHS. In November 2005, the Coast Guard increased the total ownership cost baseline against which the contractor will be evaluated to $304 billion. Deepwater officials stated that the adjustment was the result of incorporating the new homeland security mission requirements and revising dollar estimates to a current year basis. Although the Coast Guard is required to provide information to DHS on causal factors and propose corrective action for a baseline breach of 8 percent or more, the 8 percent threshold has not been breached because the threshold is measured against total program costs and not on an asset basis.\(^\text{17}\) For example, the decision to stop the conversion of the 49 110-foot patrol boats after 8 hulls did not exceed the threshold; nor did the damages and schedule delay to the NSC attributed to Hurricane Katrina. During our ongoing work, Coast Guard officials acknowledged that only a catastrophic event would ever trigger a threshold breach. According to a Coast Guard official, DHS approval is pending on shifting the baseline against which the system integrator is measured to an asset basis.

**Limited Knowledge of Cost Control Achieved Through Competition**

Further, our 2004 report also had recommendations related to cost control through the use of competition. We reported that, although competition among subcontractors was a key mechanism for controlling costs, the Coast Guard had neither measured the extent of competition among the suppliers of Deepwater assets nor held the system integrator accountable for taking steps to achieve competition.\(^\text{18}\) As the two first-tier subcontractors to the system integrator, Lockheed Martin and Northrop Grumman have sole responsibility for determining whether to provide the Deepwater assets themselves or hold competitions—decisions commonly referred to as “make or buy.” We noted that the Coast Guard’s hands-off approach to make-or-buy decisions and its failure to assess the extent of competition raised questions about whether the government would be able to control Deepwater program costs.

The Coast Guard has taken steps to establish a reporting requirement for the system integrator to provide information on competition on a semi-annual basis. The system integrator is to provide detailed plans, policies, and procedures necessary to ensure proper monitoring, reporting, and control of its subcontractors. Further, reports are to include total procurement activity, the value of competitive procurements, and the

\(^\text{17}\) According to DHS officials, a baseline breach occurs when a cost or schedule threshold is exceeded or when a performance threshold cannot be met.

\(^\text{18}\) See GAO-04-380.
subcontractors’ name and addresses. The system integrator provided the first competition report in October 2006. However, because the report did not include the level of detail required by Coast Guard guidelines, a Coast Guard official deemed that the extent of competition could not be validated by the information provided and a request was made to the system integrator for more information. We will continue to assess the Coast Guard’s efforts to hold the system integrator accountable for ensuring an adequate degree of competition.

Mr. Chairman, this concludes my testimony. I would be happy to respond to any questions Members of the Committee may have.

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