U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Washington, DC 20548

Accessible Version

April 13, 2018

Congressional Committees

Coast Guard Acquisitions: Status of Coast Guard's Heavy Polar Icebreaker Acquisition

Since 1965, U.S. Coast Guard has been responsible for providing polar icebreaking capability for the United States. The Coast Guard has two active polar icebreakers, including one heavy polar icebreaker that is nearing the end of its expected service life. To maintain its polar icebreaking capability, the Coast Guard is seeking to acquire three new heavy polar icebreakers. The Coast Guard established the heavy polar icebreaker acquisition program in 2012 and anticipates delivery of the lead ship in 2023. In 2016, the Coast Guard established an integrated program office with the Navy to leverage the Navy's shipbuilding expertise for acquiring the icebreakers.[1] The Coast Guard, as a component within the Department of Homeland Security (DHS), is generally required to follow DHS's acquisition policies.

Section 122 of the National Defense Authorization Act for Fiscal Year 2018 included a provision for us to assess issues related to the procurement of new heavy polar icebreaker vessels. This report provides information on (1) the status of the Coast Guard's and Navy's efforts to acquire new heavy polar icebreakers and (2) how DHS, Coast Guard, and Navy are planning to manage and oversee the heavy polar icebreaker acquisition through an integrated program office.

We conducted this performance audit from January 2018 through April 2018 in accordance with 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.

In summary, we found:

- The Coast Guard and the Navy have agreed to manage the program using a tailored acquisition approach that generally follows the DHS acquisition framework, with the DHS Undersecretary for Management retaining final approval authority for all acquisition decision events. DHS oversees the heavy polar icebreaker program's acquisition management activities, while the Coast Guard and the Navy share responsibilities for executing the acquisition through the integrated program office.

- In February 2017, the Coast Guard awarded contracts to five shipbuilders—then valued at approximately $4 million each—to examine major design cost drivers and technology risks for the program. Coast Guard officials stated these design studies help to mitigate the program's schedule, cost, and technical risks by gaining knowledge before design and construction of the lead ship begins.

[1]This relationship was officially memorialized in three memoranda in 2017.

- DHS's Acquisition Review Board approved the heavy polar icebreaker acquisition program's baselines in February 2018, and the corresponding Acquisition Decision Memorandum was signed in March 2018. The program's cost baseline reflects a total program threshold cost—or the maximum amount the program should cost—of $9.827 billion, which includes acquisition, operations, and maintenance costs for the three heavy polar icebreakers over their entire 30-year lifecycle. Our ongoing review of the heavy polar icebreaker program will examine the cost risks facing the program, including an assessment of the cost estimate's reliability. Prior to setting the program baselines, the Coast Guard revised the program's operational requirements to make the heavy polar icebreakers more affordable, and the revisions included adjusting the range of operating temperatures; reducing science and survey requirements; and adding space, weight, and power reservations for Navy equipment.

- In March 2018, the Navy released the solicitation for the program's design and construction contract. The Navy anticipates awarding the contract to a single shipbuilder in third quarter of fiscal year 2019 with the $150 million in appropriations it received in fiscal year 2017.

We reviewed program acquisition documents, including the lifecycle cost estimate, solicitation documents, and requirements documents. We also reviewed DHS's, Coast Guard's, and Navy's acquisition policies; agreements between DHS, Coast Guard, and Navy for the integrated program office; the Federal Acquisition Regulation; Defense Federal Acquisition Regulation Supplement; and the Department of Homeland Security Acquisition Regulation. We also conducted interviews with knowledgeable Coast Guard and Navy officials.

The enclosed briefing contains additional information on our findings. We are not making any recommendations at this time. We will assess the procurement of the new heavy polar icebreaker vessels as part of our ongoing work.

Agency Comments

We provided a draft of this report to DHS and DOD for review and comment. The Coast Guard and the Navy provided comments by email on March 27, 2018. DHS provided comments by email on April 5, 2018. In commenting on the draft report, the Coast Guard and the Navy stated that they have a collaborative partnership in managing the heavy polar icebreaker program and reiterated that the program successfully released the detail design and construction request for proposals in March 2018. They also stated that it has been over 40 years since the U.S. has recapitalized its aging heavy polar icebreaker fleet and that continued investment in the program will ensure the U.S.'s continued relevance in the polar regions. DHS, the Coast Guard, and the Navy also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Secretary of Homeland Security, the Commandant of the Coast Guard, the Secretary of the Navy, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or makm@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this

report were Rick Cederholm (Assistant Director), Claire Li (Analyst-in-Charge), Susan Ditto, Kristine Hassinger, Miranda Riemer, Roxanna Sun, David Wishard, and Samuel Woo.

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Director, Contracting and National Security Acquisitions

Enclosure

See PDF of Powerpoint presenation

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