



Highlights of [GAO-09-620T](#), testimony before the Subcommittee on Homeland Security, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

The Deepwater Program is intended to recapitalize the Coast Guard's fleet and includes efforts to build or modernize five classes each of ships and aircraft, and procure other key capabilities. In 2002, the Coast Guard contracted with Integrated Coast Guard Systems (ICGS) to manage the acquisition as systems integrator. After the program experienced a series of failures, the Coast Guard announced in April 2007 that it would take over the lead role, with future work on individual assets to be potentially bid competitively outside of the existing contract. A program baseline of \$24.2 billion was set as well. In June 2008, GAO reported on the new approach and concluded that while these steps were beneficial, continued oversight and improvement was necessary. The Coast Guard has taken actions to address the recommendations in that report. This testimony updates key issues from prior work: (1) Coast Guard program management at the overall Deepwater Program and asset levels; (2) how cost, schedules, and capabilities have changed from the 2007 baseline and how well costs are communicated to Congress; and (3) Coast Guard efforts to manage and build its acquisition workforce.

GAO reviewed Coast Guard acquisition program baselines, human capital plans and other documents, and interviewed officials. For information not previously reported, GAO obtained Coast Guard views. The Coast Guard generally concurred with the findings.

View [GAO-09-620T](#) or [key components](#). For more information, contact John Hutton at (202) 512-4841 or [huttonj@gao.gov](mailto:huttonj@gao.gov).

## COAST GUARD

### Update on Deepwater Program Management, Cost, and Acquisition Workforce

#### What GAO Found

The Coast Guard has assumed the role of systems integrator for the overall Deepwater Program by reducing the scope of work on contract with ICGS and assigning these functions to Coast Guard stakeholders. As part of its systems integration responsibilities, the Coast Guard has undertaken a fundamental reassessment of the capabilities, number, and mix of assets it needs; according to an official, it expects to complete this analysis by the summer of 2009. At the individual Deepwater asset level, the Coast Guard has improved and begun to apply the disciplined management process found in its *Major Systems Acquisition Manual*, but did not meet its goal of complete adherence to this process for all Deepwater assets by the second quarter of fiscal year 2009. For example, key acquisition management activities—such as operational requirements documents and test plans—are not in place for assets with contracts recently awarded or in production, placing the Coast Guard at risk of cost overruns or schedule slips.

Due in part to the Coast Guard's increased insight into what it is buying, the anticipated cost, schedules, and capabilities of many of the Deepwater assets have changed since the establishment of the \$24.2 billion baseline in 2007. Coast Guard officials have stated that this baseline reflected not a traditional cost estimate but rather the anticipated contract costs as determined by ICGS. As the Coast Guard has developed its own cost baselines for some assets, it has become apparent that some of the assets it is procuring will likely cost more than anticipated. Information to date shows that the total cost of the program may grow by \$2.1 billion. As more cost baselines are developed and approved, further cost growth may become apparent. In addition, while the Coast Guard plans to update its annual budget requests with asset-based cost information, the current structure of its budget submission to Congress does not include certain details at the asset level, such as estimates of total costs and total numbers to be procured. The Coast Guard's reevaluation of baselines has also changed its understanding of the delivery schedules and capabilities of Deepwater assets.

One reason the Coast Guard sought a systems integrator from outside the Coast Guard was because it recognized that it lacked the experience and depth in workforce to manage the acquisition internally. The Coast Guard acknowledges that it still faces challenges in hiring and retaining qualified acquisition personnel and that this situation poses a risk to the successful execution of its acquisition programs. According to human capital officials in the acquisition directorate, as of April 2009, the acquisition branch had 16 percent of positions unfilled, including key jobs such as contracting officers and systems engineers. Even as it attempts to fill its current vacancies, the Coast Guard plans to increase the size of its acquisition workforce significantly by the end of fiscal year 2011. While the Coast Guard may be hard-pressed to fill these positions, it has made progress in identifying the broader challenges it faces and is working to mitigate them. In the meantime, the Coast Guard has been increasing its use of support contractors.