

Why GAO Did This Study

The Deepwater Program includes efforts to build or modernize ships and aircraft, including supporting capabilities. In 2007, the Coast Guard took over the systems integrator role from Integrated Coast Guard Systems (ICGS) and established a \$24.2 billion program baseline which included schedule and performance parameters. Last year, GAO reported that Deepwater had exceeded cost and schedule parameters, and recommended a comprehensive study to assess the mix of assets needed in a cost-constrained environment given the approved baseline was no longer feasible. GAO assessed the (1) extent to which the program is exceeding the 2007 baseline and credibility of selected cost estimates and schedules; (2) execution, design, and testing of assets; and (3) Coast Guard's efforts to conduct a fleet mix analysis. GAO reviewed key Coast Guard documents and applied criteria from GAO's cost guide.

What GAO Recommends

GAO is making recommendations to the Department of Homeland Security (DHS) that include identifying trade-offs to the planned Deepwater fleet and ensuring the Offshore Patrol Cutter (OPC) design is achievable and to the Coast Guard that include identifying priorities, incorporating cost and schedule best practices, increasing confidence that assets will meet mission needs, and reporting complete information on risks to Congress in a timely manner. DHS concurred with the recommendations. We also suggest that Congress consider including a permanent statutory provision that requires timely and complete information on risks.

View [GAO-11-743](#) or key components. For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

COAST GUARD

Action Needed As Approved Deepwater Program Remains Unachievable

What GAO Found

The Deepwater Program continues to exceed the cost and schedule baselines approved by DHS in 2007, but several factors continue to preclude a solid understanding of the program's true cost and schedule. The Coast Guard has developed baselines for some assets that indicate the estimated total acquisition cost could be as much as \$29.3 billion, or about \$5 billion over the \$24.2 billion baseline. But additional cost growth is looming because the Coast Guard has yet to develop revised baselines for all assets, including the OPC—the largest cost driver in the program. In addition, the Coast Guard's most recent capital investment plan indicates further cost and schedule changes not yet reflected in the asset baselines, contributing to the approved 2007 baseline no longer being achievable. The reliability of the cost estimates and schedules for selected assets is also undermined because the Coast Guard did not follow key best practices for developing these estimates. Coast Guard and DHS officials agree that the annual funding needed to support all approved Deepwater baselines exceeds current and expected funding levels, which affects some programs' approved schedules. The Coast Guard's acquisition directorate has developed action items to help address this mismatch by prioritizing acquisition program needs, but these action items have not been adopted across the Coast Guard.

The Coast Guard continues to strengthen its acquisition management capabilities, but is faced with several near-term decisions to help ensure that assets still in design will meet mission needs. For example, whether or not the planned system-of-systems design is achievable will largely depend upon remaining decisions regarding the design of the command and control system. Important decisions related to the affordability, feasibility, and capability of the OPC also remain. For those assets under construction and operational, preliminary tests have yielded mixed results and identified concerns, such as design issues, to be addressed prior to initial operational test and evaluation. The Coast Guard is gaining a better understanding of cost, schedule, and technical risks, but does not always fully convey these risks in reports to Congress.

As lead systems integrator, the Coast Guard planned to complete a fleet mix analysis to eliminate uncertainty surrounding future mission performance and produce a baseline for Deepwater. This analysis, which the Coast Guard began in 2008, considered the current program to be the "floor" for asset capabilities and quantities and did not impose cost constraints on the various fleet mixes. Consequently, the results will not be used for trade-off decisions. The Coast Guard has now begun a second analysis, expected for completion this summer, which includes an upper cost constraint of \$1.7 billion annually—more than Congress has appropriated for the entire Coast Guard acquisition portfolio in recent years. DHS is also conducting a study to gain insight into alternatives that may include options that are lower than the program of record for surface assets. A DHS official stated that this analysis and the Coast Guard's fleet mix analysis will provide multiple data points for considering potential changes to the program of record, but Coast Guard officials stated they have no intention of examining fleet mixes smaller than the current, planned Deepwater program.