

Highlights of [GAO-11-535T](#), a testimony before the Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

The U.S. Coast Guard manages a broad major acquisition portfolio. GAO has reported extensively on the Coast Guard's significant challenges with its major acquisition programs, including its Deepwater Program. GAO has also recognized steps the Coast Guard has taken to improve acquisition management. Additionally, GAO has recommended that the Coast Guard complete a review of the Deepwater Program to clarify the mix of assets that are needed to meet mission needs and trade-offs while considering fiscal constraints, because the program had exceeded its \$24.2 billion baseline. This testimony updates (1) Coast Guard efforts to manage major acquisitions, (2) challenges programs are facing in the areas of cost and schedule, and (3) the status of the Deepwater fleet mix analysis.

This statement is largely based on [GAO-11-480](#), which is being issued today. In that report, GAO recommended that the Coast Guard formalize its database of agreements with the Department of Defense (DOD). The Department of Homeland Security agreed with the recommendation. This statement also draws from prior GAO reports and ongoing work related to Deepwater. GAO reviewed the first phase of the Coast Guard's fleet mix analysis, contract documents, and budget information. GAO also interviewed Coast Guard officials responsible for conducting the fleet mix analysis. For the new information, GAO obtained Coast Guard views and incorporated technical comments where appropriate.

View [GAO-11-535T](#) or key components. For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

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COAST GUARD

Observations on Acquisition Management and Efforts to Reassess the Deepwater Program

What GAO Found

The Coast Guard continues to improve its acquisition management capabilities by updating policies, reducing acquisition workforce vacancies, and leveraging DOD contracts. In November 2010, the Coast Guard updated its *Major Systems Acquisition Manual* to further incorporate best practices and respond to prior GAO recommendations, such as aligning the roles and responsibilities of independent test authorities to DHS standards. Additionally, the Coast Guard reduced its acquisition workforce vacancies from about 20 to 13 percent from April through November 2010. Shortfalls in hiring staff for certain key areas persist, though, and some programs continue to be affected by unfilled positions. The Coast Guard has entered into 81 memorandums of agreement and other arrangements—primarily with DOD—to support its major acquisition programs, but program staff currently have access to only 5 of the 81 agreements.

Most of the Coast Guard's 17 major acquisition programs continue to experience challenges in program execution, schedule, and resources. Furthermore, the Coast Guard's unrealistic budget planning exacerbates these challenges. When programs receive funding lower than planned, schedule breaches and other problems are more likely to occur. In fact, 4 of the major acquisition programs have reported a baseline breach caused, at least in part, by reduced projected funding levels. Additionally, projected funding levels in the Coast Guard's fiscal years 2012-2016 capital investment plan are significantly higher than budgets previously appropriated or requested and therefore may be unrealistic. This is particularly true given the rapidly building fiscal pressures facing the nation. For example, the Coast Guard plans to request \$2.35 billion for acquisitions in fiscal year 2015—including funding for construction of three major Deepwater surface assets—but the agency has not received more than \$1.54 billion in any recent year. The Coast Guard has developed action items to address budget planning challenges.

In July 2010, GAO recommended that because of significant cost growth in the Deepwater Program, the Coast Guard should review the cost and mix of assets and identify trade-offs given fiscal constraints. The Department of Homeland Security agreed with the recommendation; however, the Coast Guard has not yet implemented it. The Coast Guard began a fleet mix analysis in 2008 that considered the current Deepwater 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 as a basis for trade-off decisions. The Coast Guard has now begun a second analysis, 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. Further, Coast Guard officials told GAO that this analysis will not assess options lower than the current program of record. It therefore will not prepare the Coast Guard to make the trade-offs that will likely be needed in the current fiscal climate. The Coast Guard expects to complete the analysis this summer.