

GAO

Briefing Report to the Chairman,
Committee on Governmental Affairs,
United States Senate

June 1986

COAST GUARD
ACQUISITIONS

Status of Reform
Actions



035785



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY
AND ECONOMIC DEVELOPMENT
DIVISION

June 11, 1986

B-223086

The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental
Affairs
United States Senate

Dear Mr. Chairman:

In response to your office's September 24, 1985, request that we assess Coast Guard's acquisition reform actions, we evaluated reform actions resulting from two Coast Guard-initiated studies--one done by a contractor and the other done in-house. These studies focused on the first two phases of the acquisition process--that is, identifying the items to be procured and contracting for them. In addition, we gathered information on Coast Guard's progress in managing items once procured (inventory management), the final phase of the acquisition process.

On February 19, 1986, we briefed your office on the status of Coast Guard's acquisition reform actions. As requested, this report summarizes the information discussed during the briefing (see Parts I-VIII). For discussion purposes, we grouped the most significant of the studies' 43 recommendations into the following six acquisition areas: planning; project management; timeliness; policy guidance and oversight; staff resources including training; and management information system development. (For the status of each of the 43 recommendations, see app I.)

Coast Guard initiated its studies with the intent of identifying where and how management of the acquisition process could be improved. Since these studies were completed in 1985, Coast Guard has committed itself, in conjunction with the Department of Transportation, to addressing the intent of all 43 recommendations. Because the Coast Guard has had less than a year to act on the recommendations, its actions are in the planning stages or in the early stages of implementation. Coast Guard recognizes that its reform actions will require a significant resource investment and that the implementation of some actions may be affected by personnel ceilings and budgetary limitations.

While it is too early to assess the effectiveness of Coast Guard's reform actions, in our opinion the Coast Guard's plans, if implemented, should improve its acquisition process. These plans require, however, a sustained commitment in terms of providing staffing and funding for implementation. In this regard, our work provides baseline information that should be useful in measuring subsequent Coast Guard progress.

Coast Guard's most important action has been to reorganize its acquisition function by centralizing it to improve planning, project management, and timeliness. Coast Guard has also acted to improve its acquisition policy/oversight function and address some of the staff resource recommendations. In these areas, Coast Guard is attempting to increase the responsibility and accountability of acquisition officials.

Whereas Coast Guard has made progress in reorganizing its acquisition function, little progress has been made in developing an effective management information system, or in addressing training deficiencies cited in the two studies. An effective management information system is needed so that accurate, complete, and timely data are available for Coast Guard managers to effectively oversee the acquisition process. According to the Coast Guard, inadequate training of procurement personnel causes higher procurement costs, excessive procurement protests, and increased time in the overall acquisition cycle.

During our review we noted that inventory management deficiencies, which can result in unnecessary procurements and lost revenues, continue to exist. Coast Guard officials told us that the Coast Guard is taking corrective actions. These actions are not, however, part of the overall acquisition reform efforts resulting from the two studies. Coast Guard officials recognized many of these deficiencies as early as 1980 and, in some cases, corrective actions have been in process since that time.

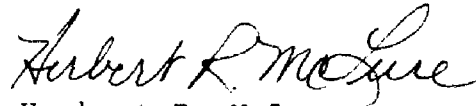
Our work was performed at Coast Guard headquarters and involved discussions with senior Coast Guard and Department of Transportation officials. We also reviewed appropriate documentation concerning the status of Coast Guard's implementation actions. As also agreed, we did not obtain written comments on this briefing report but did discuss its contents with Coast Guard officials. They concurred with the facts and our observations, and their comments have been included where appropriate.

As arranged with your office, we are sending copies of this report to the Secretary of Transportation, and the Commandant,

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U.S. Coast Guard. Copies will also be made available to other interested parties upon request. If you have any further questions on this matter, please contact me on 275-7783.

Sincerely yours,

A handwritten signature in cursive script that reads "Herbert R. McLure". The signature is written in dark ink and is positioned above the typed name and title.

Herbert R. McLure
Associate Director

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ABBREVIATIONS

ADP	automated data processing
DLA	Defense Logistics Agency
DOD	Department of Defense
DOT	Department of Transportation
DSMC	Defense System Management College
GAO	General Accounting Office
GSA	General Services Administration
ILS	integrated logistics support
LCC	life-cycle cost
LMI	Logistics Management Institute
MIS	management information system
OPM	Office of Personnel Management
OST	Office of the Secretary of Transportation
PM	project manager
PPBS	Program, Planning, Budgeting System
SBA	Small Business Administration
SRD	sponsor requirements document

U.S. GENERAL ACCOUNTING OFFICE
BRIEFING REPORT ON COAST GUARD'S
ACQUISITION REFORM ACTIONS

Prepared at the Request of the Chairman
Committee on Governmental Affairs
United States Senate

PART I

BACKGROUND

The Coast Guard, established in January 1915, became a component of the Department of Transportation (DOT) in April 1967. In peacetime, Coast Guard is a unit of the Department of Transportation and is a branch of the Armed Forces of the United States. In time of war or when the President directs, the Coast Guard operates as part of the Navy.

The Coast Guard procures ships, aircraft, shore facilities, information systems, and support equipment to carry out a variety of functions such as search and rescue, maritime law enforcement, marine environmental protection, aids to navigation, and military readiness. As part of these diverse functions, Coast Guard's duties involve saving life and property in and over the high seas; enforcing laws to stop smuggling and illicit drug trafficking; and maintaining a state of readiness to function as a specialized service in time of war.

The Coast Guard estimates that for fiscal year 1985 its procurement authority accounted for approximately 40 percent (\$1 billion) of its annual budget (approximately \$2.5 billion). Various GAO, DOT, and internal studies and audit reports have focused on Coast Guard's need to improve the timeliness and effectiveness of the acquisition process, particularly the acquisition of major systems (those costing over \$150 million). In general these studies highlight the areas of acquisition planning, project management, and contracting as warranting immediate attention.

A June 1985 study, Improving Acquisition Management in the Coast Guard, conducted by the Logistics Management Institute (LMI), and a September 1985 in-house Coast Guard Acquisition Process Study, conducted by the Chief of Staff's office, recommended that Coast Guard reorganize its acquisition function, formalize its acquisition planning process, streamline its review process, and improve various personnel management practices in contracting offices both at headquarters and in the field. At the request of the Senate Committee on Governmental Affairs, GAO determined the status of Coast Guard's actions to implement the recommendations of these two studies. Because managing items once procured (inventory management) is part of the acquisition cycle, GAO also determined the status of Coast Guard's efforts to correct deficiencies in this area.

Appendix I lists each of the studies' 43 recommendations and the related status of Coast Guard's actions as of May 1986. For briefing purposes, GAO grouped the most significant of these recommendations into six acquisition areas, as presented in Parts II through VII of this report. To provide the reader with a crosswalk, the Recommended Actions in each of these areas are referenced to the specific recommendations in appendix I.

PART II

PLANNING

RECOMMENDED ACTIONS

- Establish an Office of Acquisition. (Recommendations #4, 39.)
- Establish content requirements for project plans and sponsors' requirement documents. (Recommendations #1, 21.)
- Tailor off-the-shelf systems to meet user requirements whenever possible. (Recommendation #7.)
- Incorporate work-force planning, life-cycle costing, and integrated logistics support principles in the early stages of the planning process. (Recommendations #9, 10, 11.)
- Establish procedures for developing, reviewing, updating, and reporting project plans and specifications. (Recommendations #2, 6, 8, 17, 21.)

ACTIONS UNDERWAY

- Responsibility, authority, and accountability for the acquisition process centralized in the Office of Acquisition.
- Project plan developed--to include a standardized reporting format.
- Work-force planning, life-cycle costing, and logistics support planning incorporated in the planning process.
- Quality Assurance Division established to review specifications.

PLANNING

Coast Guard has undertaken several initiatives to improve acquisition planning. If successfully implemented, these initiatives should enhance the acquisition planning process--from identifying mission needs to developing accurate specifications. Many of these initiatives are aimed at formalizing and standardizing planning procedures, incorporating integrated logistics support principles in the planning process, and increasing accountability within Coast Guard's acquisition organization.

According to Coast Guard officials, acquisition planning deficiencies can create problems in the entire acquisition process. For example, overstating mission needs can result in "over-specifications." These specifications can then preclude the use of modified off-the-shelf systems that can be acquired more rapidly, are less costly, and do not require obtaining unique spare parts. Conversely, understating specifications can result in the purchase of operational systems that do not meet user needs. In addition, inadequate specifications can lengthen the acquisition process. If the specifications are not clearly defined, reviewers will return them to their sponsors for clarification and, in some cases, changes. Because major systems and their accompanying specifications are subject to numerous levels of review both within and external to the Coast Guard, inaccurate specifications compound the time factor. Coast Guard estimates that a 1-year extension in an acquisition schedule can equate to a 3 to 6 percent increase in cost.

To address these types of deficiencies and in response to the Chief of Staff's study recommendation that Coast Guard reorganize its acquisition function, the Coast Guard established a new Office of Acquisition in January 1986. The Coast Guard believes that centralizing responsibility within this new office will increase authority and accountability for the acquisition process. Under the direct command of an Admiral, this new office is currently managing 10 major system acquisitions with an estimated total cost of approximately \$5 billion.

The new Office of Acquisition contrasts sharply with Coast Guard's prior acquisition structure wherein individual program offices were responsible for acquiring major systems simultaneously with directing day-to-day program operations. Coast Guard management believes that this prior structure resulted in dividing the time and interest of key personnel between competing requirements, those of operating a program and those of acquiring a major system. According to the Coast Guard, in some cases this structure resulted in costly operational systems that did not perform as expected.

At the time of our review, the new office had an authorized staffing level of 170 positions. Coast Guard officials estimate that 135 of these positions will be filled by the end of July 1986. The remaining 35 are new civilian positions. According to the Coast Guard, however, filling the remaining 35 positions is questionable because of recently imposed budget cuts. Coast Guard estimates that it will be early 1987 before the results of staffing the new office will be known.

PART III

PROJECT MANAGEMENT

RECOMMENDED ACTIONS

- Give project managers authority commensurate with responsibility and assign them early in the planning process. (Recommendations #19, 22, 23, 24.)
- Provide project managers with needed training and adequate support staff. (Recommendations #26, 27, 28.)
- Assign experienced project managers with the appropriate rank to carry out their duties and make them the central focus for project information. (Recommendations #18, 25.)

ACTIONS UNDERWAY

- A new charter has been drafted for project managers which increases their authority, responsibility, and accountability.
- Project management staff are being enrolled in Defense Systems Management College courses.
- Coast Guard captains are being appointed to project manager positions.
- Sixteen new positions have been requested in fiscal year 1987 budget for project support.

PROJECT MANAGEMENT

Project managers are responsible for identifying and planning resource requirements and for coordinating all the activities necessary to acquire major systems. According to the Chief of Staff Study, however, project managers do not have the authority or the experience and training needed to perform their duties because they have been appointed late in the planning process and have had no role in determining system configuration. Additionally, these managers have had little control over project resources, inadequate staff support, and have not always had the seniority and experience necessary to be effective project managers. Although in theory these managers were a central focus for system acquisition, in practice responsibility and accountability often existed elsewhere in the Coast Guard.

Prior to the establishment of the Office of Acquisition, the Chief of Staff assigned authority and responsibility for acquiring a major system to a Coast Guard officer who served as project manager. The project manager reported to the Chief of Staff through a program director who was also an office chief, usually for an operational office such as navigation or engineering. The staff needed to support the project manager, however, were assigned not to the project manager but to other staff offices; therefore, the project manager had no authority over the support staff. Under the new plan, the support staff and project managers will report to the chief of the new Office of Acquisition. The chief, in turn, will assign the support staff to the project manager to assist in the system acquisition.

According to the Coast Guard, project managers previously were competing for the services of inadequately staffed support offices. For example, according to the LMT study, in the past one major project had absorbed most of the resources of a support office, leaving few to support other projects. Resolution of this type of problem could require lengthy negotiations between the program directors of the competing projects and the chief of the contracting office. If no agreement could be reached, the only recourse was to refer the matter to the Chief of Staff. Project managers did not enter into these negotiations directly because their rank was lower than that of the office chiefs and program directors. Therefore, they could not negotiate effectively for the needed support.

According to the Chief of Staff study, project managers have not been provided the formal training necessary to manage projects effectively because the Coast Guard has not taken advantage of government-sponsored training programs such as those offered by the Defense Systems Management College. Coast Guard is now taking advantage of these classes and has been allocated four slots for fiscal year 1987.

By drafting a new project managers' charter that will define associated authority and responsibilities and by establishing the Office of Acquisition, Coast Guard believes it has given its project managers appropriate authority. For example, the new draft charter gives project managers control over program resources, makes them the central focus for project information, and permits them to contract out for services. In addition, support staff offices and project managers are under the direct control of the chief of the Office of Acquisition, who now has ultimate responsibility for all major system acquisitions. Thus, if a support office is required to provide assistance beyond its means, the chief of the Office of Acquisition will set priorities for program needs and assign required support staff or instruct the project manager to contract out for the needed services.

According to Coast Guard officials, the initial reorganization plan envisioned a civilian deputy project manager. Coast Guard has eliminated this position due to budgetary constraints, which may affect its ability to maintain continuity in system acquisitions since officers rotate every 3 to 4 years and acquisition of major systems can take up to 10 years. Coast Guard maintains that project continuity will be established through the project and contracting support offices, which will be staffed by civilians.

PART IV

TIMELINESS

RECOMMENDED ACTIONS

- Reduce levels of internal and external review.
(Recommendations #20, 29, 32-36.)
- Integrate budget and major system acquisition processes.
(Recommendation #12.)
- Establish accountability in the Office of the Secretary of Transportation (OST) for timely review of Coast Guard acquisitions. (Recommendation #14.)
- Improve communication within Coast Guard and between Coast Guard and OST. (Recommendations #15, 16.)
- Involve all interested parties, including OST, early in the planning process. (Recommendations #16, 29, 31, 38, 42.)

ACTIONS COMPLETED

- Coast Guard and OST have designated points of contact for all acquisition projects.
- Formal Coast Guard/OST briefings have been scheduled to discuss progress and identify potential problems concerning a project's development.

ACTIONS UNDERWAY

- OST is drafting new orders increasing its dollar review thresholds.
- Coast Guard and OST are developing a plan to integrate the budget and major system acquisition processes.
- OST has drafted proposed time limits for its reviews of Coast Guard acquisitions.
- Coast Guard is examining internal review steps that can be eliminated.

TIMELINESS

Timeliness in acquiring major systems is important because delays in system acquisitions can increase costs. A recent report by the President's Commission on Defense Management stated that the average time span for research, development, and production of a weapon system in the Department of Defense is 10 to 15 years and that this time span leads to unnecessarily high costs of development. Coast Guard officials estimate that the acquisition of a Coast Guard system can take up to 10 years and that a 1-year extension in the acquisition schedule can equate to a 3 to 6 percent increase in cost.

Various acquisition regulations--federal regulations as well as those imposed by Coast Guard and OST--require numerous reviews that, according to the Coast Guard, lengthen the acquisition process. For example, Coast Guard procurements are subject to 51 to 56 review steps, depending on the dollar amount of the contract. Only 21 of these steps are required by law or federal acquisition regulations; the remaining 30-35 are either Coast Guard imposed or established by OST. Many of these steps are, in one form or another, devoted to coordination, review, and approval and involve as many as 20 different organizational elements, at least 14 of which are not in the contracting division.

Recognizing that procedural delays caused by unnecessary review levels in system acquisitions increase costs, Coast Guard and OST are taking steps to reduce the levels of review. OST and Coast Guard are considering various initiatives to impose time limits on these reviews and to increase review thresholds. In addition, both Coast Guard and OST have acted to improve communication related to these reviews; steps taken include scheduling formal project briefings open to all interested parties and designating points of contact within Coast Guard and OST for all acquisition projects. To improve both the planning process and timeliness, OST is currently studying ways to integrate the budget and major system acquisition processes.

By reorganizing the acquisition function within the new Office of Acquisition, Coast Guard has eliminated 12 of the 30 to 35 internal review steps. Additionally, Coast Guard is in the process of studying ways to eliminate more steps. OST is likewise reviewing ways of reducing its review levels.

In response to the recommendation that OST and Coast Guard should integrate the budget and major system acquisition process, OST is currently studying the Army's method for integrating the two processes. Coast Guard and OST recognize that because the two processes are not currently integrated, duplicate reviews are taking place. For example, during the budget process Coast Guard responds to questions from the OST budget office and often answers the same questions from other OST offices during the actual acquisition process. This duplication in the two processes, according to the Coast Guard, increases the time it takes to acquire the system.

PART V

POLICY GUIDANCE/OVERSIGHT AUTHORITY

RECOMMENDED ACTIONS

- Centralize functional oversight authority within the new Office of Acquisition. (Recommendation #39.)
- Increase emphasis on policy and oversight to assure uniformly high standards of contracting performance. (Recommendation #39.)

ACTIONS COMPLETED

- Policy and oversight function reorganized; new division established, but not centralized within new acquisition office.
- Number of staff devoted to policy and oversight division increased.
- Standard operating procedures and review criteria established for more effective oversight of contracting activities.
- Funding made available for scheduled acquisition management reviews.

ACTIONS UNDERWAY

- Steps being taken to further increase number of staff assigned to policy/oversight division.
- Manuals being revised to improve policy guidance.
- Number of acquisition management reviews scheduled to increase.

POLICY GUIDANCE/OVERSIGHT AUTHORITY

The LMI study concluded that with respect to contracting oversight, Coast Guard's procurement organization lacked the authority needed to effectively oversee the Coast Guard's 23 buying activities. The LMI study also concluded that Coast Guard needed to increase and improve its policy guidance to these activities. Citing the Coast Guard's long history of decentralized operations wherein district commanders have full authority and responsibility for assigned functions, including the district's contracting activity, LMI noted that without centralizing the function of contracting oversight in a headquarters organization having adequate authority, the Coast Guard cannot comply with the intent of various acquisition reform directives. These directives, ordered by the President and the Congress, impose greater responsibility on heads of executive agencies to make acquisition more effective in support of mission accomplishment. These directives call for the establishment of clear lines of authority, accountability, and responsibility.

The Coast Guard has attempted to address the concerns raised by LMI by reorganizing its contracting oversight function. This reorganization does not centralize the function as LMI intended; the division is organized, however, to provide adequate policy guidance and more effective oversight of headquarters and field contracting activities. Coast Guard officials believe that this new oversight organization has enough organizational authority under the auspices of the comptroller to effectively carry out its responsibilities.

Various initiatives are either in place or planned to increase and improve policy guidance, clarify this guidance as needed, and regularly review acquisition management of Coast Guard's buying activities. At the time of our review, division officials were taking steps to increase the number of staff assigned to the oversight function (from 6 to 17 positions). Approximately 10 analyst positions in the division had been approved for upgrading from GS-12 to GS-13. According to Coast Guard officials, these upgrades will increase the authority of the personnel in the new division. Coast Guard's ability to follow through on proposed staffing increases depends, however, on the number of vacant personnel slots that open up because of attrition.

Present staff shortages have affected the division's ability to carry out some of its plans. For example, the division, in direct response to an LMI recommendation, has been working to revise volume VIII of the Comptroller's Manual. This volume provides basic procurement policies, regulations, directives, and procedures; according to LMI, it required substantial updating and reformatting. Issuance of the updated manual has been hindered, according to division officials, by their commitment to the

acquisition management review schedule, which calls for 10 reviews per fiscal year. Despite staff shortages, the oversight division has been able to stay on schedule with these reviews of Coast Guard's buying activities; division officials acknowledged, however, that pulling people from other branches to conduct these reviews slowed down other work.

PART VI

STAFF RESOURCES

RECOMMENDED ACTIONS

- Elevate contract specialist grade structure to level competitive with other similar headquarters organizations. (Recommendation #37.)
- Structure the acquisition office to provide a logical career progression for headquarters contracting personnel. (Recommendation #41.)
- Increase opportunities for formal training in the statutory, regulatory, and policy requirements of government contracting. (Recommendation #40.)
- Establish a contracting internship program for civilian employees. (Recommendation #40.)
- Establish a career specialty in contracting/program management for officers. (Recommendation #40.)

ACTIONS COMPLETED

- Acquisition office organized to provide career path for civilian contracting personnel.
- Two slots in procurement management established at Naval Postgraduate School, Monterey, California.

ACTIONS UNDERWAY

- Initial steps taken to elevate grade structure of contracting personnel.
- Formal training opportunities to be increased once requirements are known and adequate funding is allocated.
- DOT to establish contracting internship program for Coast Guard use.

STAFF RESOURCES

Coast Guard's efforts to address the staff resource deficiencies, including training, identified by the LMI and Chief of Staff studies are in various stages of progress. While Coast Guard has made substantial progress in doing the initial tasks related to providing adequate grade structure and career progression for contracting personnel, we observed that Coast Guard has made only limited progress in addressing the training deficiencies identified in the studies.

Coast Guard has taken steps to raise the grade structure for contract specialists and provide a logical career progression for headquarters contracting personnel. Through the reorganization, Coast Guard has established three contracting branches which individually handle contract actions of varying degrees of complexity. This organizational structure will allow contract specialists the opportunity to move through the three branches--from simple, straightforward purchases to major system acquisitions--as they become more proficient in a variety of contracting skills.

To partially address the LMI recommendation concerning a career path for military officers, Coast Guard has recently established two billets at the Naval Postgraduate School in Monterey, California. These billets will allow two Coast Guard officers per year to specialize in procurement management. These officers will then take their expertise to Coast Guard contracting offices. Coast Guard is not establishing, however, a procurement management career specialty in which its officers could spend an entire military career. Instead, Coast Guard officers will spend one tour of duty (approximately 3 years) in a procurement management billet and then rotate to an operations billet. Coast Guard officials said that Coast Guard's small size prohibits devoting a career specialty to the procurement field.

LMI also cited the lack of an internship program at Coast Guard as being a staff resources weakness. According to Coast Guard, internship programs include formal training and rotational assignments as requirements for entry-level procurement personnel. LMI stated that these programs are generally recognized as a proven means of developing highly qualified contracting personnel and as an excellent source of organizational continuity and future managers. The Coast Guard officials we spoke to have discussed the need for this kind of program with OST. OST officials are currently considering implementing this kind of program Department-wide and have asked the Coast Guard not to establish its own program.

At the time of our review, Coast Guard had also rewritten various position descriptions. If approved by Coast Guard's personnel branch and the Office of Personnel Management, these position descriptions will justify an upgrading of Coast Guard

headquarters contracting personnel, thus addressing the LMI recommendation that Coast Guard should provide promotion opportunities by establishing a grade structure comparable to those in other headquarters organizations similar in mission and size. The goal would be to reduce the approximately 40 percent reported turnover that Coast Guard headquarters contracting organization has experienced in the past.

Coast Guard has made limited progress in increasing opportunities for formal training. Coast Guard has recently begun a data-gathering effort to determine the training requirements of its 23 buying activities. Once this information is gathered, Coast Guard will be in a position to project funding levels needed to provide adequate formal training to procurement staff. According to Coast Guard officials, until these requirements are identified and adequately funded, full compliance with Executive Order 12352 is not possible. This Executive order requires that procurement personnel be highly qualified to perform their duties. Coast Guard officials also acknowledge that any actual improvement in the acquisition process to be gained from training Coast Guard-wide will not occur for several years. According to the Coast Guard, inadequate training results in improper procurement actions, ineffective and inefficient procurements that cause higher procurement costs, excessive procurement protests, and increased lead-time in the acquisition cycle.

A 1984 acquisition management review conducted at Coast Guard's Curtis Bay Yard found that numerous procurement personnel were insufficiently trained in areas such as cost and price analysis and negotiation techniques. A follow-up review conducted in January 1986 identified continued problems in the cost and price analysis area. According to this follow-up report, this lack of analysis was evident in all levels of the contracting process. This report also noted that although the Yard has adequately identified its training requirements, no plan for accomplishing the training exists.

Coast Guard officials confirm that training deficiencies exist throughout the Coast Guard. These officials stated, however, that various steps have been taken to offer formal training to contracting personnel. The Coast Guard, through arrangements with other agencies, has brought in training courses on an ad hoc basis, sometimes at no charge to the Coast Guard. Because of budget constraints, however, Coast Guard is approving these courses on an as-needed basis and is not currently working from an overall training plan. Coast Guard officials had no data that would allow us to determine whether formal training has actually increased since the LMI recommendation was made.

PART VII

MANAGEMENT INFORMATION SYSTEM DEVELOPMENT

RECOMMENDED ACTIONS

--Develop a contracting automation system. (Recommendation #30.)

--Develop a standardized, automated, user friendly management information system for project reporting, scheduling, management, and control. (Recommendations #5, 43.)

ACTIONS UNDERWAY

--Committee formed to work on near- and long-term management information system requirements.

MANAGEMENT INFORMATION SYSTEM DEVELOPMENT

Good management information systems help track work in progress, identify factors causing delays, and provide status reports. According to the LMI study, Coast Guard's two primary contract tracking systems, the pre-award tracking system and the contract tracking system, are inadequate. The Chief of Staff study identified the absence of a standardized automated information system for project management and scheduling.

Neither the pre-award nor contract tracking systems provide Coast Guard with up-to-date summary reports that would allow managers to match actual progress with planned milestones. Thus, managers lack the information they need to effectively manage the contracting activity. According to the LMI study, this creates an atmosphere of crisis in the contracting division.

Coast Guard recognizes the weaknesses in these tracking systems and the absence of any standardized information system for project management and scheduling. However, until the Office of Acquisition is fully staffed and functioning as a unit and until the committee studying user requirements has completed its work, Coast Guard will continue to use its present systems, making modifications in the software to alleviate some problems. According to one Coast Guard official, the development of an information system capable of managing all facets of the system acquisition process will be a costly, lengthy process.

PART VIII

INVENTORY MANAGEMENT

As an integral part of the acquisition cycle, effective inventory management allows for the accurate accounting of stocks on hand when determining requirements. Since 1980, GAO and the DOT Office of the Inspector General have cited deficiencies in this area of Coast Guard's management. According to these reports, these deficiencies result in unnecessary procurements and, therefore, also result in lost funds to the Coast Guard that could have been used for needed items.

A May 1985 DOT/Inspector General report cites long-standing problems at one of Coast Guard's three inventory control points. According to the report, many of these problems were identified as early as 1980 by GAO and the Inspector General and still exist because the Coast Guard has not developed several key management indicators to measure supply effectiveness. The report also states that the Coast Guard has not made good use of available management tools. For example, periodic physical inventories have not been taken and other important management reports either have not been developed or have not been used to identify supply trends or problems and their causes.

Specifically, the Inspector General report notes that in 1980 identified deficiencies included (1) sizable quantities of unserviceable, excess, duplicate, and condemned items in the inventory, (2) procurements of supply items which showed no activity for at least 2 years, and (3) the absence of data on the number and value of overdue items. The report concludes that conditions remain essentially the same and cites the following examples:

- Over 40 percent of the inventory valued at \$44 million was either excess, inactive, missing, or unserviceable.
- Items valued at \$788,000 have been due in for 1 to 8 years.
- About \$600,000 of stock is due in even though the items have had no demand in over 2 years.

According to the Coast Guard, these deficiencies are receiving attention and corrective actions are being implemented. Chief among the corrective actions is establishing a new computerized management information system, scheduled for completion in 1987. Coast Guard's efforts to implement this system have been in process since 1980.

Besides the corrective actions in process at the inventory control point, Coast Guard has recently taken steps to include inventory management in its oversight reviews of contracting

activities, where applicable. Coast Guard's policy/oversight division has developed inventory management criteria to be used in conducting acquisition management reviews of headquarters and field contracting offices. Included in these criteria is a statement that the inventory management system should contribute to the overall acquisition planning process.

STATUS OF RECOMMENDED ACTIONSStatus of Coast Guard Actions Concerning Chief
of Staff Study Recommendations

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
1. Establish guidance for Sponsor's Requirements Document (SRD) and require its preparation for major systems.	Develop guidance for a Sponsor's Requirements Document.	Sept. 1986	SRD is being drafted.
2. Establish procedures to integrate, develop early, coordinate internally, and frequently update project plans.	Establish such procedures because developing and maintaining current project plans is vital to a successful project.	Sept. 1986	Procedures have been developed, but cannot be formalized until the Office of Acquisition is staffed.
3. Resolve recurring acquisition problems by taking advantage of lessons learned from prior projects and other agency efforts.	Subscribe to Department of Defense (DOD) and industry project management publications and review after-acquisition reports to learn from others and to keep professionally knowledgeable.	June 1986	Publication screening underway. Instructions requiring lessons-learned documentation being written. Obtaining DOD material as guides.
4. Establish an acquisition organization to separate acquisition from program responsibilities.	Establish an Office of Acquisition.		Office of Acquisition approved by Secretary of Transportation on 30 January 1986 but not fully staffed and functioning. Authorized positions equal 170 as of the end of March 1986.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
5. Develop, acquire, and use standard management tools.	A. Adapt existing models and develop a standardized, automated, user friendly management information system (MIS) for project reporting, scheduling, management and control.	Jan. 1987	Interim use of two existing project tracking systems. Permanent MIS awaits staff resources to review hardware, software, project need and determine most cost-effective system. Team formed to work on near- and long-term MIS requirements.
	B. Adopt the Defense System Management College (DSMC) Acquisition Strategy Guide, Navy Project Officer's Handbook, Defense Logistics Agency (DLA) Manual, and applicable portions of pertinent DOD, Navy, and Air Force Acquisition directives.	Jan. 1987	
6. Establish a formal, standardized process to review contract specifications.	Create a group of trained professionals, either by augmenting the project office or creating a new organizational element, to develop uniform, high quality specifications.	Sept. 1986	Division of Quality Assurance established. Process to be developed.
7. Continue to examine the use of off-the-shelf systems to streamline the acquisition process. Where possible, tailor user requirements and specifications or modify existing off-the-shelf systems to satisfy Coast Guard's operational missions and safety needs.	A. Clearly document off-the-shelf considerations, their suitability, practicality and/or safety features, as appropriate.		Process will commence with next major system acquisition. Need to establish formal review and documentation procedure.
	B. Incorporate DOD streamlining policy and designate a Streamlining Advocate.	Sept. 1986	Quality Assurance Division chief designated as Streamlining Advocate. Incorporation of DOD policy tied to office staffing.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
8. Establish the primacy of the Chief, Office of Acquisition, to approve the specification package.	Give the authority for approval of the specifications for project-related contracts. This will help match authority with responsibility and improve control over the final product.	Completed	Specifications approval delegated to the Quality Assurance division.
9. Incorporate work force planning as a factor in system selection and procurement strategy, giving it the same priority as planning for the equipment itself.	<p>A. Develop staffing alternatives during the planning and design process determining the qualifications and staffing levels needed to man, maintain, and support the system, both during and after its acquisition, and provide timely personnel and training requirements.</p> <p>B. Implement long-term plans for personnel training and work force structure to support new acquisitions.</p>	Aug. 1986	Identification of work force planning as an acquisition tool is stated in draft functional statement. Implementation requires full complement of staff.
10. Introduce life-cycle cost (LCC) principles, including supportability and maintainability considerations, early in the acquisition process.	Introduce life-cycle cost principles, including supportability and maintainability considerations.	Sept. 1986	Commandant's instructions to be drafted.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
11. Adapt proven integrated logistics support (ILS) principles.	A. Create a staff of ILS experts to overcome the present absence of such talent.	Sept. 1986	Functional statements completed. Position descriptions are being drafted.
	B. Integrate plans for adequate spare parts, maintenance concepts and plans, and requirements for support, equipment, personnel, and training in project plans to ensure user needs are met during systems development and at the time of hardware delivery.	Jan. 1987	
12. Integrate PPBS and the A-109 process by utilizing sound business practices, being internally consistent, following established policies and procedures, and focusing on broad issues.	Integrate PPBS and the A-109 process.		OST is exploring ways to integrate the two processes.
13. Establish procedures for handling congressional initiatives which make funding available from outside the normal budget request process.	Develop a means to expedite congressional initiatives without going through the early steps of the normal A-109 system.		OST is considering alternatives to expedite the process.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
14. Establish an OST review protocol with access to the OST decision-making authority early in the review process.	A. Establish discipline procedures and milestones for review and approval, holding responsible personnel accountable for timely response. B. Merge portions of systems acquisitions, program monitoring list, and budget reviews to eliminate duplicate reviews.	Sept. 1986	OST has drafted proposed review time frames.
15. Designate points of contact in OST and Coast Guard for all acquisition projects.	Open lines of communication and continue shared access to relevant information.	Completed	OST and Coast Guard have designated points of contact.
16. Schedule formal project briefings for Commandant and OST on a regular basis so that each project status is updated at least twice annually.	Schedule formal project briefings for Commandant and OST on a regular basis.		Some briefings have been held, others are scheduled.
17. Provide top-level, direct policy on acquisition management.	Prepare instructions providing major policy guidance for managing acquisitions.	Jan. 1987	Coast Guard reviewing DOD guidance for applicability.
18. Establish the project manager (PM) as the central focus for all project information.	Establish the PM as the central focus for all project information.		Draft project manager charter designates the PM as the central focus.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
19. Formally designate the PM at the beginning of the acquisition planning process, assign the appropriate staff support, and obtain Program Director/Program Manager support early in the planning phases of a project.	A. Designate the PM at the beginning of the acquisition planning process. B. Alert the Chief of Staff to the anticipated need for new project managers and staff on an ad hoc basis and through the normal budgeting process.	Completed	Project managers are being appointed and project offices are being staffed.
20. Limit reviews to those of the end users, appropriate Support Managers, and the Commandant.	A. Limit formal intermediate review. B. Focus review on the cost, schedule, and performance requirements of the system.	Jan. 1987	Commandant's instructions to be drafted establishing guidelines.
21. Establish a standard status report format for projects under a single organizational element.	Establish standard status report formats (including project scheduling reports) for major acquisition project activities.	Dec. 1986	Format has been established; some hardware to be purchased before ADP system can accommodate the format.
22. Give the PM more authority over the functions, resources, and personnel necessary to complete a project.	Prepare revised project manager charters to give the PM more authority.	July 1986	Revised charters have been submitted to the Chief of Staff for approval.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
23. Make the PM responsible for the budget planning process and funds administration associated with the project.	A. Prepare revised PM charters.	July 1986	Revised charters have been submitted to the Chief of Staff for approval.
	B. Provide staff to assist the PM in budget formulation, request for proposal, preparation, and submission, following requests through to the appropriation of funds, and accounting for funds expenditure.	Sept. 1986	Anticipate staff will be in place by Sept. 1986. Funds control system being established.
24. Assign the PM coordination responsibility for the details leading to top management decisions regarding configuration of the system.	A. Prepare revised PM charters.	July 1986	Revised charters have been submitted to the Chief of Staff for approval.
	B. The PM and staff will coordinate with Program Managers which configuration changes should be made.	July 1986	
25. Assign PMs who have acquisition experience and assure the seniority and experience level of a PM are appropriate to the importance of a project.	A. Assign PMs who have acquisition experience.		Working to upgrade PM position.
	B. An acquisition experience code for personnel should be developed and more junior personnel should be assigned to acquisition.		

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
26. Adequately staff project offices and consider augmenting them by contracting the services of DOD, other federal agencies, and private sector personnel.	Alert Coast Guard management to the anticipated need for new project officers and staff on an ad hoc basis and through the normal budgeting process.	Jan. 1987	Criteria to be developed for proper project staffing. Navy currently administering one system contract. Project managers given authority to contract for services.
27. Assign technical specialists at project initiation.	Ensure that technical specialists are assigned to the PM's staff.	Jan. 1987	Functional statements will contain requirement.
28. Provide a comprehensive training program for PMs and their staff.	Obtain and schedule pipeline DSMC project management courses for incoming project managers consistent with educational background and experience.		Coast Guard has sponsored competition in contracting classes for project managers and technical staff. Coast Guard has also sponsored other classes for PMs and their staff and has created the position of employee development coordinator to oversee PM training.
29. Streamline the contracting function by eliminating unnecessary steps in the coordination, review, and approval cycle.	For procurement over \$100,000, either eliminate or modify the steps prior to contract award that are not required by law or regulation.	June 1986	Office of Acquisition is reviewing the approval cycle.
30. Develop a contracting automation system.	Adopt applicable features of the automated procurement documentation system in use by several federal agencies.		Plan to build on present data base at headquarters in order to develop fully automated system.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
31. Increase the early circulation of draft specifications and solicitations.	Accelerate the formal solicitation process and assume a greater understanding of the government's requirements through early feedback on proposed specifications and solicitations.	Jan. 1987	Requirement and procedure to be incorporated in PM Handbook.
32. Raise DOT Order 4200.12A thresholds for contract review of Coast Guard Procurement.	Reestablish the balance of workload subjected to additional review by raising the thresholds under DOT Order 4200.12A.		OST is considering increasing thresholds. No estimated completion date established.
33. Change DOT Order 4200.11 Source Selection Official thresholds to include systems covered by DOT Orders 4200.9A and 4200.14B only.	Raise the threshold to coincide with the major systems orders.		OST is considering increasing thresholds, but not to the level suggested by Coast Guard. No estimated completion date established.
34. Limit OST statements of essential needs/pre-notification review to actions over \$1 million.	Limit OST/Pre-notification review to actions over \$1 million.	Completed	OST increased thresholds to \$200,000 for non-construction and \$500,000 for construction contracts. No further action will be taken.
35. Raise OST review thresholds for GSA delegated procurement authority of ADP or data communications equipment, software, or services.	A. No OST review for procurements not contained in the DOT ADP Plan which do not exceed \$250 thousand. B. No OST oversight required for procurements in the DOT ADP Plan which fall between \$250 and \$500 thousand.	Oct. 1987	OST is considering drafting orders that would specify ADP thresholds for individual DOT administration.

APPENDIX I

APPENDIX I

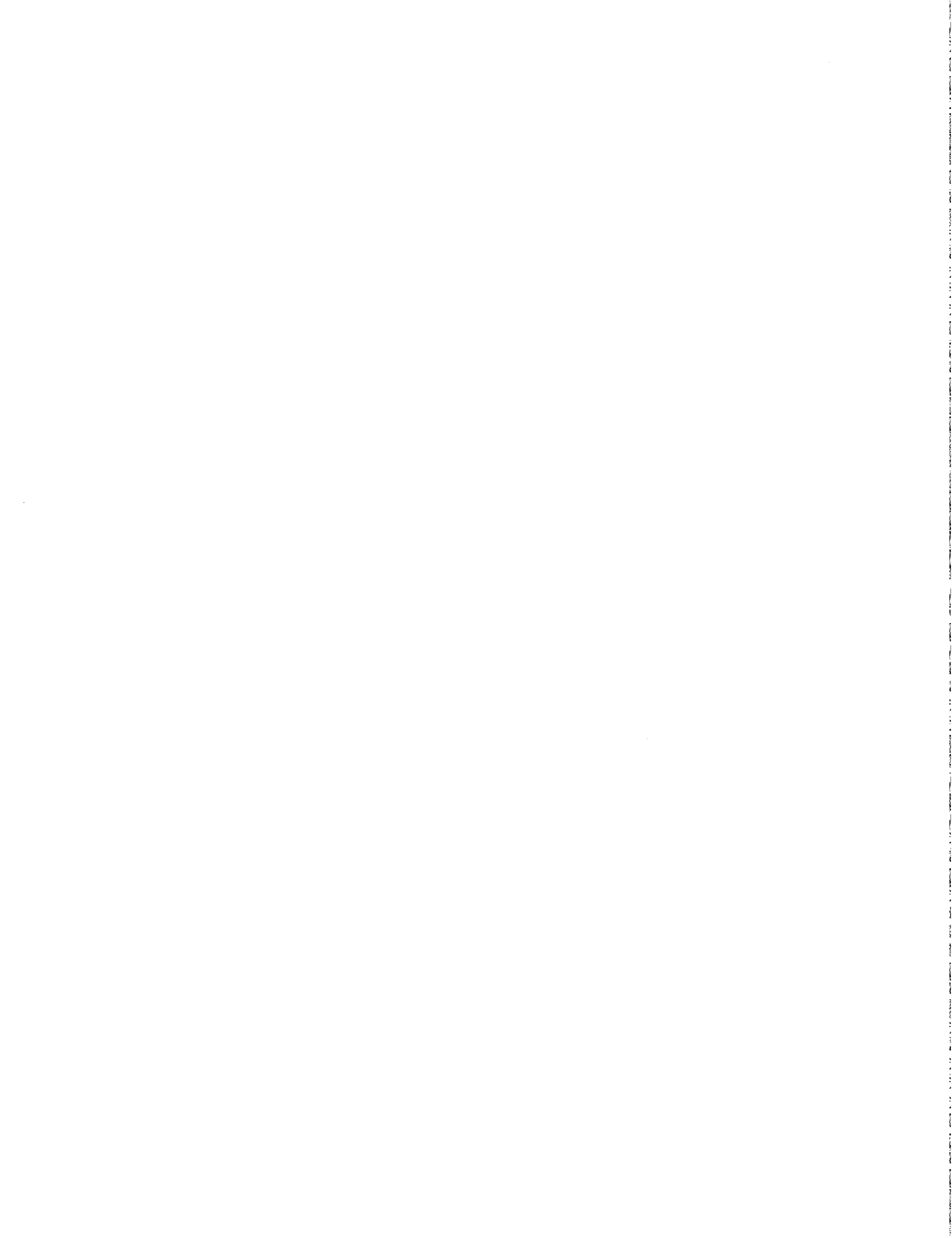
<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
36. Institutionalize the Source Selection Advisory Council concept.	Institutionalize the Source Selection Advisory Council concept.	Completed	OST has rejected this recommendation.
37. Increase the grade level of CG contracting personnel. Create a grade structure for contracting personnel to allow for promotion and retention of trained personnel.	Increase the grade level of CG contracting personnel.	June 1986	Revised position descriptions have been forwarded to Coast Guard's personnel office for approval. If approved by Coast Guard they must be sent to OPM for final approval; completion date depending on approval by both parties.
38. Encourage discussions with SBA early in the fiscal year to determine those programs which can be set aside.	Establish an annual planning process with SBA to determine programs capable of being set aside.		Completed for construction contracts. Planning process under consideration for non-construction projects.

Status of Coast Guard Actions Concerning
Logistics Management Institute Study

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
39. Establish an Office of Acquisition and Contract Management that will report directly to the Chief of Staff.	A. Eliminate unnecessary coordination, review, and approvals to reduce the long delays in awarding contracts.		Office approved by OST Jan. 1986. The rewrite of Comptroller Manual, Vol. VIII, in final review, eliminates 12 Coast Guard review steps. Elimination of other steps under review by OST and Coast Guard. Office of Acquisition not fully staffed and functioning.
	B. Centralize functional oversight authority, ensuring that buying activities establish and maintain uniformly high contracting standards.		Procurement Management Division established Dec. 1985 to provide oversight and policy direction.
40. Provide promotional opportunities within the new office so that the Coast Guard will be able to compete effectively for skilled contract specialists.	A. Improve grade structure.	June 1986	Position descriptions with improved grade structure sent to Coast Guard's Personnel Office for approval.
	B. Improve training and career development programs.		Some career development inherent in new structure. Development of individual training based on career goals and Comptroller's Manual warrant requirements. Data gathering on training needs in process.
	C. Update the Procurement Handbook for use by both contracting and program office staffs.	Sept. 1986	Procurement Handbook update in process.
	D. Set up civilian internships in contracting.		Civilian internships in contracting not started; under consideration in OST.

<u>Study recommendations</u>	<u>Coast Guard's recommended action(s)</u>	<u>Estimated completion</u>	<u>Status</u>
	E. Establish a career specialty in contracting and program management for Coast Guard officers.		Two quotas established at Naval Postgraduate School, Monterey, CA, in Procurement Management. Career speciality will not be established.
41. Structure the new office by level of complexity of contracting action.	Place small purchases in one contracting division, larger purchases in another, and major system acquisitions in the third.	Completed	Completed within the new Office of Acquisition.
42. Direct contracting personnel and program offices to draw up a joint acquisition plan as soon as the need for a contract is perceived.	Joint acquisition plan should be developed early in the planning process to allocate duties, set milestone dates, and arrange other details of performance.		New acquisition has not yet come into Office of Acquisition. Plan to be drawn up at that time.
43. Redesign the management information system.	A. Enable contracting managers to anticipate delays and bottlenecks and allocate personnel to alleviate them. B. Provide program office and headquarters support staffs with regular status reports of contracting activity.	Jan. 1987	Plan to build on present data base at HQ to develop fully automated system.

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