GAO
Accountability * Integrity * Reliability

Highlights

Highlights of GAO-12-918, a report to the Ranking Member, Subcommittee on Coast Guard and Maritime Transportation, Committee on Transportation and Infrastructure, House of Representatives

September 2012

COAST GUARD

Portfolio Management Approach Needed to Improve Major Acquisition Outcomes

Why GAO Did This Study

The Coast Guard is in the process of acquiring a multi-billion dollar portfolio of systems intended to conduct missions that range from marine safety to defense readiness. GAO has reported extensively on the Coast Guard's significant acquisition challenges, including those of its former Deepwater program, as well as areas in which it has strengthened its acquisition management capabilities. For this report, GAO assessed (1) the planned cost and schedule of the Coast Guard's portfolio of major acquisitions; (2) the steps the Coast Guard has recently taken to develop an affordable portfolio through its requirements process; and (3) the extent to which the Coast Guard is using cross-directorate teams to provide oversight and inform acquisition decisions. To conduct this work, GAO reviewed the Coast Guard's *Major Systems Acquisition Manual*, acquisition program baselines, capital investment plans, fleet mix analyses, and cross-directorate teams' charters and meeting documentation, and interviewed relevant Coast Guard and DHS officials.

What GAO Recommends

GAO recommends that the Commandant of the Coast Guard conduct a comprehensive portfolio review to develop revised acquisition program baselines and identify the Executive Oversight Council as the governing body to oversee acquisitions with a portfolio management approach to help ensure the Coast Guard acquires a balanced mix of assets. DHS concurred with both recommendations and noted planned actions to address the recommendations.

View GAO-12-918. For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

What GAO Found

The planned cost and schedule of the Coast Guard's portfolio of major acquisitions is unknown because of outdated acquisition program baselines and uncertainty surrounding affordability. The Coast Guard's approved baselines, which reflect cost and schedule estimates, indicate the estimated total acquisition cost of Coast Guard major acquisitions could be as much as $35.3 billion—an increase of approximately 41 percent over the original baselines. However, the approved baselines for 10 of 16 programs do not reflect current cost and schedule plans because programs have breached the cost or schedule estimates in those baselines, changed in scope, or do not expect to receive funding to execute baselines as planned. Furthermore, a continued mismatch between resources needed to support all approved baselines and expected funding levels has required the Coast Guard to make decisions about which programs to fund and which programs not to fund as part of its annual budget process. Both DHS and the Coast Guard have acknowledged this resource challenge, but efforts to address this challenge have not yet resulted in a clear strategy for moving forward.

The Coast Guard has taken steps through its requirements process—a process that takes mission needs and converts them to specific capabilities—to address affordability, but additional efforts are required. For example, in an effort to consider affordability, the Coast Guard made some capability trade-offs when developing requirements for its largest acquisition, the Offshore Patrol Cutter. But whether the cutter ultimately will be affordable depends on some key assumptions in the cost estimate that are subject to change. At the fleet level, the Coast Guard completed two efforts to reassess what mix of assets it requires to meet mission needs, but neither effort used realistic fiscal constraints or considered reducing the number of assets being pursued. The mix of assets the Coast Guard is acquiring is based upon needs identified in 2005, but the Coast Guard may not be on a path to meet these needs and it has not re-examined the portfolio in light of affordability.

The Coast Guard has established an acquisition governance framework that includes the following cross-directorate teams: the Executive Oversight Council, the Systems Integration Team, and Resource Councils. The Executive Oversight Council—composed of admirals and senior executives—is well-positioned to delegate tasks to the other teams or obtain information as needed to assist in managing acquisitions. This Council has been active in meeting to discuss individual acquisitions; however, it has not met to discuss the portfolio as a whole. Coast Guard officials told us it manages portfolio affordability through the budget process. GAO's best practices work has found that successful commercial companies assess product investments collectively from an enterprise level, rather than as independent and unrelated initiatives. The Coast Guard's current approach of relying on the annual budget process to manage portfolio affordability involves immediate trade-offs but does not provide the best environment to make decisions to develop a balanced long-term portfolio.