GAO Highlights

Highlights of GAO-21-9, a report to congressional committees

October 2020

COAST GUARD ACQUISITIONS

Opportunities Exist to Reduce Risk for the Offshore Patrol Cutter Program

Why GAO Did This Study

The Coast Guard—a component of the Department of Homeland Security (DHS)—is planning to spend over $12 billion to acquire a fleet of 25 OPCs. This is the component's highest investment priority and will help ensure a variety of missions, such as drug and migrant interdiction, are carried out in offshore waters once its aging Medium Endurance Cutters are decommissioned. After Hurricane Michael—a category 5 storm—significantly disrupted the OPC shipbuilder's ability to continue work in October 2018, DHS granted up to $659 million in extraordinary contractual relief to the shipbuilder.

GAO was asked to review the status of the OPC acquisition program. This report examines, among other objectives, how the Coast Guard revised the OPC program after Hurricane Michael and the extent to which the program addressed major risks—particularly in the areas of design maturity, schedule, and cost—before proceeding through key acquisition decisions both pre- and post-hurricane. GAO reviewed Coast Guard program and contract documents, analyzed Coast Guard data, and interviewed Coast Guard and DHS officials.

What GAO Recommends

GAO is making eight recommendations to the Coast Guard and DHS, including ensuring that the program stabilizes its design before proceeding with construction of the next OPC, updates its schedule to address deficiencies and incorporate risks, and updates its cost estimate to improve its credibility.

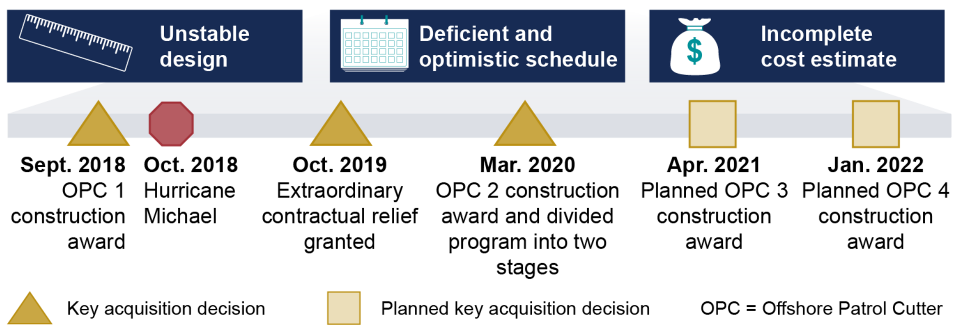
View GAO-21-9. For more information, contact Marie A. Mak at (202) 512-4841 or makm@gao.gov.

What GAO Found

The Coast Guard divided the Offshore Patrol Cutter (OPC) program into two stages and revised its cost and schedule goals following widespread disruptions from Hurricane Michael in October 2018, which led the shipbuilder to request relief from certain requirements under contract. Under this revised plan, the current shipbuilder will build up to four OPCs in the first stage, while the acquisition of the remaining 21 OPCs will be awarded under one or more new contracts starting in fiscal year 2022 in the second stage.

The Coast Guard's determination to deliver the OPCs in a timely manner has driven the program through key acquisition decisions despite significant design, testing, schedule, and cost risks, which remained or were exacerbated after the hurricane (see figure).

Offshore Patrol Cutter Program Moved Forward Despite Major Risks



Source: GAO analysis of Coast Guard information. | GAO-21-9

Unstable Design. The Coast Guard authorized the start of construction for the first two OPCs despite not having a stable design, which is inconsistent with shipbuilding best practices. Proceeding towards OPC 3 construction before stabilizing the design—including maturing the design drawings of major ship systems—increases the risk of construction rework if changes are needed. This could further delay schedules and increase costs.

Deficient and Optimistic Schedule. Prior to the construction award for OPC 1, the OPC program's schedule has contained significant deficiencies that are contrary to what is called for in best practices for developing schedules that GAO identified. Further, the revised post-hurricane delivery dates for the first four OPCs are optimistic and do not fully incorporate schedule risks, increasing the likelihood that the OPCs will not be delivered when promised.

Incomplete Cost Estimate. The cost estimate used to inform the program's new cost goals did not include key analyses called for in best practices for developing cost estimates GAO identified. These key analyses include varying assumptions to determine how sensitive the estimates are to various factors and quantifying the effects of potential risks. Omitting these analyses undermines the credibility of the estimated program costs, increasing the risk that decision makers do not have a complete picture of the full range of costs the program could incur.