HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

TOM DAVIS, VIRGINIA
RANKING MINORITY MEMBER

ONE HUNDRED TENTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

Majority (202) 225–5051
Minority (202) 225–5074

MEMORANDUM

February 8, 2007

To: Members of the Committee on Oversight and Government Reform

Fr: Majority Staff

Re: Additional Information about the Deepwater Contract

In January 2007, the Committee requested information about the Coast Guard's Integrated Deepwater Systems contract. The Committee's request followed a number of news reports and government audits that have shown deficiencies in the management of the Deepwater program.

In response to the Committee's request, the Committee has received documents that raise further questions about the actions of Coast Guard officials and private contractors in managing and overseeing the contract.

I. The Navy Fatigue Assessment

Beginning in 2002, technical experts within the Coast Guard began to express concerns about the design of the National Security Cutter (NSC), the flagship of the new Deepwater fleet. In September 2003, a Coast Guard expert wrote:

> [We] have done all we can over the past fourteen months to work collaboratively with ICGS to resolve these problems, however our input has been ignored and ICGS has been unwilling to take the steps necessary to resolve these problems. I remain gravely concerned that the U.S. Coast Guard will take delivery of a ship with a fatally flawed structural design.[1]

---

[1] E-mail from Chief, Naval Architecture Branch, Engineering Logistics Center, to unknown recipients in the Coast Guard's Office of Acquisition and Deepwater program

To resolve these issues, the Deepwater Program Office contracted with the U.S. Navy in March 2005 to conduct a fatigue assessment of the National Security Cutter. The Deepwater Program Office is located within the Coast Guard, but is physically situated in an office with Integrated Coast Guard Systems, the prime contractor for the Deepwater program.[2] The Naval Surface Warfare Center, Carderock, performed the examination for the Navy. The Carderock Center describes itself as the "Navy's experts for maritime technology."[3]

On December 2, 2005, the Deepwater Program Office received a briefing from the Carderock Center regarding the technical design assessment.[4] This briefing informed Deepwater officials that the ship as designed did not have a fatigue life of 30 years. It included numerous slides with technical analyses of the stresses on various elements of the ship. While most of the text on these slides is technical in nature, several slides include prominent warnings in red type that summarize the Carderock findings. Three of these warnings read:

- "Bottom line ... Stresses are too high for Cat E details to last 30 yrs => problem!"
- "Bottom line ... Stresses are too high to allow D details (long'l weld) or E details (butt weld) to last 30 yrs => problem!"
- "Bottom line ... Stresses are too high to allow E, F, or F2 details to last 30 years => problem!"[5]

One week later, on December 8, 2005, the National Security Cutter Program Manager briefed the Commandant of the Coast Guard on Carderock's findings.[6] Several of the slides presented to the Commandant were identical to the slides provided to the Program Management Office with two notable exceptions: (1) some of the slides with technical findings were eliminated from the presentation and (2) the prominent red warnings that provided Carderock's "bottom line" assessments were systematically deleted.

---

management (Sept. 17, 2003), as cited in Office of Inspector General, U.S. Department of Homeland Security, *Acquisition of the National Security Cutter* (OIG-07023) (Jan. 2007).

[2] Briefing by Rear Admiral Gary Blore, Deepwater Executive Officer, U.S. Coast Guard, to Staff, House Committee on Oversight and Government Reform (Feb. 2, 2007).

[3] Naval Surface Warfare Center, Carderock Division, *About Us* (online at www.dt.navy.mil/about_us/about_us.html).

[4] Naval Surface Warfare Center, Carderock Division, *NSC Structural Assessment Fatigue Progress as of 12-02-2005* (Dec. 2005) (See Appendix A).

[5] *Id.*

[6] National Security Cutter Program Manager, *NSC Structure Update* (Dec. 8, 2005). (See Appendix B). Information about the attendance at the briefing provided in E-mail from Office of Inspector General, U.S. Department of Homeland Security, to Staff, House Committee on Oversight and Government Reform (Feb. 6, 2007).

The Committee staff has inquired why the warnings from Carderock were deleted from the briefing materials provided to the Commandant, but has received no response.

The Carderock Center did not prepare a final report on its fatigue assessment until August 2006. This final report confirmed that the Navy had identified "several areas of concern that have insufficient fatigue strength to endure 30 years of operation."[7] By the time the final report was released, however, the Commandant had already made the decision to renew the Deepwater contract.

There is also evidence that the Carderock findings may have been withheld from the Department's Inspector General. According to the most recent report from the Inspector General, the IG requested the December 2005 briefing from the Carderock Center but was given the internal briefing provided to the Commandant instead.[8] The IG informed the Committee staff that the IG had to pressure the Coast Guard to receive the original, unredacted briefing.[9]

II. The Contract Renewal Decision

On May 19, 2006, the Coast Guard made a decision to extend the Deepwater contract for an additional three and a half years. According to documents the Committee has received, this decision was made just 11 days after the National Security Cutter Program Manager briefed the Commandant about serious problems with both the ship and the performance of the contractors.

The briefing by the National Security Cutter Program Manager to the Commandant on the structural design of the National Security Cutter occurred on May 8, 2006. The primary finding of the briefing was that the ship was "not compliant with performance requirements."[10]

The briefing specifically discussed the "participation" of contractors responsible for building the ship, ICGS and Northrop Grumman Ship Systems. The briefing informed the Commandant of multiple problems the Coast Guard had encountered dealing with the contractors, including:

- "Energy focused on deflecting Government technical analysis and reinterpreting contract requirements. Little interest displayed to partner for solutions."

---

[7] Naval Surface Warfare Center, Carderock Division, *Structural Assessment of the US Coast Guard National Security Cutter* (Aug. 2006).

[8] Office of Inspector General, U.S. Department of Homeland Security, *Acquisition of the National Security Cutter* (OIG-07023) (Jan. 2007).

[9] Briefing by Richard Skinner, Inspector General, U.S. Department of Homeland Security, to Staff, House Committee on Oversight and Government Reform (Jan. 25, 2007).

[10] Deepwater Program Office, *Brief to Commandant: NSC Structure Update to G-C* (May 8, 2006), included as Appendix G of Office of Inspector General, U.S. Department of Homeland Security, *Acquisition of the National Security Cutter* (OIG-07023) (Jan. 2007). (See Appendix C).

- "No interest yet expressed to assume technical leadership and solve … problems or address underlying systems engineering issues."

- "[N]o leadership initiative."

- "Gradual back-peddling away from … fatigue technical problems. Performed by local subcontractor with no prior experience with structural fatigue."[11]

The briefing expressly advised the Commandant that he "should consider using 3rd party."[12]

This briefing and the problems it raised do not appear to have had an influence on the decision to renew the contract. Contrary to the findings presented in the briefing to the Commandant, the memorandum announcing the renewal decision states: "Within the factors over which it has control, the contractor has made positive contributions to maximize operational effectiveness and minimize total ownership cost."[13] It also notes: "Positive trends are evident in all performance areas."[14]

The Committee staff has not received an explanation for the apparent discrepancy between the findings presented to the Commandant and the renewal decision and justification.

---

[11] *Id.*

[12] *Id.*

[13] Award Term Determination for Contract HSCG23-02-C-2DW001, Base Period (May 19, 2006).

[14] *Id.*