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COAST GUARD

**Observations on Agency
Priorities in Fiscal Year
2006 Budget Request**

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Homeland Security and Justice Issues





COAST GUARD

Observations on Agency Priorities in Fiscal Year 2006 Budget Request

Highlights of [GAO-05-364T](#), a report to the Subcommittee on Fisheries and Coast Guard, Committee on Commerce, Science, and Transportation, U.S. Senate

Why GAO Did This Study

The Coast Guard's budget has steadily increased in recent years, reflecting the agency's need to address heightened homeland security responsibilities while also addressing traditional programs such as rescuing mariners in distress and protecting important fishing grounds. The fiscal year 2006 budget request, which totals \$8.1 billion, reflects an increase of \$570 million over the previous year. GAO has conducted reviews of many of the Coast Guard's programs in recent years, and this testimony synthesizes the results of these reviews as they pertain to three priority areas in the Coast Guard's budget: (1) implementing a maritime strategy for homeland security, (2) enhancing performance across missions, and (3) recapitalizing the Coast Guard, especially the Deepwater program—an acquisition that involves replacing or upgrading cutters and aircraft that are capable of performing missions far out at sea. GAO's observations are aimed at highlighting potential areas for ongoing congressional attention.

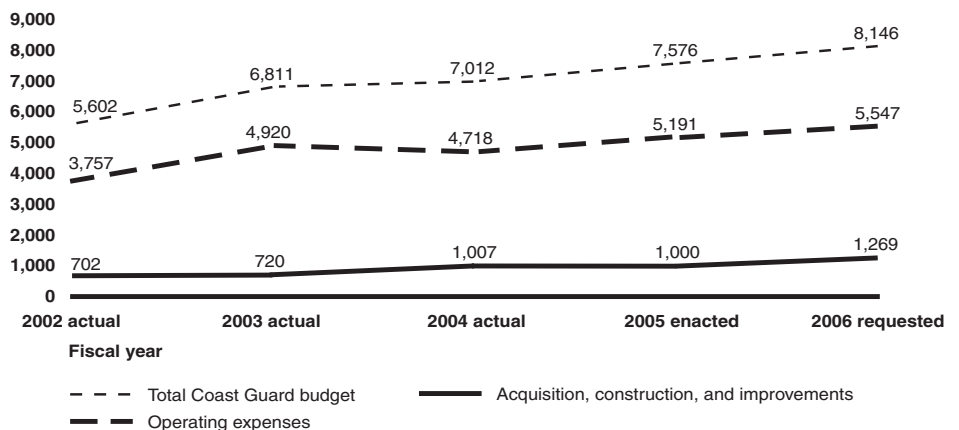
What GAO Found

The Maritime Transportation Security Act of 2002 charged the Coast Guard with many maritime homeland security responsibilities, such as assessing port vulnerabilities and ensuring that vessels and port facilities have adequate security plans, and the Coast Guard has worked hard to meet these requirements. GAO's reviews of these efforts have disclosed some areas for attention as well, such as developing ways to ensure that security plans are carried out with vigilance. The Coast Guard has taken steps to deal with some of these areas, but opportunities for improvement remain.

The Coast Guard has three efforts under way that hold promise for enhancing mission performance but also merit ongoing attention. One is a new coastal communication system. The fiscal year 2006 budget request includes \$101 million to move the system forward. A successful system would help almost all Coast Guard missions, but to develop it the Coast Guard must build more than 300 towers along the nation's coasts, some of them in environmentally sensitive areas. The second effort involves restructuring the Coast Guard's field units—tying resources and command authority closer together. This effort represents a major organizational change, and as such, it may be challenging to implement successfully. The third effort, enhancing readiness at the Coast Guard's stations for search and rescue and other missions, remains a work in process.

The Deepwater program, which would receive \$966 million under the budget request, appears to merit the most ongoing attention. GAO reviews of this program have shown that the Coast Guard clearly needs new or upgraded assets, but the Coast Guard's contracting approach carries a number of inherent risks that, left unaddressed, could lead to spiraling costs and slipped schedules. The Coast Guard is taking some action in this regard, but GAO continues to regard this approach as carrying substantial risk. Some expansion of cost and slippage in schedule has already occurred.

Coast Guard Budget, Fiscal Years 2002-2006 (dollars in millions)



Source: GAO analysis of Coast Guard data.

www.gao.gov/cgi-bin/getrpt?GAO-05-364T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Margaret Wrightson, (415) 904-2200, or wrightsonm@gao.gov.

Madame Chair and Members of the Subcommittee:

I am pleased to be here today to discuss the President's fiscal year 2006 budget request for the Coast Guard, focusing on three priority areas the Coast Guard believes are critical to improving performance and reducing vulnerabilities within the U.S. maritime domain. As you know, the Coast Guard continues to face extraordinary, heightened responsibilities to protect America's ports, waterways, and waterside facilities from terrorist attacks, while also maintaining responsibility for many other programs important to the nation's interests, such as helping stem the flow of illegal drugs and illegal immigration, protecting important fishing grounds, and responding to marine pollution. At the same time, the Coast Guard is adjusting to its new home in the Department of Homeland Security (DHS) and attempting to manage the largest acquisition in its history, replacing or upgrading virtually all of its deepwater assets (ships and aircraft capable of operating further out to sea). It is an understatement to say that the Coast Guard has a lot going on. In recognition of this, the Coast Guard has received substantial budget increases since the terrorist attacks on September 11, 2001.

My testimony today provides a brief overview of the Coast Guard's budget and performance information, and then discusses key Coast Guard programs and activities within the context of a three-part framework that the Coast Guard outlines in its fiscal year 2006 budget documents. The Coast Guard believes that funding three priority areas—implementing the maritime strategy for homeland security, enhancing mission performance, and recapitalizing the Coast Guard—are essential to best position the agency to implement the President's strategies and reduce vulnerabilities in the U.S. maritime domain. My testimony is based on a number of reviews we have conducted in recent years on several Coast Guard programs. (See app. II for a listing of recent reports.) Our work for this testimony has been conducted from February 2005 to March 2005 in accordance with generally accepted government auditing standards. (See app. I for additional information regarding our scope and methodology.)

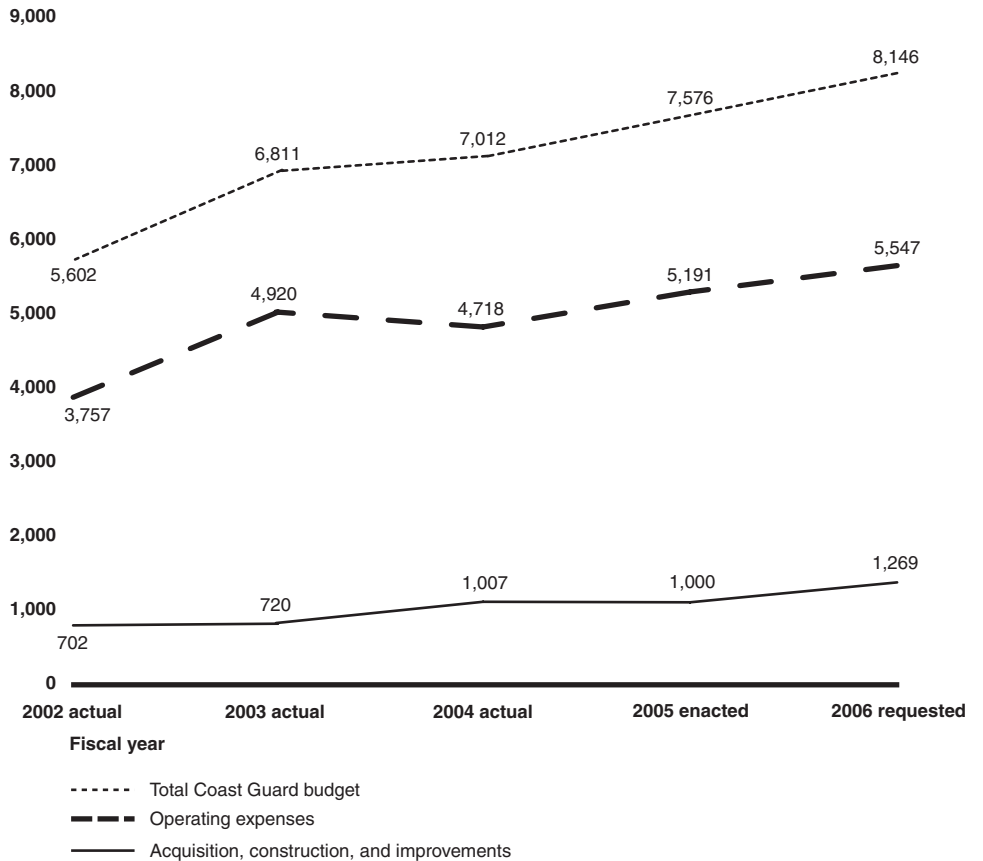
In summary, the 2006 request reflects the continuing importance the administration attaches to the Coast Guard's missions—especially those that relate to homeland security. Our recent work indicates that funding increases may be warranted, given the condition of the Coast Guard's aging assets and the fact that the systems and processes the agency needs to improve maritime domain awareness and security were either inadequate or nonexistent prior to the terrorist attacks. Nevertheless, as our work also has shown, dramatic infusions of money do not guarantee

success, but bring added responsibility to ensure that these large investments of taxpayer dollars are wisely spent. The risk that an agency may simply attempt to do too much and do it too quickly is increased when an agency faces as many significant new heightened responsibilities as the Coast Guard. We have not evaluated the Coast Guard's priorities or whether the funding levels proposed are those needed to accomplish these priorities. However, our work does show that in key areas the Coast Guard has not always paid as much attention to program design and management as it should. These design and management issues can often have implications for how effectively money is spent. My testimony focuses on findings from our recent work as they relate to each of the Coast Guard's three priority areas, the recommendations we made, the progress that the Coast Guard has made in addressing them, and the issues that remain. First, I would like to put the fiscal year 2006 budget request in a historical context and also provide some perspective on the Coast Guard's reported performance results.

Funding Has Escalated in Recent Years, but Is Difficult to Link to Performance Results

The Coast Guard's 2006 budget request continues a trend of increasing budgets that began in fiscal year 2002, as figure 1 shows.

Figure 1: Coast Guard Budget from Fiscal Year 2002 to Fiscal Year 2006 (dollars in millions)



Source: GAO analysis of Coast Guard data.

If the Coast Guard’s full budget request is granted, its funding will have increased by 45 percent in nominal terms in this 5-year period. A major portion of this growth will have occurred in the acquisition, construction, and improvements account, which grew 81 percent in nominal dollars between the fiscal year 2002 actual funds and the fiscal year 2006 requested funds—a \$568 million increase. Much of this increase can be attributed to two major acquisition projects—Deepwater and Rescue 21. Deepwater is the Coast Guard’s largest-ever acquisition program. It replaces or modernizes cutters, aircraft, and communications equipment for missions that require mobility, extended presence on scene, and the capability of being deployed overseas. Rescue 21, the Coast Guard’s second largest procurement in fiscal year 2006, will replace the Coast Guard’s current antiquated coastal communication system.

The fiscal year 2006 budget request shows a \$570 million increase to \$8.1 billion,¹ which is an increase of about 11 percent in its discretionary funding over the enacted budget for fiscal year 2005.² The majority of the total is for operating expenditures: \$5.5 billion. Capital acquisition accounts for another approximately \$1.3 billion, and the remainder is primarily for retired pay. (See app. III for more detail on the Coast Guard's fiscal year 2006 budget accounts.) Much of the additional \$570 million over and above the 2005 budget covers such things as mandatory pay increases for current employees and operating expenses for existing programs—many of which relate to homeland security functions. In addition, more than \$50 million of the increase would fund new or enhanced initiatives, all of which relate to homeland security. For example, a portion of this funding would be dedicated to increasing maritime patrol aircraft operations, increasing the Coast Guard's presence in ports, and providing enhanced security for liquefied natural gas transports. Of the nearly \$1.3 billion requested for capital projects, \$966 million, or 76 percent, would be dedicated to the Deepwater acquisition, while \$101 million would be dedicated to Rescue 21.

By comparison with the pattern of budget increases, performance results—indicators that track a program's progress from year to year—have been more mixed in terms of the number of performance targets met each year.³ (See app. IV for a detailed discussion of the Coast Guard's performance measures and results.) The Coast Guard has a key performance target—the goal it aims to achieve each year—for 10 of its 11 programs.⁴ For search and rescue, for example, its target is to save the lives of at least 85 percent of mariners in distress. For the 8 programs with

¹The \$8.1 billion request for the Coast Guard represents 20 percent of the Department of Homeland Security's budget request for fiscal year 2006.

²This calculation is based on the Coast Guard's discretionary funding and, for comparison purposes, removes the fiscal year 2005 hurricane supplemental (\$33 million) and adds in the anticipated fiscal year 2006 reimbursements for polar icebreaking (\$47.5 million) and research, development, test and evaluation (\$24 million).

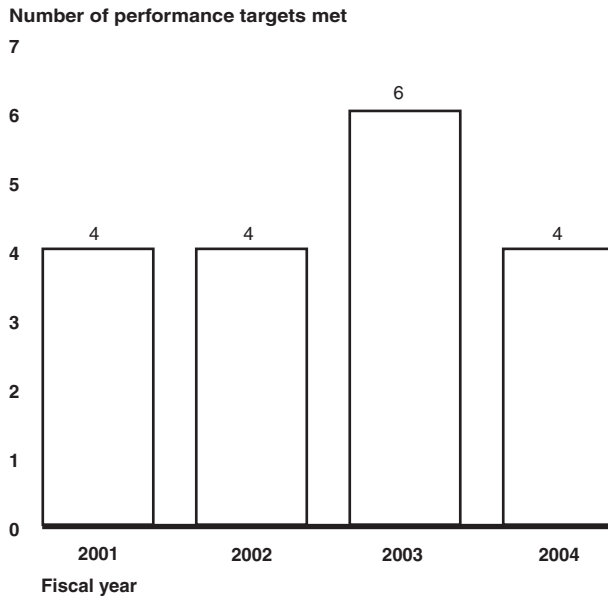
³Pursuant to the Government Performance and Results Act of 1993 (Pub. L. No. 103-62, 107 Stat. 285 (1993)), performance indicators are to be used to assess relevant outputs, service levels, and outcomes of each program activity. Performance targets or goals are defined as a set of annual goals that establish the agency's intended performance, stating a particular level of performance in either an absolute value or as a targeted level of improvement.

⁴For homeland security (called ports, waterways, and coastal security), performance measures are still under development.

performance results through fiscal year 2004,⁵ the Coast Guard met or exceeded its targets in 4—a decline from the 2003 results, when the Coast Guard met 6 of these targets (see fig. 2). Such changes can involve relatively small shifts in results. For example, in fiscal year 2004, 96.3 percent of domestic fishermen were found to be in compliance with regulations, compared with 97.1 percent the year before—but the percentage for fiscal year 2004 was below the Coast Guard’s target of 97.0 percent, while the percentage for fiscal year 2003 was above it.

⁵According to the Coast Guard, performance results for fiscal year 2004 are not available for two programs. They are: (1) marine safety—fiscal year 2004 performance results will not be available until spring 2005, when the recreational boating data is reported; and (2) illegal drug interdiction—fiscal year 2004 results will be calculated and released once illegal drug flow information for fiscal year 2004 is known—sometime in the spring of 2005.

Figure 2: Number of Coast Guard Performance Targets Met for the 8 Programs with Performance Results between Fiscal Years 2001 and 2004



Source: GAO analysis of Coast Guard data.

Note: Only those performance results that were available for each fiscal year between 2001 and 2004 were included in these results. As such, performance results for marine safety, illegal drug interdiction, and ports, waterways, and coastal security are not included in these figures.

As we have reported in the past, it is difficult to link spending and resource allocations to performance and results, because many other factors also are at work.⁶ For example, one of the Coast Guard's measures—the number of incursions into U.S. fishing grounds by foreign fishing vessels—is affected by oceanic and climatic shifts that can cause fluctuations in the migrating patterns of fish. The number of foreign vessels drawn to U.S. waters could be affected by these fluctuations. In addition, the Coast Guard is still developing its performance measures and targets for its primary homeland security program, so this major reason for funding increases is not yet reflected in the results. These complicating factors suggest caution in attempting to read too much into the fiscal year

⁶GAO, *Coast Guard: Key Management and Budget Challenges for Fiscal Year 2005 and Beyond*, [GAO-04-636T](#) (Washington, D.C.: April 7, 2004); and *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer*, [GAO-04-432](#) (Washington, D.C.: March 22, 2004).

2004 drop. Nevertheless, attention to these trends over the long term is important, as a way to help ensure that taxpayer dollars are spent wisely.

Efforts Made on Coast Guard's Maritime Security Strategy Show Promise, but Concerns Remain

One of the Coast Guard's fiscal year 2006 priorities involves implementing a maritime strategy for homeland security. Major portions of this endeavor are heavily influenced by the requirements of the Maritime Transportation Security Act (MTSA) of 2002.⁷ We have reviewed the Coast Guard's response to a number of these requirements, and our findings have implications for several aspects of the budget request.

MTSA seeks to establish a comprehensive security regime for the nation's ports—including planning, personnel security, and careful monitoring of vessels and cargo—and charges the Coast Guard with lead responsibility for implementing this regime. Since MTSA was enacted, the Coast Guard has worked to address vulnerabilities by spurring the development of meaningful security plans for thousands of facilities and vessels in the nation's ports. The Coast Guard has taken many other actions as well, including establishing area maritime security committees to improve information sharing, increasing port presence through increased security patrols, enhancing intelligence capabilities by establishing field intelligence teams in ports, and beginning to implement an electronic identification system for vessels in the nation's ports. As we have reported, the Coast Guard deserves credit for taking fast action on so many MTSA security provisions at once, especially with regard to MTSA's aggressive requirement that regulated facilities and vessels have security plans in place by July 2004.⁸ However, the combination of so many reforms and an aggressive schedule posed a daunting challenge, and our review of Coast Guard efforts to meet these requirements showed some areas for improvement where we have made recommendations—most notably the following three from reports issued in 2004.

- *Automatic Identification System (AIS) has potential for cost savings.* National development of this system, which identifies vessels traveling to

⁷Pub. L. No. 107-295, 116 Stat. 2064, (2002).

⁸GAO, *Maritime Security: Partnering Could Reduce Federal Costs and Facilitate Implementation of Automatic Vessel Identification System*, [GAO-04-868](#) (Washington, D.C.: July 23, 2004); *Maritime Security: Better Planning Needed to Help Ensure an Effective Port Security Assessment Program*, [GAO-04-1062](#) (Washington, D.C.: September 30, 2004); and *Maritime Security: Substantial Work Remains to Translate New Planning Requirements into Effective Port Security*, [GAO-04-838](#) (Washington, D.C.: June 30, 2004).

or through U.S. waters, is an important step in the overall effort to increase port safety and security. The Coast Guard faced several key decisions to determine AIS's technical requirements, waterway coverage, and vessels to be equipped with identification equipment. Estimates to establish such a system, however, were well above funding levels. We thought the goals of the system might be achieved more quickly and the costs to the federal government reduced by pursuing cost-sharing options. Consequently, we recommended that the Coast Guard seek and take advantage of partnerships with organizations willing to develop AIS systems at their own expense.

- *Port security assessments could be more useful.* The port security assessment program is intended to assess port vulnerabilities and security measures in the nation's 55 most economically and militarily strategic ports. Our review showed that while some improvements were made, the Coast Guard risked producing a system that was not as useful as it could have been because its approach lacked a defined management strategy, specific cost estimates, and a clear implementation schedule. A major factor of the program—a computer-based geographic information system that would provide information to personnel in charge of port security—was developed in such a way that gaps in port security postures could be overlooked. We recommended that the Coast Guard define and document the functional requirements for this computer system and develop a long-term project plan for the system and for the port security assessment program as a whole.
- *The Coast Guard's strategy for conducting oversight and compliance inspections of facilities and vessels could be improved.* Because the program was new, we recommended that the Coast Guard undertake a formal evaluation after the first round of inspections and use the results to improve the program. The evaluation was to include the adequacy of security inspection staffing, training, and guidance. To improve the program strategy, we also recommended that the Coast Guard clearly define the minimum qualifications for inspectors and link these qualifications to a certification process, as well as consider unscheduled and unannounced inspections, and covert testing as a way to ensure that the security environment at the nation's seaports met the nation's expectations.

The Coast Guard agreed with many of our recommendations and has made progress in implementing some of them, but the remaining issues have implications for the availability of funds or the effectiveness with which available funds are spent.

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- *AIS.* Coast Guard officials have taken a number of steps to encourage stakeholder participation, although they have not formally sought AIS partners to date. For example, the Coast Guard has a contract with PETROCOMM (a provider of communications services in the Gulf of Mexico) to provide locations, maintenance, and data services for several AIS base stations on offshore platforms in the Gulf of Mexico.⁹ The Coast Guard believes that it is too early to consider partnerships beyond these initial efforts, because the Coast Guard is still developing operational requirements for AIS systems and vetting these requirements with stakeholders and Coast Guard field units. However, Coast Guard officials also reported that in their discussions with private parties, these parties have shown little interest in shouldering any of the financial burden associated with achieving AIS capability. The Coast Guard estimates that the installation of AIS nationwide could cost nearly \$200 million. The fiscal year 2006 budget requests \$29.1 million for this project, in addition to the \$48 million previously enacted (\$24 million per year in fiscal years 2004 and 2005)—leaving a substantial sum to be financed.

Port security assessments. Coast Guard officials said they are working with the Department of Homeland Security to determine the focus and scope of the fiscal year 2006 port assessments and are taking into consideration the progress being made by ports to identify shortcomings and improve security. However, the Coast Guard continues to move forward with the overall program, as well as the geographic information system, without a plan that clearly indicates how the program and its information component will be managed, what they are expected to cost, or when the various work steps should be completed. The lack of a plan, in our view, increases the risk that the program will be unsuccessful. In response to our recommendation, the Coast Guard has indicated that it will develop a long-term plan for the port security assessment program but they did not indicate when this effort will begin or when they expect a plan to be completed.

⁹The other instances are (1) The Coast Guard has a contract with the Port Graham Development Corporation (an Alaskan Native corporation) in partnership with the Marine Exchange of Alaska to deploy and manage a network of AIS receivers at 11 locations in Alaska; (2) the Volpe Transportation Systems Center approached the Coast Guard to offer its assistance in facilitating partnerships. (This was done in response to [GAO-04-868](#).) The Coast Guard entered into an agreement with Volpe for the provision of a variety of support for AIS services, including its help in setting up AIS capability in areas where partnerships may be of assistance.

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- *Strategy for ensuring facility and vessel compliance.* The Coast Guard has taken a number of actions but has not focused its resources on doing unscheduled or unannounced spot checks to verify whether domestic vessels are complying with requirements.¹⁰ We continue to believe that without unscheduled inspections, vessel owners and operators can mask security problems by preparing for the annually announced inspections in ways that do not represent the normal course of business. Unannounced inspections are a way of ensuring that planning requirements translate into security-conscious behavior.

Three Efforts to Enhance Mission Performance Bear Watching

A second Coast Guard priority is to enhance mission performance. Many Coast Guard personnel and assets are involved in performing multiple missions. For example, Coast Guard cutters and crews may be involved with fisheries patrols, distress calls, oil spills, stopping and boarding vessels of interest, and many other tasks. In fiscal years 2005 and 2006, the Coast Guard plans to continue developing several initiatives that agency officials believe will yield increased performance across multiple Coast Guard missions over time. Three initiatives, in particular, deserve mention. These are a new coastal communication system, called Rescue 21; a new field command structure, called Sectors; and efforts to improve readiness at multimission stations that conduct search and rescue as well as other missions. All three efforts carry some risk and will merit close attention.

- *Rescue 21.* The Coast Guard has resolved some initial development problems that delayed the implementation of this new coastal command and control communication system and is now poised to move forward again, with a fiscal year 2006 budget request of \$101 million. According to Coast Guard officials, Rescue 21 can improve coastal command and control communications and interoperability with other agencies, helping to improve not only search and rescue efforts but also other missions such as illegal drug and migrant interdiction. The program is composed of very-high-frequency-FM radios, communication towers, and communication centers. Rescue 21 was originally scheduled to be ready for operational testing by September 2003, but this was delayed because of problems in developing system software. Operational testing of this software has been

¹⁰ Agency officials reported that they are focusing resources on making the initial inspection of the nearly 10,000 vessels subject to MTSA requirements. Coast Guard officials say the agency is using unscheduled or unannounced spot checks for facilities, and for foreign vessels. However, we have not assessed the extent to which this has occurred.

completed.¹¹ The program is now set—once additional Coast Guard and DHS approvals are obtained—to move into its next phase of production, and the Coast Guard anticipates that the program will be operational by the end of 2007.

According to the Coast Guard, one risk that remains in moving ahead with Rescue 21 involves locating sites for about 330 towers that must be built. The Coast Guard must locate these towers in accordance with the requirements of the National Environmental Policy Act of 1969 (NEPA), as amended, which requires federal agencies to prepare an environmental impact statement for major federal actions that may significantly affect the quality of the human environment.¹² Towers can have environmental effects; for example, when they are built in migratory bird locations, birds can fly into the towers or their supporting wires. Additionally, for effective communications, each tower must be placed in a way that one tower's coverage meets the next tower's coverage without interference. Thus, if one tower must be moved for environmental reasons, neighboring towers may also have to be moved—leading to a potential for schedule slippage, if additional sites must be identified and developed. The NEPA process represents the Rescue 21 program's greatest risk, according to a program official.¹³

- *Sectors.* This is a new field command structure that will unify previously disparate Coast Guard units such as air stations, groups, and marine safety offices into integrated commands. This effort is a budget neutral effect in the fiscal year 2006 request, but it bears attention for operational effectiveness reasons. The Coast Guard is making this change to improve mission performance through better coordination of Coast Guard command authority and resources such as boats and aircraft. Under the previous field structure, for example, a marine safety officer who had the authority to inspect a vessel at sea or needed an aerial view of an oil spill

¹¹As a result of these delays, \$40 million in fiscal year 2005 funds were reprogrammed within the Coast Guard from Rescue 21 to other purposes, and an additional \$16 million was rescinded.

¹²Pub. L. No. 91-190, 83 Stat. 852 (1970) (environmental impact statements provision found at 42 U.S.C. § 4332(2)(c)).

¹³To help address these concerns, the Coast Guard has agreed to support U.S. Fish and Wildlife Service's studies examining what can be done to prevent birds from hitting the towers or supporting wires. In response to the Fish and Wildlife Service's concerns, the Coast Guard has adapted the night lighting on the towers to make the towers more visible for the birds and has used towers that do not require support wires.

as part of an investigation would often have to coordinate a request for a boat or aircraft through a district office, which would obtain the resource from a group or air station. Under the Sector realignment, these operational resources will be available under the same commanding officer. To date, 8 sectors have been established, with approximately 28 to be established by the end of 2006.¹⁴ According to Coast Guard personnel, the realignment is particularly important for meeting new homeland security responsibilities, and will facilitate the Coast Guard's ability to manage incidents in close coordination with other federal, state, and local agencies.

While the establishment of Sectors appears to be an important step that could positively affect the Coast Guard's mission performance, the Coast Guard is likely to face a number of implementation challenges that it will need to overcome to help ensure success. First, Sectors change a long-standing cultural divide within the agency. This divide has separated those personnel who typically operate aircraft and boats from those personnel who typically enforce marine safety, security, and environmental protection laws. Second, it has implications for alignment above the field operations level as well. Realignment is likely to be needed at the district office and headquarters levels to help ensure that management misalignments among these levels do not pull the field reorganization off track. Third, it will likely require training, such as taking steps to ensure that senior commanders are aware of key issues critical for decision making across the various Coast Guard mission areas. Coast Guard officials acknowledge these challenges but believe that the culture challenge will be overcome in time as a result of increased familiarity and training. They also acknowledged that further realignments at the district and headquarters levels are likely to be needed over time and that efforts are under way to implement training changes.

- *Multimission stations.* Another area where the Coast Guard has an opportunity to improve mission performance involves its 188 multimission stations. These stations located along the nation's coastlines and interior waterways have been the mainstay of one of the Coast Guard's oldest missions—finding and rescuing mariners in danger. In 2001, after a series of search and rescue mishaps, the Coast Guard began efforts to improve station readiness, which had been declining for more than 20 years. This

¹⁴Sectors will be organized along existing Captain of the Port zones. The eight established sectors as of March 1, 2005, are in Boston, Baltimore, San Diego, Honolulu, Miami, Key West, San Juan (Puerto Rico), and Guam.

included reconfiguring operations and bolstering resources in four areas—staffing, training, boats, and personal protection equipment used by personnel during operations, such as life vests and survival suits. This effort was complicated by the new and increased homeland security responsibilities that stations assumed after the terrorist attacks of September 11.

Today, 4 years after efforts began to improve station readiness, there have been operational improvements in staffing, training, boats, and personal protection equipment, as well as increases in resource levels at stations. However, even though readiness concerns have been mitigated to some extent, the stations have still been unable to meet standards and goals relating to staffing, boats, and equipment, which indicates that the stations are still significantly short of desired readiness levels in some areas. For example, even though station staffing has increased 25 percent since 2001, station personnel continue to work significantly longer hours than are allowed under the Coast Guard’s work standards.

To address continued readiness concerns, actions are needed in two areas, and the Coast Guard says that it has such efforts underway. Currently, the Coast Guard does not have an adequate plan in place for achieving and assessing readiness in its new post-September 11 operating environment. The Boat Forces Strategic Plan—the Coast Guard’s strategy for maintaining and improving essential multimission station capabilities over the next 10 years—is the agency’s main tool for measuring progress in meeting station readiness requirements, but it has not been updated to reflect increased homeland security responsibilities. However, Coast Guard officials recently reported that they will update the plan to reflect its homeland security mission and identify actions taken and results achieved. Second, the Coast Guard is operating under interim homeland security guidelines, which establish recommended security activities for field units according to each maritime security threat level. Coast Guard officials said they would incorporate measurable station readiness goals into the plan. The Coast Guard plans to complete these efforts in the next 6-9 months.

Important but Costly Programs for Maintaining and Recapitalizing Deepwater Assets Need Careful Monitoring

The third Coast Guard priority involves the single largest and most complex acquisition program in the agency's history—a project designed to improve the mission performance of the range of cutters and aircraft that currently conduct the agency's offshore missions. We have previously reported on the risky approach for this acquisition,¹⁵ and although progress has been made to address our past recommendations, the risks still remain substantial. As it undergoes a transformation to these new or upgraded assets, the Coast Guard is also faced with sustaining its legacy assets¹⁶ to ensure that they can continue to perform the Coast Guard's missions until new or upgraded assets are in place. Revisions to the Coast Guard's mission requirements for Deepwater, slippages in the acquisition schedule, and limited information about the condition of and likely costs for maintaining the legacy assets all highlight the need for continued attention to this area.

Deepwater Acquisition Involves a Major Recapitalization of the Coast Guard

In 1996, the Coast Guard initiated a major recapitalization effort—known as the Integrated Deepwater System—to replace or modernize the agency's deteriorating aircraft and cutters. These legacy assets are used for missions that require mobility, extended presence on scene, and the capability of overseas deployment. Examples of such missions include interdicting illegal drug shipments or attempted landings by illegal aliens, rescuing mariners in difficulty at sea, protecting important fishing grounds, and responding to marine pollution. The Deepwater fleet consists of 187 fixed-wing aircraft and helicopters, and 88 cutters of varying lengths. As currently designed, the Deepwater program replaces some assets (such as deteriorating cutters) with new ones while upgrading other

¹⁵GAO, *Coast Guard's Acquisition Management: Deepwater Project's Justification and Affordability Need to Be Addressed More Thoroughly*, [GAO/RCED-99-6](#) (Washington, D.C.: October 26, 1998); GAO, *Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain*, [GAO-01-564](#) (Washington, D.C.: May 2, 2001); and GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, [GAO-04-380](#) (Washington, D.C.: March 2004).

¹⁶For purposes of this testimony, we use the term "legacy assets" to refer to the existing fleet of deepwater aircraft and cutters. These legacy assets include the HC-130, HU-25, HH-60, and HH-65 aircraft and the 378-foot high-endurance cutters, the 210-foot and 270-foot medium-endurance cutters, and the 110-foot and 123-foot patrol boats. We did not include the 213-foot *Acushnet*, the 230-foot *Storis*, or the 282-foot *Alex Haley* as part of our analyses of the deepwater legacy assets because they are one-of-a-kind vessels.

assets (such as some types of helicopters) so that all of the assets can meet new performance requirements.¹⁷

In an effort to maintain its existing assets until the Deepwater assets are in place, the Coast Guard is conducting extensive maintenance work. Notwithstanding extensive overhauls and other upgrades, a number of the cutters are nearing the end of their estimated service lives. Similarly, while a number of the deepwater legacy aircraft have received upgrades in engines, operating systems, and radar and sensor equipment since they were originally built, they too have limitations in their operating capabilities. For example, the surface search radar system on the HC-130 long-range surveillance aircraft is subject to frequent failures and is quickly becoming unsupportable. Flight crews use this radar to search for vessels in trouble and to monitor ships for illegal activity, such as transporting illicit drugs or illegal immigrants. When the radar fails, flight crews are reduced to looking out the window for targets, greatly reducing mission efficiency and effectiveness. A flight crew in Kodiak, Alaska, described this situation as being “like trying to locate a boat looking through a straw.” We have been reviewing the condition of Coast Guard Deepwater assets for a number of years, and our work has shown that a need exists for substantial replacement or upgrading.¹⁸ We have additional work underway this year regarding the status of Deepwater assets, and will be testifying on this work next month.

Deepwater Contracting Approach Remains Risky

While we agree that the case for replacing and upgrading the Coast Guard’s legacy assets is compelling, the contracting strategy the agency is using to conduct this acquisition carries a number of inherent risks. This strategy relies on a contractor—called the system integrator—to identify and deliver the assets needed to meet a set of mission requirements the Coast Guard has specified, using tiers of subcontractors to design and build the actual assets. The resulting program is designed to provide an improved, integrated system of aircraft, cutters, and unmanned aerial vehicles to be linked effectively through systems that provide command, control, communications, computer, intelligence, surveillance,

¹⁷Current plans call for the Coast Guard to replace all of its deepwater legacy cutters and patrol boats, beginning with the 378-foot cutters. The Coast Guard also plans to replace the HU-25 aircraft, but will upgrade the existing HC-130 aircraft, and HH-60 and HH-65 helicopters to extend their service lives.

¹⁸[GAO-01-564](#) and [GAO-04-636T](#).

reconnaissance, and supporting logistics. However, from the outset, we have expressed concern about the risks involved with this approach because of its heavy reliance on a steady funding stream over several decades and the potential lack of competition to keep contracting costs in line.¹⁹

These risks have had tangible effects, including rising costs and slipped schedules. Early on in our reviews of the program, we expressed concern that the Coast Guard risked schedule slippages and cost escalation if project funding fell short of planned funding levels. These concerns materialized in the first 2 years of the program, when appropriated funding was \$125 million less than planned for. And, although funding in the fourth year of the program (fiscal year 2005) exceeded the Coast Guard's request by about \$46 million, the early shortfalls, according to the Coast Guard, resulted in schedule slippage and led to increases in the total projected costs for the program. As of spring 2004, it was estimated that an additional \$2.2 billion (in nominal dollars) would be needed to return the program to its original implementation schedule.²⁰ In addition, there is clear evidence that the asset delivery schedule has also slipped. For example, under Deepwater's original schedule, the first major cutter, the National Security Cutter was due to be delivered in 2006; the current schedule indicates that it will now not be delivered until 2007. Similarly, the first nine Maritime Patrol aircraft were due to be delivered in 2005; now only two will be delivered in 2007.

When we reviewed the Deepwater program again last year, we found that, on many fronts, the Coast Guard was not doing enough to mitigate these risks. For example, we found that well into the contract's second year, key components needed to manage the program and oversee the system integrator's performance had not been effectively implemented.²¹ We also reported that the degree to which the program was on track could not be determined, because the Coast Guard was not updating its schedule.²² We detailed needed improvements in a number of areas, shown in table 1.

¹⁹GAO-01-564 and GAO/RCED-99-6.

²⁰GAO-04-636T.

²¹GAO-04-380.

²²GAO, *Coast Guard: Deepwater Program Acquisition Schedule Update Needed*, GAO-04-695 (Washington, D.C.: June 14, 2004).

Table 1: Summary of Deepwater Areas Needing Management Attention as Reported by GAO

Area of concern	Recommendations to the U.S. Coast Guard
Key components of management and oversight not effectively implemented	Improve integrated product teams responsible for managing the program by providing better training, approving charters, and improving systems for sharing information between teams Ensure adequate staffing of the Deepwater program Provide field personnel with guidance and training on transitioning to new Deepwater assets Update the original acquisition schedule to support future budget requests, starting with the fiscal year 2006 request
Procedures for ensuring contractor accountability are inadequate	Develop measurable award fee criteria consistent with guidance from the Office of Federal Procurement Policy Provide for better input from technical representatives Hold system integrator accountable for improving effectiveness of integrated project teams Establish a time frame for putting steps in place to measure contractors' progress toward improving operational effectiveness Establish a baseline for determining whether the acquisition approach is costing the government more than a traditional asset replacement approach Establish criteria to determine when to adjust the project baseline and to document the reasons for change
Control of future costs through competition remains at risk because of weak oversight	Develop a comprehensive plan for holding the system integrator accountable for ensuring adequate competition among suppliers For subcontracts over \$5 million awarded by the system integrator to the two major subcontractors, require notification to the Coast Guard about decisions to perform the work in-house rather than contracting it out

Source: Developed by GAO from our reports, [GAO-04-380](#), and [GAO-04-695](#).

The Coast Guard agreed with nearly all of our recommendations and has since made progress in implementing some of them. In most cases, however, while actions are under way to address these concerns, management challenges remain that may take some time to fully address. Here are some examples.

- Strengthening integrated product teams.* These teams, the Coast Guard's primary tool for managing the program and overseeing the contractor, consist of members from subcontractors and the Coast Guard. In 2004, we found these teams often lacked training and in several cases lacked charters defining clearly what they were to do. Most now have charters setting forth the team's purpose, authority, and performance goals, among other things, and more training is now being provided. However, roles and responsibilities in some teams continue to be unclear, and about one-third of team members have yet to receive entry-level training.

-
- *Holding the systems integrator accountable for competition.* The Coast Guard has taken a number of steps to improve cost control through competition. For example, to improve competition among second-tier suppliers, Coast Guard officials said they will incorporate an assessment of the steps the system integrator is taking to foster competition at the major subcontractor level as one of the factors they take into account in deciding whether to award the first contract option.

Besides the risks noted in table 1, the program also bears careful watching because it is still being affected in midcourse by the Coast Guard's additional homeland security responsibilities. Planning for the Deepwater program had been set in motion before the terrorist attacks of September 11, and while the initial program included consideration of homeland security responsibilities, these responsibilities have grown considerably in the interim. In March 2004, the Coast Guard developed a revised mission needs statement (MNS) that indicated that current specifications for Deepwater assets lacked some functional capabilities needed to meet mission requirements. The MNS was approved by DHS in January 2005.

According to the Coast Guard, some of the functional capabilities now deemed to be required include the following:

- Rotary wing airborne use of force and vertical insertion/vertical delivery capability;
- Greater speed, a larger flight deck, and automated defensive and weapons systems for the National Security Cutter and Offshore Patrol Cutter classes;
- A common operating picture (COP) for the entire Coast Guard (and maritime ports of a unified Department of Homeland Security COP), an interoperable network to improve performance in all mission areas, and a Secure Compartmentalized Information Facility for improved intelligence capabilities; and
- Chemical, biological, radiological defense and decontamination capability for selected Deepwater assets

While we have not conducted an analysis of the likely cost and schedule impact of the revised MNS requirements, they undoubtedly will have an effect on cost and schedule. The Coast Guard's own estimates identified in the March 2004 MNS show an increased acquisition cost for the original

20-year acquisition of about \$1 billion.²³ According to the Coast Guard, the revised MNS requirements and associated cost and schedule information have been forwarded to the Department of Homeland Security (DHS) and the Office of Management and Budget for approval. As of this time, the implementation plan has not been approved.

These issues point to the need for continued and careful monitoring of the Deepwater acquisition program both internally and externally. One positive development in this regard involves the Coast Guard's efforts to update the Deepwater acquisition schedule—action that we suggested in our June 2004 report.²⁴ The original 2002 schedule had milestone dates showing when work on an asset would begin and when delivery would be expected, as well as the integrated schedules of critical linkages between assets, but we found that the Coast Guard was not maintaining an updated and integrated version of the schedule.²⁵ As a result, the Coast Guard could not demonstrate whether individual components and assets were being integrated and delivered on schedule and in critical sequence. While as late as October 2004 Deepwater performance monitors likewise expressed concern that the Coast Guard lacked adequate visibility into the project's status, the Coast Guard has since taken steps to update the outdated schedule, and has indicated that it plans to continue to update the schedule—monthly for internal management purposes, and semi-annually to support its budget planning efforts. We think this is an important step toward improving the Coast Guard's management of the program because it provides a more tangible picture of progress, as well as a baseline for holding contractors accountable. And, as we have said in the past on

²³According to the MNS, the original estimated acquisition, construction, and improvement costs were bracketed at between \$7.5 billion to \$15 billion in fiscal year 1998 dollars. It then notes that current Deepwater projections show an approximately \$16 billion cost for a 20-year implementation plan. However, GAO reported in April 2004 that the costs for the Deepwater program would reach \$17 billion under the funding stream that the Coast Guard projected that it would need to complete the program in 20 years.

²⁴[GAO-04-695](#).

²⁵Not maintaining a current and integrated schedule lessens the Coast Guard's ability to monitor the system integrator's performance and take early action to resolve risks that could become problems later. Maintaining such a schedule is an industry best practice; the Department of Defense is required to do so in order to be able to report any breaches in cost, schedule, or performance targets. Deepwater performance monitors (the contracting officers' technical representatives who represent the contracting officer in monitoring the contractor's performance) have likewise expressed concern that the Coast Guard lacks adequate visibility to scrutinize schedules for component-level items which prevents reliable forecasting and risk analysis.

numerous occasions, we will continue to work closely with the Coast Guard to monitor how risks are mitigated.

Attention Also Needed to Planned Transition and Phase out of Legacy Assets

Although the Coast Guard expects to upgrade a number of its legacy assets for use in the Deepwater program, a substantial portion of its legacy assets—particularly cutters—are scheduled to be replaced. Until their replacements are available, however, many of the cutters will need to be kept in service so that the Coast Guard can continue to perform its missions. Our visits to field locations and conversations with Coast Guard operations and maintenance personnel clearly indicated that the maintenance of these assets is already taking increasingly more time and effort. For example, air station maintenance personnel indicated that aircraft are being subjected to additional corrosion-related problems. To address these problems, air station maintenance personnel at the locations we visited said they have instituted additional measures, such as washing and applying fluid film to the aircraft prior to each deployment. Similar accounts were told by personnel working on cutters. For example, officers of the 270-foot cutter Northland told us that because of dated equipment and the deteriorating condition of the vessel's piping and other subsystems, crewmembers have to spend increasingly more time and resources while in port to prepare for the cutter for the next deployment. While we could not verify these increases in time and resources because of limitations in the Coast Guard's data, the need for increasing amounts of maintenance was a message we consistently heard from operations and maintenance personnel.

The Coast Guard is aware that keeping these legacy assets mission capable will likely require an additional infusion of funds for some assets that are scheduled to be replaced. Since 2002, the Coast Guard has annually created a compendium that consolidates information about projects needed to maintain and sustain legacy assets. The Coast Guard uses this compendium as a tool for setting priorities and planning budgets. The most recent compendium (for fiscal year 2006), lists more than \$1 billion worth of upgrades to the Deepwater legacy assets. The planned upgrades identified in the compendium that have been approved and received initial funding account for an estimated \$856 million the Coast Guard anticipates it will need to complete those projects. In addition, the compendium lists another estimated \$409 million in sustainment projects for the other legacy assets for which funding has not been requested. If the condition of these assets continues to deteriorate or replacement assets are further delayed, this additional funding will likely be needed.

We are not questioning the Coast Guard’s decisions about which projects within the compendium should receive priority. We believe it is important, however, for the Coast Guard to make Congress aware of the magnitude of the potential funding needs for sustaining the assets that are eventually scheduled for replacement. Given the schedule slippages we have seen and the continued possibility that Deepwater requirements may yet change, this information will be important to determine a thoughtful and accurate estimate of future maintenance budget needs.

One planning effort under way within the Coast Guard illustrates the kinds of considerations that may be needed with regard to these assets. This effort is being undertaken by the Coast Guard’s Pacific Area Command, which to accomplish its missions, relies on 378-foot cutters—the first asset scheduled to be replaced under the Deepwater program.²⁶ Under the original Deepwater proposal, the final 378-foot cutter was to be decommissioned in 2013, but by 2005, that date had slipped to 2016. To help keep these cutters running through 2016, Pacific Area Command officials are considering such strategies as designating some of the 378-foot cutters as capable of performing only certain missions, rather than attempting to keep them all fully capable of performing all missions. Even so, the Pacific Area Commander told us that in order for the 378-foot cutters to be properly maintained until their replacements become operational; the Coast Guard will have to provide more focused funding. So far, the Coast Guard’s budget plans and requests do not address this potential need.

Concluding Observations

Over the past several years, the Coast Guard has been in the vortex of the nation’s response to homeland security concerns. It has been charged with many new responsibilities related to ports and to marine security in general, and from the outset, we have often used the word “daunting” to describe the resulting tasks. In addition, expectations continue that the Coast Guard will be able to rescue those in distress, protect the nation’s fisheries, keep vital marine highways operating efficiently, and respond effectively to marine accidents and natural disasters. Congress has acknowledged that these added responsibilities carry a price tag and has, through the appropriations process, provided substantially more money for the job.

²⁶The Pacific Area Command is responsible [0]for operations covering 74 million square miles, ranging from South America, to the Arctic Circle and west to the Far East.

As these efforts begin to move into a more mature phase, allowing lessons that can already be learned to better inform judgments about the future, it is increasingly important to explore ways to enhance mission effectiveness while stretching taxpayer dollars for maximum effectiveness. This is particularly true in the current budget climate. While we have found the Coast Guard to be a willing participant in such efforts, the agency's focus on achieving all of its missions can make it difficult to carry through with the many intermediate steps that may be needed to keep management problems to a minimum. We think the issues we have highlighted are potential areas for ongoing congressional attention, and we will continue to work with the Coast Guard on them.

Madame Chair and Members of the Subcommittee, this completes my prepared statement. I would be happy to respond to any questions that you or other Members of the Subcommittee may have at this time.

Contacts and Acknowledgements

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Appendix I: Objectives, Scope and Methodology

To provide a strategic overview of the President's fiscal year 2006 budget request for the Coast Guard, focusing on several areas of particular congressional interest, we reviewed the Coast Guard's Congressional-stage budget and other financial documents provided by the Coast Guard. We also interviewed Coast Guard headquarters officials familiar with the Coast Guard's budget and acquisition processes.

To determine the status of the Coast Guard's performance measures and results, we reviewed Coast Guard performance data and performance documentation. We also obtained confirmation from knowledgeable Coast Guard officials that the performance data sources and the systems that produced them have not changed since our 2003 data reliability analysis. We determined that Coast Guard performance measures are sufficiently reliable for the purposes of this testimony.

To determine the status of key outstanding Coast Guard recommendations, we reviewed past GAO reports and testimonies related to the Coast Guard and identified the GAO recommendations contained in those reports. In addition, we consulted with GAO staff who performed the work that resulted in the recommendations and interviewed Coast Guard headquarters officials regarding the status of the recommendations—including any progress made to implement them. We also obtained and reviewed relevant documents from the Coast Guard.

To assess the Coast Guard's recapitalization efforts, we analyzed data and condition measures used by the Coast Guard for determining deepwater legacy assets' condition, reviewed Coast Guard actions to maintain and upgrade the legacy assets, and assessed the improvements the Coast Guard is making in its management of the Deepwater acquisition. We will be following up this testimony with a written report that will contain detailed information related to the condition of deepwater legacy assets, and the actions the Coast Guard is taking to maintain and upgrade them. As part of the follow-on report we will also provide more detailed information on the Coast Guard's management of the Deepwater program.

This testimony is based on published GAO reports and briefings, as well as additional audit work that was conducted in accordance with generally accepted government auditing standards. We conducted our work for this testimony between February and March 2005.

Appendix II: Related GAO Products

Coast Guard: Station Readiness Improving, but Resource Challenges and Management Concerns Remain ([GAO-05-161](#), January 31, 2005).

Maritime Security: Better Planning Needed to Help Ensure an Effective Port Security Assessment Program ([GAO-04-1062](#), September 30, 2004).

Maritime Security: Partnering Could Reduce Federal Costs and Facilitate Implementation of Automatic Vessel Identification System ([GAO-04-868](#), July 23, 2004).

Maritime Security: Substantial Work Remains to Translate New Planning Requirements into Effective Port Security ([GAO-04-838](#), June 30, 2004).

Coast Guard: Deepwater Program Acquisition Schedule Update Needed ([GAO-04-695](#), June 14, 2004).

Coast Guard: Station Spending Requirements Met, but Better Processes Needed to Track Designated Funds ([GAO-04-704](#), May 28, 2004).

Coast Guard: Key Management and Budget Challenges for Fiscal Year 2005 and Beyond ([GAO-04-636T](#), April 7, 2004).

Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer ([GAO-04-432](#), March 22, 2004).

Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight ([GAO-04-380](#), March 9, 2004).

Coast Guard: New Communication System to Support Search and Rescue Faces Challenges ([GAO-03-1111](#), September 30, 2003).

Maritime Security: Progress Made in Implementing Maritime Transportation Security Act, but Concerns Remain ([GAO-03-1155T](#), September 9, 2003).

Coast Guard: Actions Needed to Mitigate Deepwater Project Risks ([GAO-01-659T](#), May 3, 2001).

Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain ([GAO-01-564](#), May 2, 2001).

*Coast Guard's Acquisition Management: Deepwater Project's
Justification and Affordability Need to Be Addressed More Thoroughly*
([GAO/RCED-99-6](#), October 26, 1998).

Appendix III: Breakdown of the Coast Guard's Fiscal Year 2006 Request

In addition to operating expenses and acquisition, construction, and improvements, the remaining Coast Guard budget accounts include areas such as environmental compliance and restoration, reserve training and oil spill recovery. (See table 2 below.)

Table 2: Coast Guard Funding Accounts by Fiscal Year

Dollars in millions

	Fiscal year 2002 actual	Fiscal year 2003 actual	Fiscal year 2004 actual	Fiscal year 2005 enacted	Fiscal year 2006 request
Operating expenses	\$3,757	\$4,920	\$4,718	\$5,191	\$5,547
Acquisition, construction, and improvements	\$702	\$720	\$1,007	\$1,000	\$1,269
Environmental compliance and restoration	\$17	\$17	\$17	\$17	\$12
Alteration of bridges ^a	\$15	\$17	\$19	\$16	^a
Retired pay	\$876	\$889	\$1,020	\$1,085	\$1,014
Reserve training	\$83	\$86	\$94	\$113	\$119
Research, development, test and evaluation ^b	\$20	\$22	\$15	\$19	^b
Oil spill recovery	\$68	\$75	\$57	\$71	\$121
Boat safety	\$64	\$65	\$64	\$64	\$64

Source: Coast Guard Fiscal Year 2005 Report.

^aNo funds have been requested for the alteration of bridges account for fiscal year 2006.

^bAccording to the Coast Guard, the research, development, test, and evaluation account has been consolidated within the Department of Homeland Security Science and Technology Directorate (S&T) in order to maximize effective use of research and development resources and minimize redundancies. S&T will continue its relationship with the Coast Guard's Research and Development Center in fiscal year 2006 to ensure that the on-going research needs of the Coast Guard are met.

Appendix IV: Coast Guard Performance Results, Fiscal Years 2001-2004

Table 3 shows a detailed list of performance results for the eight programs for which the Coast Guard has fiscal year 2001 through 2004 data.¹ Shaded entries in the table indicate those years that the Coast Guard reported meeting its target; unshaded entries indicate those years that the Coast Guard reported not meeting its target. The table also shows that there are three programs for which performance results are pending and data is not available across the four-year period. Each program is discussed in more detail below.

Table 3: Performance Targets by Program from Fiscal Year 2001 through Fiscal Year 2004

Program	Performance measure	Performance results by fiscal year				Fiscal year 2004 target ^a
		2001	2002	2003	2004	
Programs that did not meet their 2004 targets						
Foreign fish enforcement	Number of detected Exclusive Economic Zone (EEZ) ^b incursions by foreign fishing vessels	212	250	152	247	≥ 202
Living marine resources	Percentage of fisherman found in compliance with regulations	98.6%	97.3%	97.1%	96.3%	≥ 97%
Ice operations (domestic icebreaking)	Number of waterway closure days	7	7 ^c	7	4 ^c	≥ 2 ^c
Defense readiness	Percentage of time units meet combat readiness level at C-2 level ^d	67%	70%	78%	76%	100%
Programs that met their 2004 targets						
Undocumented migrant interdiction	Percentage of interdicted illegal migrants entering the United States through maritime means	82.5%	88.3%	85.3%	87.1%	≥ 87%
Search and rescue	Percentage of distressed mariners' lives saved	84.2%	84.4%	87.7%	86.8%	≥ 85%

¹According to the Coast Guard, performance results for all four fiscal years (2001 to 2004) are not available for three programs. They are: (a) marine safety—fiscal year 2004 performance results will not be available until spring 2005, when the recreational boating data is reported; (b) illegal drug interdiction—fiscal year 2004 results will be calculated and released once illegal drug flow information for fiscal year 2004 is known—sometime in the spring of 2005; and (c) ports, waterways, and coastal security—performance measures are still under development.

Program	Performance measure	Performance results by fiscal year				Fiscal year 2004 target ^a
		2001	2002	2003	2004	
Marine environmental protection	Average of oil and chemical spills greater than 100 gallons per 100 million tons shipped	40.3	35.1	29.4	22.1	≤ 41
Aids to navigation	Number of collisions, allisions, and groundings	2,215	2,098	2,000	1,876	≤ 1,923
Total targets met for the eight programs with 2001 to 2004 performance results		4	4	6	4	
Programs with pending results^e						
Marine safety	Average of maritime injuries and fatalities	1,651 ^f	1,332	1,307	TBD	≤ 1,513
Illegal drug interdiction	Percentage of cocaine removed out of total estimated cocaine entering the United States through maritime means ^g	NA ^h	NA	NA	TBD	≥ 15
Ports, waterways, and coastal security	Under development	NA	NA	NA	NA	TBD

Source: GAO analysis of Coast Guard performance data.



Performance targets met



Performance targets not met

Note: NA Not available.

^aThe target level for some performance measures has changed over time as the Coast Guard seeks to improve its performance. For example, the target level for aids to navigation has decreased between fiscal years 2002 and 2004 from 2,098 to 1,923 collisions, allisions, and groundings. (The Coast Guard defines an allision as a vessel collision with a fixed object.)

^bPursuant to the 1976 Magnuson-Stevens Fishery Conservation and Management Act, as amended, the EEZ for the U.S. is an area within 200 nautical miles of U.S. shores in which the U.S. has sovereign rights to natural resources such as harvesting rights to fish stocks. Pub.L.No. 94-265, 90 Stat. 333 (1976).

^cThe target for ice operations noted here is for domestic icebreaking only, and the target level varies according to the index of severity of the entire winter. Thus, for those winters designated as severe, the target is 8 or fewer closure days. For winters designated as average, the target is 2 or fewer closure days. Because 2002 and 2004 were designated as average winters, the 7 days of closures did not meet the target.

^dAccording to Coast Guard information, the C-2 level is defined as the level at which each unit possesses the resources and is trained to undertake most of the wartime missions for which it is organized or designed.

^aAccording to the Coast Guard, performance results for all four fiscal years (2001 to 2004) are not available for three programs and are, therefore, not included in the fiscal year 2001 to 2004 figures. They are: (a) marine safety—fiscal year 2004 performance results will not be available until spring 2005, when the recreational boating data is reported; (b) illegal drug interdiction—fiscal year 2004 results will be calculated and released once flow information for fiscal year 2004 is known—sometime in the spring of 2005; and (c) ports, waterways, and coastal security—performance measures are still under development.

^bThe marine safety program did not have target measures in fiscal years 2001 and 2002; therefore we are unable to indicate whether the program did or did not meet its targets. However, the Coast Guard established and met a performance target in fiscal year 2003.

^cAccording to the Coast Guard, the illegal drug interdiction measure and targets were revised to cocaine removal rate beginning in fiscal year 2004. Consequently, performance results on cocaine removal for fiscal years 2001, 2002, and 2003 are not available.

^dAccording to the Coast Guard, the illegal drug interdiction performance measure includes only cocaine, as cocaine has an analyzed flow rate and it constitutes the preponderance of illegal drugs entering the United States through maritime means (that is, cocaine shipments are measured in tons, while heroin, marijuana, and other illegal drugs are measured in pounds).

Programs Not Meeting Targets in Fiscal Year 2004

- *Foreign fish enforcement.* The performance results for foreign fish enforcement, which indicate the number of foreign vessel incursions into the United States Exclusive Economic Zone (EEZ),² has experienced fluctuations from 152 incursions to 250 incursions in the last 4 years. Such fluctuations can be due to oceanic and climatic shifts that affect the migratory patterns of important fish stocks, and limited Coast Guard assets, which the Coast Guard believes are unable to cover the entire 3.4 million square mile EEZ. We reported previously that performance measures for foreign fish may not reflect agency efforts.³ Because EEZ encroachments can be affected by oceanic and climatic shifts that can cause significant fluctuations in the migratory patterns of fish, they could increase (or decrease) as fishermen follow their intended catch across EEZ boundaries. According to Coast Guard officials, this type of migratory factor can influence the number of encroachments in a given year. Consequently, the Coast Guard has added two additional measures to foreign fish that focus on interception and interdiction. These two submeasures are not reflected in the Coast Guard's foreign fish performance goal. However, the Coast Guard believes that they help it to better distinguish between those incursions that it is able to identify (for example, with a C-130 it can identify a foreign fishing vessel incursion) and

² Pursuant to the 1976 Magnuson-Stevens Fishery Conservation and Management Act, as amended, the EEZ for the U.S. is an area within 200 nautical miles of U.S. shores in which the U.S. has sovereign rights to natural resources such as harvesting rights to fish stocks. Pub.L.No. 94-265, 90 Stat. 333 (1976).

³GAO, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer*, [GAO-04-432](#) (Washington, D.C.: March 22, 2004).

those incursions that it can actually respond to (for example, 378-foot cutter can interdict a stray foreign fishing vessel).

- *Living marine resources.* The performance measure for living marine resources—defined as the percentage of fishermen complying with federal regulations—has varied from 96.3 percent to 98.6 percent between fiscal years 2001 to 2004. According to Coast Guard performance documents, the agency missed the fiscal year 2004 target because of poor economic conditions in the U.S. shrimp fisheries, which appear to have made U.S. fishermen in the Southeast region more willing to violate regulations in order to maintain operations. However, the Coast Guard reported that while the number of fishermen in compliance decreased slightly, its total number of fishery boardings (4,560) was the highest number of boardings since 2001.
- *Ice operations.* To meet this performance target, the Coast Guard's ice operations program must keep winter waterway closures under 8 days per year for severe winters and under 2 days per year for average winters. In fiscal year 2004, the Coast Guard reports missing its target for an average winter with 4 days of waterway closures instead of 2 or less. The Coast Guard reports that it extended the ice-breaking season for an additional 10 days and because of worsened winter conditions within that period, its icebreaking assets were challenged to provide services in nine critical waterways of the Great Lakes. In fiscal year 2006, the Coast Guard plans to complete the construction of the Great Lakes Icebreaker, which will significantly improve icebreaking on the Great Lakes.
- *Defense readiness.* Defense readiness, as measured by the percentage of time units that meet combat readiness status at a C-2 level,⁴ improved from 67 percent to 78 percent during fiscal years 2001 to 2003 but decreased to 76 percent in fiscal year 2004 due to a personnel shortage according to the Coast Guard. The Coast Guard identified its need to supply personnel for the war in Iraq as the main reason for failing to meet this performance target. To support fiscal year 2004 efforts in Iraq, the Coast Guard provided personnel for six patrol boats, one patrol boat support unit, one port security unit, four law enforcement detachments, as well as two ships and cutters.

⁴According to Coast Guard information, the C-2 level is defined as the level at which a unit possesses the resources and is trained to undertake most of the wartime missions for which it is organized or designed.

Programs Meeting Fiscal Year 2004 Performance Targets

- *Undocumented migrant interdiction.* The Coast Guard reported that it achieved its fiscal year 2004 performance goal of interdicting or deterring 87 percent of undocumented aliens attempting to enter the United States. The undocumented migrant interdiction performance measure assesses the percentage of migrants interdicted or deterred on maritime routes.⁵ In 2004, the Coast Guard identified 4,761 successful arrivals out of an estimated threat of 37,000 migrants. In fiscal year 2003, the Coast Guard missed this target, interdicting or deterring 85.3 percent of migrants. Since 2001, the greatest percentage of migrants deterred or interdicted—88.3 percent—was achieved in fiscal year 2002.
- *Search and rescue.* The Coast Guard’s performance in this area, as measured by the percentage of mariners’ lives saved from imminent danger, was 86.8 percent, above the goal of 85 percent for fiscal year 2004. The Coast Guard identified continuing improvements in response resources and improvements made in commercial vessel and recreational boating safety as the main reasons for meeting the target.
- *Marine environmental protection.* The Coast Guard measures the marine environmental protection target as the 5-year average of oil and chemical spills greater than 100 gallons per 100 million tons shipped. Since fiscal year 2001, the reported average number of oil and chemical spills has dropped from 40.3 to 22.1 in fiscal year 2004. The Coast Guard identified its prevention, preparedness, and response programs—including industry partnerships and incentive programs—as reasons for the drop.
- *Aids to navigation.* The aids to navigation program performance measure—which assesses the total number of collisions, allisions, and groundings—improved to 1,876 in fiscal year 2004, more than a 6 percent improvement over fiscal year 2003’s total of 2,000, and below the target of 1,923.⁶ (Since the aim is to prevent these accidents, a lower number than the target represents attaining the goal). The number has varied from year to year, but has remained below or at the target in each of the 4 years. The Coast Guard attributes this success to a multifaceted system of prevention activities, including radio aids to navigation, communications, vessel traffic services, dredging, charting, regulations, and licensing.

⁵According to Coast Guard officials, the undocumented migrant interdiction performance target was set at 87 percent based on a study done to incorporate deterrence as a measure of Coast Guard performance.

⁶The Coast Guard defines allisions as vessel collisions with fixed objects, as distinguished from collisions, which are vessel collisions with movable objects.

Programs with Pending Results

- *Marine safety.* The marine safety measure, a 5-year average of passenger and maritime deaths and injuries, decreased from 1,651 in fiscal year 2001 to 1,307 in fiscal year 2003. The Coast Guard is currently waiting on the states to supply recreational boating numbers in order to release their total performance result for calendar year 2004. Coast Guard officials identified ongoing inspection, investigation, prevention, and response programs, as well as work with industry, states, and volunteers to promote boating safe operations, as factors in reducing the number of deaths.
- *Illegal drug interdiction.* The illegal drug interdiction performance measure⁷—the rate at which the Coast Guard seizes cocaine—is currently being modified by the Coast Guard. The Coast Guard expects their performance results will be available in April 2005.
- *Ports, waterways, and coastal security.* The Coast Guard is currently developing a performance measure for ports, waterways, and coastal security.

⁷ The illegal drug interdiction performance measure includes only cocaine, because cocaine has an analyzed flow rate and is the preponderant illegal drug.

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