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**GAO**

Testimony before the Subcommittee on  
Fisheries and Coast Guard, Committee on  
Commerce, Science, and Transportation,  
U.S. Senate

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For Release on Delivery  
Expected at 10:30 a.m. EDT  
Thursday, June 15, 2006

## **COAST GUARD**

# **Observations on Agency Performance, Operations and Future Challenges**

Statement of Stephen L. Caldwell, Acting Director  
Homeland Security and Justice Issues



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# Highlights

Highlights of [GAO-06-448T](#), a testimony before 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 fiscal year 2007 budget request totals \$8.4 billion, an increase of 4 percent (\$328 million) over the approved budget for fiscal year 2006 and a slowing of the agency's budget increases over the past 2 fiscal years.

This testimony, which is based on both current and past GAO work, synthesizes the results of these reviews as they pertain to the following:

- meeting performance goals,
- adjusting to added responsibilities,
- acquiring new assets (especially the Deepwater program—to replace or upgrade cutters and aircraft, and the Rescue 21 program—to modernize rescue communications), and
- meeting other future challenges.

[www.gao.gov/cgi-bin/getrpt?GAO-06-448T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-448T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Stephen L. Caldwell (202) 512-9610 or [caldwells@gao.gov](mailto:caldwells@gao.gov).

## COAST GUARD

### Observations on Agency Performance, Operations, and Future Challenges

#### What GAO Found

According to the Coast Guard, the agency's fiscal year 2005 performance, as self-measured by its ability to meet program goals, was the highest since the terrorist attacks in September 2001. Even with the need to sustain new homeland security duties, respond to particularly destructive hurricanes, and cope with aging assets, the Coast Guard reported meeting or exceeding performance targets for 7 of 11 mission programs, and it anticipates meeting the target for 1 more program once final results for the year are available. In particular, based on our discussions with Coast Guard and other officials, as well as our review of pertinent documents, the Coast Guard's response to Hurricane Katrina highlighted three elements key to its mission performance: a priority on training and contingency planning, a flexible organizational structure, and the agency's operational principles.

Three organizational changes appear to be helping the Coast Guard adjust to added responsibilities. First, according to agency officials, a realigned field structure will allow local commanders to manage resources more efficiently. Second, according to the Coast Guard, a new response team for maritime security is expected to provide greater counterterrorism capability. Finally, new and expanded partnerships inside and outside the federal government have the potential to improve operational effectiveness and efficiency.

While some progress in acquisition management has been made, continued attention is warranted. Within the Deepwater program, additional action is needed before certain past recommendations can be considered as fully implemented. Also, the program recently had difficulties in acquiring Fast Response Cutters to replace aging patrol boats. For the Rescue 21 program, deficiencies in management and oversight appear similar to those that plagued the Deepwater program, leading to delays and cost overruns, and demonstrating that the Coast Guard has not translated past lessons learned into improved acquisition practices. Two additional future challenges also bear close attention: deteriorating buoy tenders and icebreakers that may need additional resources to sustain or replace them, and maintaining mission balance while taking on a new homeland security mission outside the agency's traditional focus on the maritime environment.

**Coast Guard Helicopters Such as the HH-65 (left) and HH-60 (right) Shown Here Were Extensively Involved in the Rescues of Stranded Persons Following Hurricane Katrina.**



Source: Coast Guard.

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Madame Chair and Members of the Subcommittee:

I am pleased to be here today to discuss the President's fiscal year 2007 budget request for the Coast Guard—funding that the Coast Guard believes is critical to improving its performance and reducing vulnerabilities within the U.S. maritime domain. As you know, the Coast Guard has faced many extraordinary challenges and new responsibilities in recent years, including heightened responsibility for protecting America's ports, waterways, and waterside facilities from terrorist attacks, while 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. Overall, the Coast Guard has met these heightened responsibilities despite added challenges posed by the declining condition of its aging assets and special surge operations it has periodically experienced—such as responding to Hurricane Katrina.

My testimony today provides (1) an overview of the Coast Guard's fiscal year 2007 budget request and key performance information, (2) a discussion of the changes and initiatives the Coast Guard has implemented to meet growing responsibilities, (3) a status update on some current acquisition efforts, and (4) a look at some future Coast Guard challenges as it attempts to balance its various missions. My testimony is drawn from a number of reports we have issued on Coast Guard operations, as well as from work done specifically for this hearing. In some cases our work is still ongoing and fuller results will be reported once the engagements are completed. The scope of our work did not include evaluating whether the proposed funding levels are commensurate with the Coast Guard's stated needs. All of our work has been conducted in accordance with generally accepted government auditing standards. (See app. I for additional information regarding our scope and methodology and see related GAO reports for a listing of recent reports.)

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## Summary

Although the Coast Guard's budget continues to grow, the agency's fiscal year 2007 budget request indicates a more moderate growth than that of previous years. Even with the need to sustain new homeland security duties, respond to particularly destructive hurricanes, and cope with aging assets, the Coast Guard reported that its fiscal year 2005 performance, as self-measured by its ability to meet performance targets, was the highest since the terrorist attacks in September 2001. The Coast Guard reported that it met or exceeded performance targets for 7 of 11 programs, and anticipates meeting the target for 1 additional program once final results

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for the year are available. Coast Guard officials attributed the missed targets to, among other factors, the increased flow of migrants and staffing shortages for certain security units within the defense readiness program. In particular, our ongoing work found that the Coast Guard's response to Hurricane Katrina highlighted three key elements that enabled the Coast Guard to provide an unprecedented search and rescue response during Hurricane Katrina: a priority on training and contingency planning, a flexible organizational structure, and the agency's operational principles.

The Coast Guard has undertaken three organizational changes designed to assist it in adjusting to its added responsibilities. First, it is completing a realignment of its field structure, an effort that, according to the Coast Guard, will allow a field level commanding officer to manage operational resources more efficiently. Second, Coast Guard officials expect that the development and implementation of a new Maritime Security Response Team, modeled after Department of Defense (DOD) counter-terrorism teams, will provide increased counterterrorism capability to respond to threats in waters under Coast Guard jurisdiction. Finally, new and expanded partnerships that cut across both government and industry to address maritime security concerns also have the potential to improve operational effectiveness and efficiency. For instance, under requirements of the Maritime Transportation Security Act of 2002 (MTSA), each Coast Guard Captain of the Port is required to work in conjunction with a range of local partners to develop a security plan for its port area to address security vulnerabilities and respond to any incidents.<sup>1</sup> Another partnership that leverages governmental resources is the Coast Guard's relationship with the National Oceanic and Atmospheric Administration (NOAA). This partnership allows vessel tracking information obtained with NOAA technology to be shared with the Coast Guard, thereby assisting the Coast Guard with its enforcement of domestic fisheries regulations.

Our recent reviews indicate that while the Coast Guard has made progress in managing Deepwater acquisitions, further actions are needed and the lessons learned from this effort have not been applied to other ongoing acquisitions. In specific, the Coast Guard has successfully implemented most of GAO's recommendations to improve the Integrated Deepwater System, the largest, and most significant ongoing Coast Guard acquisition initiative. However, further attention and action are needed before all of our past recommendations for improving accountability and program

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<sup>1</sup>Pub. L. No. 107-295, 116 Stat. 2064 (2002).

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management can be considered fully implemented. Despite these improvements in program management, the Deepwater program has continued to encounter difficulties, most recently in the acquisition of the Fast Response Cutters which are scheduled to replace the Coast Guard's aging patrol boat fleet. Meanwhile, the Rescue 21 program—an effort to replace antiquated command, control, and communication infrastructure used to monitor mariner distress calls and coordinate search and rescue operations—continues to be of concern as the program has been plagued by delays, technical problems, and cost escalation. Currently estimated implementation costs have escalated from \$250 million to more than \$710.5 million, and GAO's analysis, based on prior trends, indicates that Rescue 21 costs could be as high as \$872 million. In addition, the program's originally proposed schedule for full implementation has slipped by 5 years resulting in continuing performance challenges for field units, and the potential for additional costs to keep the current system functioning until it is replaced. These problems and the causes underlying them have much in common with the issues we identified with the Deepwater program which has also experienced management and contractor oversight problems, schedule delays, and cost escalation. A third acquisition effort, designed to provide the Coast Guard with the capability to transmit and receive information to and from vessels entering and leaving U.S. waters, is still early in its development, limiting the Coast Guard's ability to identify and leverage potential partners to share costs, according to Coast Guard officials. The Coast Guard is taking steps to better manage these programs, but it cannot lose sight of the need to address and resolve these ongoing acquisition management concerns.

The Coast Guard also faces two additional challenges in managing its assets and balancing its various missions. Our ongoing work for this committee found that some of the Coast Guard's buoy tenders and icebreakers are deteriorating and may need additional resources to sustain or replace them. Like the Deepwater assets, many of these types of assets are approaching or have exceeded their initial design service lives, and our preliminary observations indicate that the Coast Guard's key measure of their condition shows a decline for some assets of both types. Although the Coast Guard has identified the need to sustain or replace these assets, no funds have been budgeted to carry out this project. A second challenge the Coast Guard faces is the addition of a new mission, defending the air space surrounding the nation's capital, which falls outside its traditional focus on the maritime environment and therefore represents further growth in its responsibilities. While groundwork has been laid through the request of fiscal year 2007 funds to purchase the equipment necessary to

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carry out this new responsibility, it is likely to require additional personnel and training.

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## Budget Request Reflects Moderate Growth, While Overall Program Performance Improved

The Coast Guard's fiscal year 2007 budget request shows continued growth but at a more moderate pace than that of the past 2 years. The current budget request reflects a proposed increase of about \$328 million, compared to increases for each of the past 2 budget years that exceeded \$500 million for each year.<sup>2</sup> (See fig. 1.) About \$5.5 billion, or more than 65 percent of the total funding request of \$8.4 billion, is for operating expenditures.<sup>3</sup> The acquisition, construction, and improvements (AC&I) account amounts to another \$1.2 billion, or about 14 percent, and the remainder is primarily for retiree pay and healthcare fund contributions. (See app. II for more detail on the Coast Guard's fiscal years 2002-2007 budget accounts.)

If the Coast Guard's total budget request is granted, overall funding will have increased by more than 50 percent since fiscal year 2002, an increase of \$2.82 billion. According to Coast Guard officials, much of the additional \$328 million in this fiscal year's budget request, which is about 4 percent over and above the fiscal year 2006 budget of \$8.1 billion, covers such things as salary and benefit increases and maintenance. In addition, more than \$57 million of this increase is to establish a permanent National Capital Region Air Defense program to enforce the National Capital Region no-fly zone, a program previously conducted by U.S. Customs and Border Protection (CBP).<sup>4</sup> By comparison, the increases for the AC&I account for this time period have been even greater than the overall funding increase, growing by 66 percent since fiscal year 2002. However, the fiscal year 2007 AC&I budget request of almost \$1.2 billion represents little change in funding from the Coast Guard's fiscal year 2006 enacted AC&I budget.

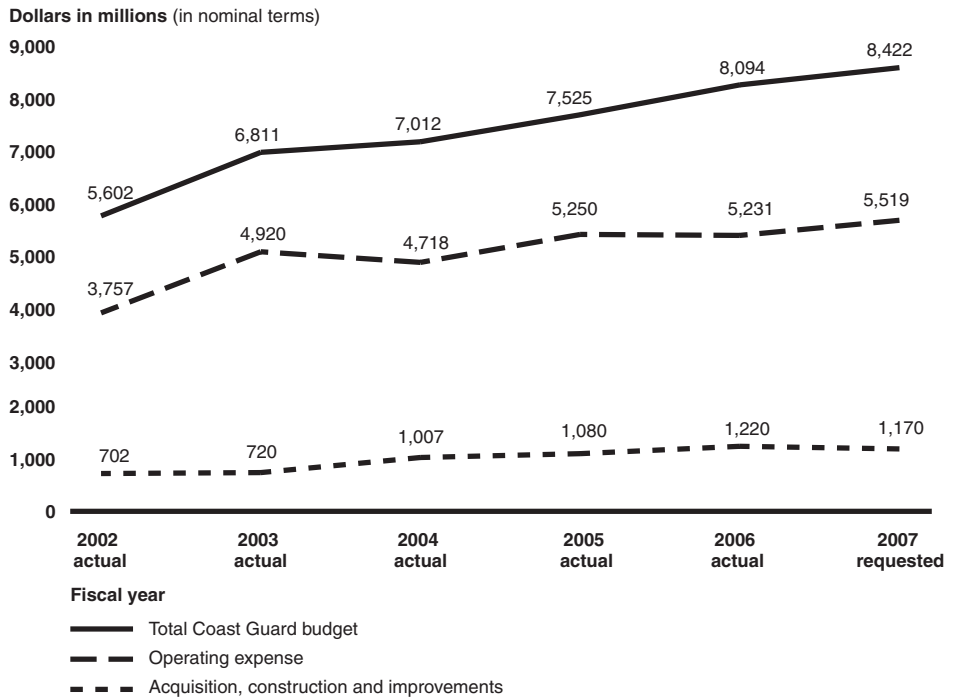
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<sup>2</sup>GAO's analysis of the Coast Guard's budget is presented in nominal terms throughout this testimony.

<sup>3</sup>The \$8.4 billion request for the Coast Guard represents about 20 percent of the Department of Homeland Security's (DHS) budget request for fiscal year 2007.

<sup>4</sup>In addition to the \$57.4 million request, the Coast Guard's fiscal year 2007 budget request includes a \$5 million transfer from CBP to support the National Capital Regional Air Defense program.

**Figure 1: Coast Guard Budget from Fiscal Year 2002 to Fiscal Year 2007**



Source: GAO analysis of Coast Guard data.

Notes: In order to provide greater year-to-year consistency for budget comparisons, the fiscal years 2005 and 2006 enacted amounts do not include supplemental appropriations. The supplemental amounts were largely for unforeseen events. According to a Coast Guard budget official, in fiscal year 2005 the Coast Guard received supplemental appropriations of \$34 million for Operation Iraqi Freedom and \$195 million for hurricane and tsunami relief efforts, and in fiscal year 2006 the Coast Guard received supplemental appropriations of \$100 million for Operation Iraqi Freedom and \$206 million for Hurricane Katrina relief efforts.

The total Coast Guard budget is a sum of operating expenses; AC&I; and other accounts such as environmental compliance and restoration; alteration of bridges; retired pay; research, development, testing and evaluation; oil spill recovery; boat safety; and Medicare-eligible healthcare fund contributions. Operating expenses and the AC&I accounts are almost 80 percent of the total Coast Guard's budget request for fiscal year 2007, and are shown because they are of primary interest for this analysis. Detailed information on all of these accounts is in app. II.

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## Coast Guard Reported Progress Made in Meeting Program Performance Targets

Even with sustained homeland security responsibilities, aging assets, and a particularly destructive hurricane season stretching resources across the agency, in fiscal year 2005 the Coast Guard reported that 7 of its 11 programs met or exceeded program performance targets.<sup>5</sup> In addition, the agency reported that it anticipates meeting the target for 1 additional program when final results become available in July 2006, potentially bringing the total met targets to 8 out of 11 programs.<sup>6</sup> According to Coast Guard documents, the agency missed targets for three programs—undocumented migrant interdiction, defense readiness, and living marine resources—in fiscal year 2005, as it had in some previous years. Coast Guard officials attributed these missed targets to, among other factors, the increased flow of migrants and staffing shortages for certain security units within the defense readiness program. (See app. III for more detailed information on each program.) If the Coast Guard meets 8 performance targets as it predicts, the results would represent the greatest number of performance targets met in the last 4 years. (See fig. 2.) The preliminary results of our ongoing work reviewing the Coast Guard's six non-homeland security performance measures suggests that, for the most part, the data used for the measures are reliable and the measures themselves are sound. That is, they are objective, measurable, and quantifiable as well as cover key program activities. However, given the DHS policy of reporting only one main performance measure per program and the limits on how comprehensive a single measure is likely to be, there may be opportunities to provide additional context and information to decisionmakers about Coast Guard performance results. We will provide final results on this work in a report to be published later this summer.

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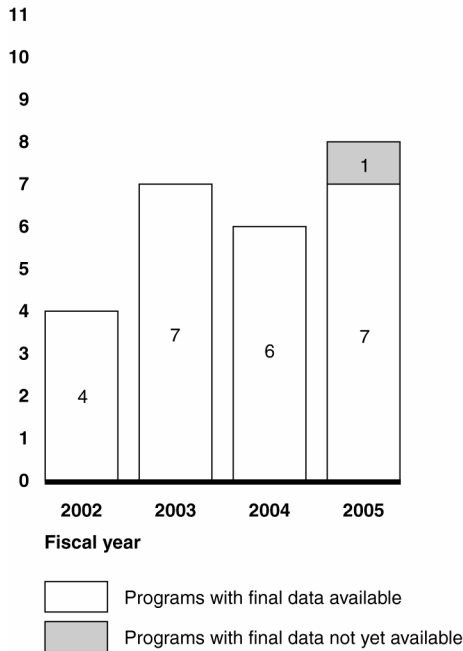
<sup>5</sup>These seven programs are ice operations, search and rescue, marine environmental protection, marine safety, aids to navigation, U.S. exclusive economic zone enforcement, and ports, waterways, and coastal security.

<sup>6</sup>The one additional program the Coast Guard anticipates meeting the target for is the illegal drug interdiction program.



**Figure 2: Number of Performance Targets the Coast Guard Met, or Anticipates Meeting, for the Coast Guard's 11 Programs for Fiscal Years 2002 through 2005**

Number of performance targets the Coast Guard met and anticipates meeting



Source: GAO analysis of Coast Guard data.

Notes: Fiscal year 2005 data includes the illegal drug interdiction program for which final data are not yet available. Data for this program are not available because the performance measures are based, in part, on data from other agencies that are not reported until later in the fiscal year. However, based on past data trends and performance data collected to date, the Coast Guard anticipates meeting the performance target for this program.

For fiscal year 2002 the Coast Guard had performance measures and targets for 9 of its 11 programs—the two programs without measures and targets were the marine safety and ports, waterways, and coastal security programs. For fiscal years 2003 and 2004, the Coast Guard had performance measures and targets for 10 of its 11 programs—the one program without a measure and target during this time was the ports, waterways, and coastal security program.

## Overall Progress Came Despite Additional Demands Posed by Hurricane Katrina

This overall progress came in a year when the Coast Guard faced significant additional demands brought on by Hurricane Katrina. As it had to do when it implemented MTSA and when it conducted heightened port security patrols immediately after the September 2001 terrorist attacks, the Coast Guard found itself operating at an increased operational tempo for part of fiscal year 2005. Although the Hurricane Katrina response period was relatively brief for some missions, such as search and rescue, Coast Guard officials told us that the sheer magnitude of the response made it unique, and responding to it tested the agency's preparedness and ability to mobilize large numbers of personnel and assets within a short

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time. In this effort, the Coast Guard had several responsibilities during and immediately following the hurricane: to conduct search and rescue; to direct the closing and re-opening of ports in cooperation with stakeholders, (such as shipping companies, harbor police, DHS, CBP, and local fire and police departments), to ensure safety and facilitate commerce, thereby lessening the economic impact of the storm on the nation; and to monitor pollution clean up of the many oil spills that occurred in the wake of the flooding. For the purposes of this testimony, I would like to focus on the Coast Guard's search and rescue response. We are conducting a more complete review of the Coast Guard's role and response to Hurricane Katrina across several mission areas under the authority of the Comptroller General, and expect to provide additional information later this summer. So far, however, this work is showing that three factors appear to have been key to the Coast Guard's response to Hurricane Katrina:

- *The Coast Guard was prepared to respond to search and rescue needs.* Although the magnitude of Hurricane Katrina required substantial response and relief efforts, the Coast Guard was well prepared to act since it places a priority on training and contingency planning. First and foremost, the missions the Coast Guard performed during Hurricane Katrina were the same missions that the Coast Guard trains for and typically performs on a day-to-day basis. The Coast Guard's mission areas include, among others, search and rescue, law enforcement, regulatory functions, and, most recently, homeland security responsibilities, allowing the Coast Guard to respond and act in a myriad of situations. However, with regard to Hurricane Katrina, the magnitude of the Coast Guard's mission activity appears noteworthy. For example, for all of 2004, according to the Coast Guard's Fiscal Year 2005 Report, the Coast Guard responded to more than 32,000 calls for rescue assistance and saved nearly 5,500 lives. By comparison, in 17 days of Hurricane Katrina response, Coast Guard officials reported conducting over 33,500 rescues, including rescuing 24,135 people by boat and helicopter and evacuating 9,409 people from hospitals. Coast Guard officials we spoke to underscored the importance of the planning, preparation, and training that they regularly conduct that allowed them to complete the many challenging missions presented by Katrina.
- *The Coast Guard's organizational structure and practices facilitated the agency's response.* In terms of the Coast Guard's organizational structure, the Coast Guard has personnel and assets throughout the United States, which allows for more flexible response to threats. In terms of Coast Guard practices, according to the hurricane and severe

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weather plans we reviewed for Coast Guard Districts 7 (Florida region) and 8 (Gulf region), and discussions we had in Washington, D.C., Virginia, Florida, Alabama, and Louisiana with Coast Guard officials responsible for implementing those plans, the Coast Guard tracks the likely path of an approaching storm, anticipates the necessary assets to address the storm's impact, and repositions personnel and aircraft out of harm's way, with a focus on reconstituting assets to respond to local needs once it is safe to do so. Given the magnitude of Hurricane Katrina, the Coast Guard took a more centralized approach to prioritize personnel and assets to respond, but the operational command decisions remained at the local level. That is, the Coast Guard's Atlantic Area Command played a key role in identifying additional Coast Guard resources, and worked with District Commands to quickly move those resources to the affected Gulf region, while local operational commanders directed personnel and assets to priority missions based on their on-scene knowledge.

- *The Coast Guard's operational principles facilitated the agency's actions.* Throughout our field work, Coast Guard officials referred to the principles of Coast Guard operations that guide the agency's actions. Coast Guard officials identified these principles, which ranged from the importance of having clear objectives and flexibility to managing risks and exercising restraint, as instrumental in their preparation for Hurricane Katrina.<sup>7</sup> The Coast Guard prides itself on these operational principles that collectively form the foundation of Coast Guard culture and actions during operations. These principles set an expectation for individual leadership in crisis, and personnel are trained to take responsibility and action as needed based on relevant authorities and guidance. For example, during the initial response to Hurricane Katrina, a junior-level pilot, who first arrived on-scene in New Orleans with the planned mission of conducting an environmental inspection flight, recognized that search and rescue helicopters in the area could not communicate with officials on the ground, including those located at hospitals and at safe landing areas. This pilot took the initiative while on-scene—an operational principle—to redirect her planned mission, changing it from an environmental flight to creating the first airborne communication platform in the area. Doing so helped ensure that critical information was relayed to and from helicopter

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<sup>7</sup>The Coast Guard's seven operational principles include the Principle of: (1) Clear Objective, (2) Effective Presence, (3) Unity of Effort, (4) On-Scene Initiative, (5) Flexibility, (6) Managed Risk, and (7) Restraint. U.S. Department of Transportation, Coast Guard Publication 1, *U.S. Coast Guard: America's Maritime Guardian*, (Washington DC, 2002).

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pilots conducting search and rescue so that they could more safely and efficiently continue their vital mission. When we consulted her commanding officer about these actions, he supported her decision and actions and noted that Coast Guard personnel generally have the flexibility to divert from their intended mission to accomplish a more important mission, without obtaining advance supervisory approval. He indicated that this was not only common practice, but it was supported by a written directive at his unit.

While acknowledging the importance of these operational principles, it is equally important to note that the response to Hurricane Katrina also hinged on discipline and adherence to critical plans. For example, multiple aircraft were operating in a confined space with little separation, thus adhering to critical search and rescue plans, as well as using experience and judgment, resulted in numerous rescues despite these difficult circumstances. While the Hurricane Katrina search and rescue effort was unprecedented, sustaining this effort might have been much more difficult if it had gone on for a much longer period. Combining a longer-term catastrophic response with the continuing needs of the agency's day-to-day missions would be more challenging for a small service such as the Coast Guard. Relative to other military services, the Coast Guard is small, and when resources are shifted to any one specific mission area, other mission areas may suffer.<sup>8</sup> For example, Coast Guard units in Florida sent many air and surface assets to the Gulf region to respond to Hurricane Katrina. While the assets were deployed to the Gulf region, the Coast Guard noticed a spike in the level of illegal migration activity off of the Florida coast. However, once Coast Guard assets returned to the Florida region, the Coast Guard initiated a more intensive air and sea patrol schedule to markedly announce their return to the area, and focus on interdicting illegal migrants.

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<sup>8</sup>Consisting of approximately 39,000 active duty personnel, the Coast Guard is a multi-mission agency with a longstanding federal leadership role in protecting life and property at sea, such as directing search and rescue operations. Furthermore, the Coast Guard is a military service responsible for protecting U.S. ports and waterways. Other U.S. military branches include: U.S. Army with approximately 488,900 active duty personnel; U.S. Navy with approximately 358,700 active duty personnel; U.S. Air Force with approximately 351,700 active duty personnel; and U.S. Marines with approximately 178,700 active duty personnel.

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## The Coast Guard Continues with Organizational Changes and Expanded Partnerships to Meet Growing Responsibilities

Coast Guard organizational changes and expanded partnerships have helped to alleviate some resource pressures posed by added responsibilities or further deterioration of assets, as well as help accomplish its mission responsibilities. I would like to highlight three of these efforts: a revised field structure that consolidates decision-making processes at the operational level into a single command, a new resource for confronting and neutralizing terrorist activity, and new and stronger partnerships both within and outside DHS.

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## New Field Command Structure Aimed at Improving Operational Efficiency

In conducting our work for this hearing, we followed up with the Coast Guard to obtain an update on the implementation of a new field command structure that unifies previously disparate Coast Guard units, such as air stations, groups, and marine safety offices into integrated commands.<sup>9</sup> As we reported to you last year, the Coast Guard began making this change to improve mission performance through better coordination of Coast Guard command authority with operational resources such as boats and aircraft.<sup>10</sup> 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 as part of an investigation would often have to coordinate a request for a boat or an aircraft through a district office, which would obtain the resource from a group or air station. Under the realignment, these operational resources are to be available under the same commanding officer—allowing for more efficient operations. This revised structure involves dividing operations into 35 geographic “sectors.” Coast Guard officials stated that all 35 sectors have been established as of May 2006. According to Coast Guard personnel, the realignment is particularly important for coordinating with other federal, state, and local agencies, as well as meeting new homeland security responsibilities and preparing for the challenge of protecting the United States against terrorist attacks.

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<sup>9</sup>A Coast Guard group is an operational unit that oversees station operations and provides guidance on policy and administrative matters.

<sup>10</sup>GAO, *Coast Guard: Observations on Agency Priorities in Fiscal Year 2006 Budget Request*, [GAO-05-364T](#) (Washington, D.C.: Mar. 17, 2005).

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## New Maritime Security Response Team to Provide Additional Security Capability

Another initiative to protect the United States against terrorist attacks is the Coast Guard's development and implementation of a Maritime Security Response Team (MSRT)—a prototype team similar to DOD's counter-terrorism teams. The Coast Guard, in cooperation with DOD and other federal law enforcement agencies, plans to outfit the MSRT with specialized tactical equipment and train the team to conduct high-risk boardings of vessels and perform other offensive counter-terrorism activities within the maritime environment. The Coast Guard's \$4.7 million request for fiscal year 2007 would provide the team with chemical, biological, radiological, nuclear, and explosive detection equipment; improve the Coast Guard's Special Missions Training Center facility; and provide additional personnel and operating capacity for a third 60-member unit, building the team toward 24/7 response capabilities. Coast Guard officials said that once the MSRT is fully developed, it will provide active counter-terrorism and advanced interdiction operations and address capacity and capability gaps in national maritime counter-terrorism response.

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## New and Evolving Coast Guard Partnerships Designed to Improve Operational Effectiveness and Efficiency

In addition to partnering efforts associated with the development of the first MSRT, the Coast Guard is developing other partnerships, both internal and external to DHS, designed in part to improve operational effectiveness and efficiency. For example, the Coast Guard is currently developing a pilot program to increase operational efficiencies between the Coast Guard and CBP aimed at pushing potential threats away from U.S. ports. This offshore operation, currently in a pilot stage, includes the integration of each agency's vessel targeting efforts, unifies their boarding operations, and includes professional exchange opportunities. Although this effort is only being tested within the Pacific Area Command of the Coast Guard, according to a senior Coast Guard official, the Pacific Command intends to send its results to Coast Guard headquarters so the agency can determine how to best implement the program across the Coast Guard at a later date.

In addition to partnering with other federal agencies, the Coast Guard has also initiated partnerships with both government and industry. Under regulations implementing MTSA, a Coast Guard Captain of the Port must develop an Area Maritime Security Plan in consultation with an Area Maritime Security Committee. These committees are typically composed of members from federal, local, and state governments; law enforcement agencies; maritime industry and labor organizations; and other port stakeholders that may be affected by security policies. The security plan they develop is intended to provide a communication and coordination

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framework for the port stakeholders and law enforcement officials to follow in addressing security vulnerabilities and responding to any incidents. Stakeholders in two ports we visited identified their Area Maritime Security Committees as an invaluable forum for port partners. For example, they said meetings of these committees serve as an opportunity for members of the port community to network with one another, build relationships, address various maritime-related issues, and coordinate security planning efforts.

The Coast Guard has expanded its partnership with NOAA to enforce domestic fisheries regulations. NOAA operates a technology-based system, called the vessel monitoring system, to track and monitor fishing vessels. This system offers real-time data on a ship's course and position, where the ship has requested to fish, the type of fishing requested, and the number of days the ship has been out of port. The Coast Guard uses this information to assist with its enforcement of domestic fisheries regulations by identifying vessels that may not be in compliance with domestic fisheries regulations. For example, the monitoring information will show if fishing vessels are operating within a restricted area. According to Coast Guard officials, the information shared from this partnership has allowed Coast Guard assets to be used more efficiently in checking on potentially noncompliant vessels and enforcing fishing laws.

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## Progress Made with Ongoing Acquisition Efforts, but Continued Attention Is Warranted

Our recent reviews indicate that while the Coast Guard has made progress in managing the Deepwater program, further actions are needed and the lessons learned from this effort have not been applied to other ongoing acquisitions. For example, even with the Coast Guard's improved management and oversight of its Deepwater program, further steps are needed before all of our past recommendations for improving accountability and program management can be considered fully implemented. In addition, the acquisition of Fast Response Cutters has recently experienced setbacks. Meanwhile, the Rescue 21 program continues to be of concern as the program has been plagued by delays, technical problems, and cost escalation—issues that parallel the problems encountered in the early years of the Deepwater program. Another program, the Nationwide Automatic Identification System, is still in early development stages and specific technical system requirements remain undefined. As a result, according to Coast Guard officials, this has affected the Coast Guard's efforts to respond to our recommendation that the agency cultivate potential partnerships in order to leverage resources toward implementing the system. Because all of these programs are important for the Coast Guard in meeting growing operational demands,

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they bear close monitoring to help ensure they are delivered in an efficient and effective manner.

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## Progress Continues in Making Recommended Improvements to Deepwater Program Management, but Some Recommendations Are Not Yet Fully Implemented

One of the largest and most significant acquisitions that the Coast Guard has undertaken is the upgrade and replacement of its Deepwater assets, an acquisition approach that has raised a number of management and accountability concerns over the past 8 years.<sup>11</sup> The Coast Guard has devoted considerable attention to concerns that we and others raised, in particular to implementing recommendations for improvement. Our past concerns about the Deepwater program have been in three main areas—ensuring better program management and oversight, ensuring greater accountability on the part of the system integrator, and creating sufficient competition to help act as a control on costs—and to address these concerns, we made a total of 11 recommendations.<sup>12</sup> Table 1 provides an overview of the 11 recommendations, including their current status. In short, five recommendations have been fully implemented, five have been partially implemented, and one has not been implemented.<sup>13</sup> Three of the five partially implemented recommendations appear close to being fully implemented, in that the actions taken appear to be sufficient but results are not yet known or final procedural steps (such as issuing a policy currently in draft form) are not complete. The remaining two partially implemented recommendations, both of which deal with effective program management and contractor oversight, remain somewhat more problematic, and these are discussed further below. In both cases, however, the steps needed to fully implement these recommendations are relatively straightforward.

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<sup>11</sup>GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, [GAO-04-380](#) (Washington, D.C.: Mar. 9, 2004).

<sup>12</sup>In June 2002, the Coast Guard contracted with Integrated Coast Guard Systems to identify and deliver the assets needed to meet a set of mission requirements specified by the Coast Guard. Integrated Coast Guard Systems is a business entity jointly owned by Lockheed Martin Corporation and Northrop Grumman Ship Systems, which act as first-tier subcontractors and either provide Deepwater assets or award second-tier subcontracts for providing the assets.

<sup>13</sup>The Coast Guard disagreed with and declined to implement a recommendation that pertained to updating its cost baseline to determine whether the Deepwater acquisition approach is costing more than a conventional acquisition approach. While we stand behind our original recommendation, we decided not to pursue it further because the Coast Guard has decided not to take action on this issue.



**Table 1: Status of GAO Recommendations to the U.S. Coast Guard Regarding Management of the Deepwater Program**

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

Source: GAO analysis of Coast Guard data.

<sup>a</sup>Determined to be implemented during work performed in 2005 for GAO's report, *Coast Guard: Progress Being Made on Addressing Deepwater Legacy Asset Condition Issues and Program Management, but Acquisition Challenges Remain*, GAO-05-757 (Washington, D.C.: July 22, 2005).

<sup>b</sup>Integrated product teams are responsible for overall program planning and management, asset integration, and overseeing delivery of specific Deepwater assets. They are generally chaired by a subcontractor representative and consist of members from subcontractors and the Coast Guard.

### Strengthening Integrated Product Teams

In 2004, we reported that the integrated product teams (IPTs), the Coast Guard's primary tool for managing the Deepwater program and overseeing contractor activities, were struggling to carry out their missions because of four major issues: (1) lack of timely charters to provide authority needed for decision making, (2) inadequate communication among team members, (3) high staff turnover, and (4) insufficient training. Despite progress in addressing these four issues, we do not consider this recommendation to be fully implemented. There are indications that the

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Providing Field Personnel with  
Guidance and Training  
on Transitioning to New  
Deepwater Assets

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IPTs are still not succeeding in developing sufficient collaboration among subcontractors. Coast Guard officials recently reported that collaboration among the subcontractors continues to be problematic and that the system integrator wields little influence to compel decisions among them. For example, when dealing with proposed design changes for assets under construction, the system integrator has submitted the changes as two separate proposals from both first-tier subcontractors rather than coordinating the separate proposals into one coherent plan. According to Coast Guard performance monitors, because the two proposals often carry a number of overlapping work items, this approach complicates the Coast Guard's review of the needed design change. Several improvements designed to address these problems are under way, but it is too early to determine if these will effectively eliminate the problems.

In 2004, we reported the Coast Guard had not effectively communicated decisions on how new Deepwater and existing assets are to be integrated during the transition and whether Coast Guard or contractor personnel (or a combination of the two) will be responsible for maintenance of the Deepwater assets. For example, Coast Guard field personnel, including senior-level operators and naval engineering support command officials, said they had not received information about how they would be able to continue meeting their missions using existing assets while also being trained on the new assets. Since that time the Coast Guard has placed more emphasis on outreach to field personnel, including surveys, face-to-face meetings, and membership in IPTs. Despite these efforts, there are indications that the actions are not yet sufficient to consider the recommendation to be fully implemented. In particular, our review of relevant documents and discussions with key personnel make clear that field operators and maintenance personnel are still concerned that their views are not adequately acknowledged and addressed, and have little information about maintenance and logistics plans for the new Deepwater assets. For example, though the first National Security Cutter is to be delivered in August 2007, field and maintenance officials have yet to receive information on plans for crew training, necessary shore facility modifications, or how maintenance and logistics responsibilities will be divided between the Coast Guard and the system integrator. According to Coast Guard officials, many of these decisions need to be made and communicated very soon in order to allow for proper planning and preparation in advance of the National Security Cutter's delivery.

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## Design Risks Have Delayed Delivery of the Fast Response Cutter

Despite improvements in Deepwater program management, the Coast Guard has encountered difficulties in the conversion and acquisition of one Deepwater asset—its Fast Response Cutter (FRC). Under the original 2002 Deepwater Implementation Plan, all 49 of the Coast Guard’s 110-foot patrol boats were to be converted into 123-foot patrol boats, with increased capabilities, as a bridging strategy until a replacement vessel, the 140-foot FRC, came on line beginning in 2018. The Coast Guard converted 8 of the 110-foot patrol boats to 123-foot boats, but discontinued further conversions because the patrol boats were experiencing technical difficulties, such as hull buckling, and were not able to meet post-September 11, 2001 mission requirements. This prompted the Coast Guard to revise this part of the Deepwater program. The 2005 Revised Deepwater Implementation Plan reflected the Coast Guard’s cancellation of further patrol boat conversions and acceleration of the design and delivery of the FRC, which was being designed to use composite materials in the hull, decks and bulkheads.<sup>14</sup> Under the 2005 revised plan, the first FRC was scheduled to come on line in 2007—11 years earlier than originally planned.

In late February 2006, the Coast Guard suspended design work on the FRC because of risks with the emerging design. In particular, an independent design review by third-party consultants preliminarily demonstrated, among other things, that the FRC would be far heavier and less efficient than a typical patrol boat of similar length. As a result, the Coast Guard is now pursuing three strategies for moving forward with the FRC acquisition. The first strategy involves Integrated Coast Guard Systems, the prime contractor, purchasing design plans for and building an “off-the-shelf” patrol boat that could be adapted for Coast Guard use as a way to increase patrol hours until the FRC design could be finalized. The Coast Guard issued a request for information in April 2006 to assess the off-the-shelf options. The second strategy is to revise the requirements of the FRC in order to allow for modifications to the current FRC design. Concurrent with the first two strategies, the Coast Guard’s third strategy is to have a third party reassess the analyses used in the decision to use composite materials for the FRC to determine if the use of composite materials will,

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<sup>14</sup>Composite materials, as used in shipbuilding, are typically fiber-reinforced plastic laminates consisting of plies of various reinforcing fabrics laminated together. Integrated Coast Guard Systems decided to use composite materials for the FRC’s hull after an analysis of alternatives found that the use of such materials instead of steel generally offers several advantages, such as lower maintenance and life cycle costs, a longer service life, and reduced weight.

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in fact, reduce total ownership costs. The result of the Coast Guard pursuing these strategies is that the Coast Guard would end up with two classes of FRCs. The first class of FRCs would be based on an adapted design from a patrol boat already on the market, to expedite delivery, and a follow-on class that would be based on revisions made to address the problems identified in the original FRC design plans. Pursuant to these three strategies, Coast Guard officials now estimate that the first FRC will likely not be delivered until late fiscal year 2009, at the earliest. GAO plans to release a report in late June 2006 providing updated information on the status of FRC design efforts.

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## Rescue 21 Continues to Be of Concern as It Enters Implementation Phase

The Rescue 21 acquisition program—the Coast Guard’s effort to replace its antiquated command, control and communication infrastructure used primarily to monitor mariner distress calls, and coordinate search and rescue operations—continues to be of concern as the program has been plagued by numerous delays, technical problems, and cost overruns. GAO’s recently released report shows that the program is about 5 years behind its originally proposed schedule for full implementation in 2006, as a result primarily of delays in development and testing of the system.<sup>15</sup> In addition, these delays have raised the Coast Guard’s estimated costs for bringing Rescue 21 up to full operating capability from \$250 million to \$710.5 million.<sup>16</sup> Moreover, our analysis of contractor performance trends, including a significant number of contract items not completed as planned and requiring renegotiation, indicates that total acquisition cost overruns will continue, and implementation costs could reach as high as \$872 million.<sup>17</sup>

These delays, technical problems, and cost overruns are the result of deficiencies in Coast Guard acquisition management and contractor oversight—deficiencies similar to those that we identified earlier in the Deepwater program. Such a pattern is of concern because it suggests that the Coast Guard has not translated the lessons learned from Deepwater to

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<sup>15</sup>GAO, *United States Coast Guard: Improvements Needed in Management and Oversight of Rescue System Acquisition*, [GAO-06-623](#) (Washington, D.C.: May 31, 2006).

<sup>16</sup>In April 2006, the Department of Homeland Security approved a new acquisition program baseline for Rescue 21 with a total acquisition cost of \$730.2 million after decreasing certain functionality.

<sup>17</sup>The Coast Guard’s fiscal year 2007 budget request for Rescue 21 is \$40 million, a slight decrease from the \$41 million Congress approved for fiscal year 2006.

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its overall acquisition management.<sup>18</sup> In particular, deficiencies in the Rescue 21 program include common problems of acquisition management and oversight including ineffective project monitoring and risk management, poorly defined user requirements, unrealistic schedule and cost estimates developed by the contractor, and limited executive-level oversight. And although the Coast Guard has developed the high-level requirements for Rescue 21, it has relied solely on the contractor to manage these requirements.

As discussed, we found similar problems in the Deepwater program with comparable adverse impacts on cost, schedule and results. For example, at the start of the program we identified a number of risks that would need to be addressed for the program to be successful—including ensuring that procedures and personnel are in place for managing and overseeing the contractor, and taking steps to minimize potential problems in developing new technology. Since that time, we have made numerous specific recommendations to the Coast Guard based on the deficiencies uncovered by our audits.<sup>19</sup>

The delays in implementing Rescue 21 mean that field units will continue to face limitations in their ability to hear boaters in distress and the agency will be subject to cost and performance challenges to maintain the legacy equipment. For example, as a result of Rescue 21's delay, some field units will likely continue to experience coverage gaps, limiting their ability to monitor mariners in distress and some will continue to be at risk of performing larger and potentially more costly searches due to the legacy system's more limited capabilities. In addition, because the legacy equipment is over 30 years old, it is at high risk for failure, a factor which

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<sup>18</sup>Our concerns from past audits of the Deepwater acquisition focus on the Coast Guard's overall ability to effectively and efficiently manage its major acquisitions, oversee contractors, and translate lessons learned from one program to another.

<sup>19</sup>[GAO-05-757](#); *Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges*, [GAO-05-651T](#) (Washington D.C.: June 21, 2005); *Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges*, [GAO05-307T](#) (Washington D.C.: Apr. 20, 2005); [GAO-05-364T](#); *Coast Guard: Deepwater Program Acquisition Schedule Update Needed*, [GAO-04-695](#) (Washington D.C.: June 14, 2004); [GAO-04-380](#); *Coast Guard: Actions Needed to Mitigate Deepwater Project Risks*, [GAO-01-659T](#) (Washington, D.C.: May 3, 2001); *Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain*, [GAO-01-564](#) (Washington D.C.: May 2, 2001); and *Coast Guard: Strategies for Procuring New Ships, Aircraft, and Other Assets*, [GAO/T-RCED-99-116](#) (Washington, D.C.: Mar. 16, 1999).

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could result in costly repairs. Moreover, although the Coast Guard previously issued a moratorium on upgrades to the legacy system, delays in the Coast Guard's implementation of Rescue 21 may require units to upgrade or install new equipment for the legacy system. This would result in further costs, and in fact, this has already occurred at some units.<sup>20</sup>

The importance of resolving acquisition management problems is underscored by the operational benefits that are expected to be realized from system implementation, and some of these benefits have already been achieved in a few locations where the Rescue 21 system has been used. For example, following Hurricane Katrina, the Coast Guard took advantage of Rescue 21's capabilities to address communications challenges through an early deployment of a portable antenna to Louisiana in September 2005 to provide communications capabilities that had been lost due to the storm. In another case, the direction-finding capability of the Rescue 21 system helped the Coast Guard to rescue some stranded boaters who had inaccurately identified their location to the Coast Guard.

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## Coast Guard in Early Phase of Developing the Nationwide Automatic Identification System

The Coast Guard is at an early phase in developing the Nationwide Automatic Identification System (NAIS)—an important step in the overall effort to increase port safety and security by collecting, integrating, and analyzing information on vessels operating within or bound for U.S. waters—and is pursuing partnership opportunities that could potentially accomplish NAIS installation goals more quickly and reduce installation costs to the federal government. According to the Coast Guard, NAIS will allow the Coast Guard to both receive and transmit information to vessels entering and leaving U.S. waters, supporting both MTSA and the National Plan to Achieve Maritime Domain Awareness.<sup>21</sup> In July 2004, we recommended that the Coast Guard seek and take advantage of opportunities to partner with organizations willing to develop systems at

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<sup>20</sup>Coast Guard officials reported that the agency upgraded a console at one unit to mitigate operational challenges and installed a new antenna at a second unit to address coverage gaps.

<sup>21</sup>The National Plan to Achieve Maritime Domain Awareness was developed in October 2005 in support of the National Strategy for Maritime Security, as directed by National Security Presidential Directive-41/Homeland Security Presidential Directive-13. The plan outlines national priorities for achieving maritime domain awareness, including near-term and long-term objectives, required program and resource implications, and recommendations for organizational or policy changes.

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their own expense as part of the acquisition process.<sup>22</sup> In response, according to Coast Guard officials, the agency has begun to develop partnerships. However, officials noted that because the project and technology are still in the early stages of development, these partnerships remain limited. For example, Coast Guard officials said that because the Coast Guard still does not know all of the specific technical system requirements, they do not yet know of all the potential partners that could enable the Coast Guard to leverage resources. In addition, system requirements may change as the technology is further developed, and as a result, some current partnerships may be short-term.

The Coast Guard intends to use the fiscal year 2007 budget request of \$11.2 million, along with past unobligated project funding, to award a NAIS contract in fiscal year 2007 for initial design, logistics, and deployment in strategic ports and critical coastal areas of the country. According to the Coast Guard, officials are performing market research as part of the development phase of the Coast Guard and DHS major acquisition processes, and the project office is analyzing this information to determine capabilities within the market to satisfy NAIS requirements and to establish an optimal acquisition strategy. Coast Guard officials we spoke with noted that NAIS is currently in the initial stage of a major acquisition project. As such, the acquisition project plans for costs, schedule, and performance have not yet been established. The Coast Guard expects these project plans to be determined later this year and stated that both the baseline costs and current completion schedule are early estimates and subject to revision as final requirements mature.

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## Coast Guard Faces Future Challenges as It Balances Missions

The Coast Guard also faces two additional challenges in managing its assets and balancing its various missions. The first challenge is to find the resources to replace some additional assets, not included in the Deepwater program, for its non-homeland security missions. Our ongoing work found that some of the Coast Guard's existing buoy tenders and icebreakers are approaching or have exceeded their initial design service lives. The second challenge the Coast Guard faces is the addition of a new mission, defending the air space surrounding the nation's capital, which falls outside its traditional focus on the maritime environment. While

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<sup>22</sup>GAO, *Maritime Security: Partnering Could Reduce Federal Costs and Facilitate Implementation of Automatic Vessel Identification System*, [GAO-04-868](#) (Washington, D.C.: July 23, 2004).

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groundwork has been laid through the request of fiscal year 2007 funds to purchase the equipment necessary to carry out this new responsibility, it is likely to require additional personnel and training.

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### Some ATON and Icebreaking Assets Show Decline and May Need Additional Resources to Sustain Capabilities

To facilitate maritime mobility through its aids-to-navigation (ATON) and icebreaking missions, the Coast Guard uses a variety of assets, such as buoy tenders and icebreakers. Like the Deepwater legacy assets, many of these types of assets are approaching or have exceeded their initial design service lives. We are currently conducting work for this committee to look at the condition and the Coast Guard's actions to upgrade or better manage these assets. While this work is still ongoing, our preliminary observations indicate that some of these assets are experiencing maintenance issues that may require additional resources in order to sustain or replace their capabilities.

### Coast Guard's Condition Measures Show Decline in Some ATON and Icebreaking Assets

From 2000 to 2004, the Coast Guard's key condition measures show a decline for some ATON and icebreaking assets.<sup>23</sup> For ATON and icebreaking cutter assets,<sup>24</sup> the key summary measure of condition—percent of time free of major casualties<sup>25</sup>—fluctuated but generally remained below target levels<sup>26</sup> for some asset types. According to Coast Guard officials, even though it did not have a centralized tracking system for the condition of its ATON small boat assets during this time period, the Coast Guard's overall assessments of these smaller assets indicated that most of the asset types were in fair to poor condition. According to Coast Guard officials and documents, the reasons for their condition include the fact that many of the asset types are beyond their expected service lives

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<sup>23</sup>The assets discussed here vary greatly in terms of their size, age, and operating environment. In terms of size they range from a 420-foot polar icebreaker to a 21-foot trailerable boat to service aids-to-navigation. In terms of age, the range is 2 years for recently commissioned seagoing buoy tenders to more than 60 years for inland construction and buoy tenders. ATON assets are located on both East and West Coasts, as well as the Gulf Coast and major Inland Rivers such as the Mississippi while domestic icebreakers are located on the East Coast and Great Lakes. The polar icebreakers operate in both Arctic and Antarctic regions.

<sup>24</sup>The Coast Guard defines a cutter as any Coast Guard vessel 65 feet in length or greater, having adequate accommodations for crew to live on board. Boats are defined as those vessels under 65 feet in length that usually operate near shore and on inland waterways.

<sup>25</sup>A casualty is a deficiency in mission essential equipment; a major casualty causes the major degradation or loss of at least one primary mission.

<sup>26</sup>The standard target level for the "percent of time free of major casualties" is 72 percent, which is a Navy standard that has been adopted by the Coast Guard.



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Increasing Amount of  
Maintenance on ATON and  
Domestic Icebreaking Assets Is  
Being Performed

and the general workload of the assets has increased to carry out other missions, such as maritime security after September 11, 2001, or providing disaster response after events such as the recent hurricanes on the Gulf Coast.

Coast Guard personnel reported to us that crew members have had to spend increasingly more time and resources to troubleshoot and resolve maintenance issues on the older ATON and domestic icebreaking assets. The Coast Guard personnel we met with indicated that because the systems and parts are outdated compared with the technology and equipment available today, it can be challenging and time consuming to diagnose a maintenance issue and find parts or determine what corrective action to take. For example, the propulsion control system on the 140-foot icebreaking tugs uses circuit cards that were state-of-the-art when the tugs were commissioned in the late 1970s to 1980s but are no longer manufactured today and have been superseded by computer control systems. According to the Coast Guard personnel we met with, the lack of a readily available supply of these parts has forced maintenance personnel to order custom made parts or refurbish the faulty ones, increasing the time and money it takes to address maintenance problems. The personnel also told us that because such equipment is outdated, finding knowledgeable individuals to identify problems with the equipment is difficult, which further complicates the maintenance of the assets. Crews of other assets we visited also confirmed the difficulty of diagnosing problems and obtaining replacement parts for other critical subsystems such as the main diesel engines.

Aware of such issues, the Coast Guard completed a mission needs analysis for ATON and domestic icebreaking assets, and developed an approach to renovate or recapitalize these assets. This analysis, which was completed in 2002, looked at the condition of the existing assets and their ability to support mission needs. The analysis concluded that all of the assets suffered in varying degrees with respect to safety, supportability, environmental compliance, and habitability, and would need replacement or rehabilitation to address these issues. In response to this analysis, the Coast Guard developed a plan to systematically replace or renovate the assets. Program officials at the Coast Guard indicated that current estimates place the total cost to carry out this plan at about \$550 million. According to a Coast Guard official, although resource proposals to carry out this project had been made during the budget planning processes for fiscal years 2004, 2005, 2006, and 2007, those proposals were either deferred or terminated by DHS or the Office of Management and Budget from inclusion in the final budget requests.

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Polar Class Icebreaking Assets  
Are in Need of Significant  
Maintenance

Preliminary observations from our review of the Coast Guard's polar icebreaking assets revealed similar challenges for the Coast Guard to perform the maintenance needed to sustain the capabilities of these assets. As with the other older ATON and domestic icebreaking assets, the two Polar Class icebreakers that are used for breaking the channel into the Antarctic research station are reaching the end of their design service lives of 30 years.<sup>27</sup> According to Coast Guard officials, the icebreakers' age combined with recent harsh ice conditions and increased operational tempo have left the Polar Class icebreakers unable to continue the mission in the long term without a substantial investment in maintenance and equipment renewal. These officials also told us that while the hull structures are sound, critical systems such as the main gas turbine controls and the controllable pitch propeller systems have become unreliable. Corroborating this account of the icebreakers' condition, an interim report issued in December 2005 by the National Research Council of the National Academies also found that the icebreakers have become inefficient to operate because substantial and increasing maintenance is required to keep them operating and that significant long-term maintenance had been deferred over the past several years.<sup>28</sup>

Given the age and obsolescence of the Polar Class icebreakers, funding for maintenance and repair has been and will likely continue to be a challenge. Coast Guard officials indicated that the cost of maintenance activity for the icebreakers required that additional funding be transferred from other Coast Guard asset maintenance accounts in previous years in order to carry out this maintenance. For fiscal years 2005 and 2006, the Coast Guard also obtained additional funds for maintenance from the

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<sup>27</sup>In addition to the two Polar Class icebreakers, the Coast Guard acquired a third icebreaker, the *Healy*, in 2000. Unlike the Polar Class icebreakers, the *Healy* was designed to be an Arctic scientific platform and does not have the capabilities to break ice in the Antarctic under most conditions. According to Coast Guard officials, although the *Healy* also has maintenance issues, the condition and extent of maintenance needed for the Polar Class icebreakers is more severe.

<sup>28</sup>National Research Council of the National Academies, *Polar Icebreaker Roles and U.S. Future Needs: A Preliminary Assessment*, 2005. The Council has been tasked to conduct an assessment of the current and future roles of the Coast Guard's polar icebreakers. A final report is expected to be released this summer in which it will provide a more detailed analysis and evaluation of the assets and capabilities needed to carry out the mission over the longer term.

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National Science Foundation (NSF).<sup>29</sup> The Coast Guard has considered undertaking a project to extend the service lives of the existing assets by refurbishing or replacing those systems that have reached the end of their service lives. The Coast Guard estimates that this extension project could provide an additional 25 years of service for the existing assets. The cost to carry out this project for both Polar Class icebreakers is estimated between \$552 and \$859 million. Coast Guard capital planning documentation indicates that failure to fund this project could leave the nation without heavy icebreaking capability and could jeopardize the investment made in the nation's Antarctic Program. According to Coast Guard officials, the agency has identified these needs but has not yet requested funds in part, because other agencies have taken financial responsibility for funding polar icebreaking assets.<sup>30</sup>

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### The Coast Guard Is Undertaking New Responsibility beyond Typical Maritime Missions

While the Coast Guard continues to face the challenge of performing the diverse array of responsibilities associated with its many missions, the fiscal year 2007 budget request includes initial funding for a new Coast Guard responsibility of enforcing a no-fly zone in the national capital region. The scope of the mission—intercepting slow and low flying aircraft—falls outside of the Coast Guard's typical mission of protecting and preserving the nation's ports and waterways. According to Coast Guard officials, DHS agreed to this mission through a memorandum of understanding with DOD and subsequently determined that the Coast Guard was the best suited agency within DHS to perform the mission.<sup>31</sup> Coast Guard officials also said, the agency will officially take over these responsibilities from CBP in late fiscal year 2006. However, despite

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<sup>29</sup>NSF is the lead agency responsible for supporting U.S. polar research. As such, it is the primary user of the polar icebreakers to provide logistical support and serve as research platforms in the polar regions. Coast Guard officials told us that under the terms of a memorandum of agreement, entered into in 1986 and updated in 1999, NSF and other users of the icebreakers reimbursed the Coast Guard for some of the operational costs.

<sup>30</sup>For fiscal year 2006, responsibility for funding the polar icebreaking assets was transferred to NSF, with the Coast Guard retaining custody of the assets to operate and maintain them. The President's budget request for fiscal year 2007 proposes to continue this arrangement. With this transfer of budget authority to NSF, Coast Guard officials indicated that while the Coast Guard plays an advisory role to NSF on the maintenance needs of the icebreakers, NSF is now responsible for making funding requests for maintenance projects such as the service life extension project.

<sup>31</sup>The Coast Guard's primary mission for the National Capital Region Air Defense program will be to determine intent of, and compel, low and slower moving aircraft to clear National Capital Region protected airspace.

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previous experience performing air intercept activities, according to Coast Guard officials, the new homeland security mission has required additional training and assets.<sup>32</sup> The Coast Guard's \$57.4 million fiscal year 2007 budget request, the first year of a planned 2-year project, would provide funding to acquire five of the seven HH-65C helicopters needed for the mission, and, according to Coast Guard officials, update infrastructure at Air Station Atlantic City, as well as upgrade equipment at Reagan National Airport. Officials added that efforts to train Coast Guard pilots have already been underway. While groundwork has been laid through the request of fiscal year 2007 funds to purchase the equipment necessary to carry out this new responsibility, it is likely to require additional personnel and training.

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## Concluding Observations

Several of the developments we are reporting on today are good news. Despite many demands, the Coast Guard continues to make progress in meeting its performance targets, and its successful search and rescue work in responding to Hurricane Katrina is one positive aspect of what largely otherwise appears to be an ongoing tragedy. Certainly, if one measure of organizational excellence is performance in crisis, Hurricane Katrina shows that the Coast Guard is well along on that scale. Excellence must also be demonstrated in more mundane ways, however, such as how an organization manages its acquisitions. In this case, the Coast Guard needs to consistently, and from the beginning, employ widely known best practices for its acquisition management processes particularly with respect to developing requirements, project and risk management, and ensuring proper executive level oversight. Although the Coast Guard is to be complimented for its willingness to make improvements after our audits have identified problems, such as with the Deepwater program, its acquisition management would be better if the agency employed the lessons once learned and translated them into generally-improved practices. Better overall practices would help to ensure that future projects will not repeat past problems and will be completed on time and at cost.

The Coast Guard has clearly been at the vortex of many of the most sweeping changes in the federal government's priorities over the past

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<sup>32</sup>The Coast Guard's previous experience with air intercept activities includes responsibility for air intercept during planned national security special events, such as the Democratic and Republican national conventions and the Super Bowl, as well as performing some air intercept activities as part of its illegal drug interdiction program.

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several years. “Homeland security” carries a much different tone, as well as budgetary significance, in the national consciousness after September 11, 2001. However, dramatic infusions of money are no guarantee of success; rather they bring added responsibility to ensure that large investments of taxpayer dollars are wisely spent. Our work has shown that the Coast Guard continues to face some challenges in balancing all of its missions and in keeping a sustained focus on managing its significant capital acquisition programs. Continued efforts are needed to sustain the progress that has been made thus far.

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.

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## GAO Contacts and Staff Acknowledgments

For information about this testimony, please contact Stephen L. Caldwell, Acting Director, Homeland Security and Justice Issues, at (202) 512-9610, or [caldwells@gao.gov](mailto:caldwells@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Joel Aldape, Nancy Briggs, Lisa Canini, Christopher Conrad, Adam Couvillion, Christine Davis, Josh Diosomito, Michele Fejfar, Kathryn Godfrey, Christopher Hatscher, Dawn Hoff, Lori Kmetz, Julie Leetch, Josh Margraf, Dominic Nadarski, Jason Schwartz, and Stan Stenersen.

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# Appendix I: Objectives, Scope, and Methodology

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To provide a strategic overview of the President's fiscal year 2007 budget request for the Coast Guard, we analyzed the Coast Guard's budget justification and other financial documents provided by the Coast Guard, focusing on several areas of particular congressional interest. We also interviewed Coast Guard headquarters officials familiar with the Coast Guard's budget and acquisition processes.

To report on the Coast Guard's progress in meeting its performance targets, we reviewed Coast Guard data and documentation addressing the status of performance targets between fiscal years 2002 and 2005. In reporting the performance results, we did not assess the reliability of the data or the credibility of the performance measures used by the Coast Guard. Previous GAO work indicates that the Coast Guard data are sufficiently reliable for the purposes of reporting on general performance, but we have not examined the external sources of data used for these measures. In addition, we are currently involved in ongoing work looking at the reliability of the data and credibility of performance measures for the Coast Guard's six non-homeland security programs.

To determine the status of key outstanding Coast Guard recommendations, we 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 discuss the Coast Guard's response to Hurricane Katrina, we relied on our ongoing work regarding Hurricane Katrina, with particular focus on the Coast Guard's preparation, response, and recovery to Katrina with respect to search and rescue, pollution response, and facilitation of maritime missions. To obtain a more detailed understanding of the Coast Guard's response to Hurricane Katrina, we interviewed officials, reviewed documents, and conducted site visits at two Coast Guard Districts, the Atlantic Command, and Coast Guard headquarters. We also interviewed city and state officials in areas impacted by Hurricane Katrina and assisted by the Coast Guard.

To determine the Coast Guard's progress in implementing our prior recommendations related to its Deepwater program, we drew from ongoing work, which included extensive reviews and analyses of documentation provided by the Coast Guard. We supplemented our document reviews and analyses with extensive discussions with officials at the Deepwater Program Executive Office, as well as with interviews

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with key Coast Guard operations and maintenance officials, contract monitors, and representatives of the system integrator.

To report on the status and cost of Coast Guard's Rescue 21 program, we drew from our work examining (1) the reasons for significant implementation delays and cost overruns against Rescue 21's original 2002 proposal; (2) the viability of the Coast Guard's revised cost and implementation schedule that is projected to reach full operational capability in 2011; and (3) the impact of Rescue 21's implementation delay upon the Coast Guard's field units which are awaiting modernization of antiquated communications equipment. This work has involved reviewing acquisition plans, implementation schedules and cost estimates for Rescue 21, as well as documentation regarding problems associated with the antiquated communications equipment. We also interviewed Coast Guard field personnel at units using the antiquated equipment and at the two sites where Rescue 21 has been deployed.

We also drew from our ongoing work to report on Coast Guard's ATON and icebreaking assets. Specifically, this work is examining (1) the recent trends in the amount of time ATON and domestic icebreaking assets have spent performing various missions and the impact of these trends on their primary missions; (2) the condition of the ATON and domestic icebreaking assets and the impact of their condition on performing their primary missions; and (3) the actions the Coast Guard has taken to upgrade or better manage its ATON and domestic icebreaking assets or use alternatives to carry out their missions. While conducting this work, we have interviewed Coast Guard program and maintenance officials at headquarters, area commands, and selected districts to obtain information on the missions these assets carry out, the condition of the assets, and the past and estimated future costs to maintain and deploy them. We also interviewed these officials and reviewed documents about the Coast Guard's plans to maintain or replace these assets. We also analyzed Coast Guard data from 2000 to 2004 on condition tracking measures, resources spent to operate the assets, and the number of hours the assets spent on Coast Guard missions. Finally, we interviewed crew members of various assets, selected by nonprobability sample—to provide diversity among asset types and locations—to obtain their views on the condition and

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maintenance of their assets and any impact the assets' condition may have had on their ability to carry out their missions.<sup>33</sup>

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 from July 2005 through May 2006.

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<sup>33</sup>Nonprobability sampling is a method of sampling where observations are selected in a manner that is not completely random, usually using specific characteristics of the population as criteria. Results from nonprobability samples cannot be used to make inferences about a population because in a nonprobability sample some elements of the population being studied have no chance or an unknown chance of being selected as part of the sample.



# Appendix II: Breakdown of the Coast Guard's Fiscal Year 2007 Request

Appendix II provides a breakdown of the Coast Guard's fiscal year 2007 budget 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.)

**Table 2: Coast Guard Funding Accounts by Fiscal Year**

Dollars in millions (in nominal terms)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
	actual	actual	actual	enacted	enacted	request
Operating expenses	\$3,757	\$4,920	\$4,718	\$5,066	\$5,231	\$5,519
Acquisition, construction, and improvements	702	720	1,007	1,065	1,220	1,170
Environmental compliance and restoration	17	17	17	17	12	12
Alteration of bridges	15	17	19	16	15	0
Retired pay	876	889	1,020	1,085	1,014	1,063
Reserve training	83	86	94	113	118	124
Research, development, testing, and evaluation	20	22	15	19	18	14
Oil spill recovery	68	75	57	71	168	127
Boat safety	64	65	64	64	101	115
Medicare-Eligible Retiree Healthcare Fund Contribution <sup>a</sup>	NA	NA	NA	237	261	279

Source: GAO analysis of Coast Guard data.

Note: NA not available.

<sup>a</sup>Fiscal year 2005 funding for the Medicare-Eligible Retiree Healthcare Fund Contribution was accounted for within the Operating Expenses appropriation, but it is displayed here for fiscal year 2005 separately for presentation purposes. Beginning in fiscal year 2006, the contribution was officially re-allocated from the Operating Expenses appropriation to the Medicare-Eligible Retiree Healthcare Fund Contribution appropriation.

# Appendix III: Additional Information on Specific Coast Guard Program Results

Appendix III provides a detailed list of Coast Guard performance results for the Coast Guard's 11 programs from fiscal year 2002 through 2005. Shaded entries in table 3 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. Each program is discussed in more detail below.

**Table 3: Performance Results by Program from Fiscal Year 2002 through Fiscal Year 2005**

Program	Program performance measure	Performance results by FY				Performance target for FY 2005
		2002	2003	2004	2005	
<b>Programs meeting 2005 targets</b>						
U.S. Exclusive Economic Zone Enforcement	Number of detected Exclusive Economic Zone incursions by foreign fishing vessels	250	152	247	174	≤ 200
Ice operations (domestic icebreaking)	Number of waterway closure days	7	7	4	0	≤ 2 <sup>a</sup>
Search and rescue	Percentage of distressed mariners' lives saved	84.4%	87.7%	86.8%	86.1%	≥ 86%
Aids to navigation	Number of collisions, allisions, and groundings	2,098	2,000	1,876	1,825	≤ 1,831
Ports, waterways, and coastal security	Reduce homeland security risk in the maritime domain	NA	NA	NA	14%	NA <sup>b</sup>
Marine environmental protection	Average of oil and chemical spills greater than 100 gallons per 100 million tons shipped	35.1	29.4	22.1	18.5	≤ 20
Marine safety	Average of maritime injuries and fatalities	1,332 <sup>c</sup>	1,307	1,299	1,311	≤ 1,317
<b>Program expected to meet 2005 target</b>						
Illegal drug interdiction	Percentage of cocaine removed out of total estimated cocaine entering the U.S. through maritime means <sup>d</sup>	Not reported	Not reported	30.7%	TBD <sup>e</sup>	≥ 19%
<b>Programs not meeting 2005 targets</b>						
Defense readiness	Percentage of time units meet combat readiness level at C-2 level	70%	78%	76%	67%	100%
Living marine resources	Percentage of fisherman found in compliance with regulations	97.3%	97.1%	96.3%	96.4%	≥ 97%
Undocumented migrant interdiction	Percentage of interdicted illegal migrants entering the U.S. through maritime means	88.3%	85.3%	87.1%	85.5%	≥ 88%

Source: GAO analysis of Coast Guard performance data.



Performance targets met



Performance targets not met

Note: TBD, to be determined; NA, not available.

<sup>a</sup>The target for ice operations noted here is for domestic icebreaking only, and the target level varies according to the index of severity for an 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 and 4 days of closures did not meet the target.

<sup>b</sup>The ports, waterways, and coastal securities program did not have a numeric target for the program's performance measure because this was the first year this performance measure was used and a numeric baseline had not been established. However, according to the Coast Guard, in the absence of a numeric target, the program used, and met, a target of fully implementing all planned activities geared toward lowering the risk due to terrorism in the maritime domain.

<sup>c</sup>Complete data are not yet available for the illegal drug interdiction program, however, the Coast Guard anticipates meeting the performance target for this program based on past performance.

<sup>d</sup>The performance measure for the illegal drug interdiction program, the percent of cocaine removed, was revised in fiscal year 2004 from the percent of cocaine seized in order to more accurately report the impact Coast Guard counter-drug activities have on the illicit drug trade. As a result, the cocaine removal rates for fiscal years 2002-2003 are not available.

<sup>e</sup>The Coast Guard did not have a performance target for the marine safety performance measure in fiscal year 2002. Therefore, we were unable to determine whether marine safety program results met a performance target for fiscal year 2002.

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## Programs Meeting Fiscal Year 2005 Performance Targets

- *U.S. Exclusive Economic Zone Enforcement.*<sup>34</sup> The Coast Guard reported that in fiscal year 2005, it met the performance target for U.S. exclusive economic zone enforcement—defined as the number of foreign vessel incursions into the U. S. Exclusive Economic Zone, by detecting 174 foreign vessel incursions, within the performance target of 200 or less incursions. This represents a more than 30-percent decrease in foreign vessel incursions since fiscal year 2004, when the Coast Guard detected 247 incursions. Coast Guard officials attributed this decrease in incursions to many factors, including the agency's efforts in combating incursions, such as an increased number of air and water patrols, and the likelihood that some Mexican fleets known to cross into U.S. waters were damaged during the 2005 hurricane season.

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<sup>34</sup>The exclusive economic zone is defined as an area within 200 miles of U.S. shores in which U.S. citizens have primary harvesting rights to fish stocks. The Coast Guard also refers to the U.S. exclusive economic zone enforcement program as either the foreign fish enforcement program or as other law enforcement.

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- *Ice operations.* To meet this performance target, the Coast Guard's ice operations program must keep winter waterway closures to 8 days or fewer for severe winters and less than 2 days per year for average winters. According to Coast Guard documents, the agency met its target for an average winter with 0 days of waterway closures during the 2005 ice season.
  - *Search and rescue.* The Coast Guard reported that performance in this area, as measured by the percentage of mariners' lives saved from imminent danger, was 86.1 percent, just above the target of 86 percent for fiscal year 2005. This result is similar to the fiscal year 2004 result of saving 86.8 percent of lives in imminent danger. The Coast Guard identified continuing improvements in response resources and improvements made in commercial vessel and recreational boating safety as the main reasons for continuing to meet the target.
  - *Aids to navigation.* According to Coast Guard reports, the aids to navigation program performance measure—that is, the 5-year average number of collisions, allisions, and groundings—improved in fiscal year 2005 by dropping to 1,825 incidents from 1,876 incidents in fiscal year 2004. The fiscal year 2005 total was also below the target of 1,831. The Coast Guard attributes this continued decrease to a multifaceted system of prevention activities, including radio aids to navigation, communications, vessel traffic services, dredging, charting, regulations, and licensing.
  - *Ports, waterways, and coastal security.* In fiscal year 2005, the Coast Guard began using a new measure of program performance—the percent reduction of terrorism-related risk in the maritime environment. According to Coast Guard officials, this measure is based on an assessment of the total amount of maritime risk under the Coast Guard's authority. At the end of each fiscal year the Coast Guard calculates the amount of this total risk that has been reduced by the program's activities throughout the fiscal year. Officials added that because of the dynamic and changing nature of risk, the total amount of maritime risk under the Coast Guard's authority—the baseline level of risk—is recalculated annually. Because this was the first year the agency used the measure, there was no previous performance baseline to establish a numeric annual target. However, according to the Coast Guard, in the absence of a numeric target, the program used, and met a target of fully implementing all planned activities geared toward lowering the risk due to terrorism in the maritime domain.

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- *Marine environmental protection.* The marine environmental protection measure of performance is the 5-year average annual number of oil and chemical spills greater than 100 gallons per 100 million tons shipped. According to Coast Guard reports, since fiscal year 2002, the reported average number of oil and chemical spills has dropped from 35.1 to 18.5 in fiscal year 2005. The Coast Guard identified its prevention, preparedness, and response programs—including industry partnerships and incentive programs—as reasons for the drop.
  - *Marine safety.* The marine safety measure—a 5-year average of passenger and maritime deaths and injuries—achieved its fiscal year 2005 performance target of 1,317. During fiscal year 2005 there were 1,311 incidents, a slight increase from 1,299 incidents in fiscal year 2004. Beginning in fiscal year 2006, the Coast Guard will use a revised version of this measure that includes injuries of recreational boaters as well, representing a broader and more complete view of marine safety.

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#### Program Expected to Meet Fiscal Year 2005 Target

- *Illegal drug interdiction.* While complete results for the illegal drug interdiction performance measure—the rate at which the Coast Guard removes cocaine bound for the U.S. via non-commercial maritime transport—are not yet available, the Coast Guard anticipates exceeding the fiscal year 2005 target of removing 19 percent or more of cocaine bound for the U.S. According to Coast Guard officials, in fiscal year 2005 the Coast Guard removed a record 137.5 metric tons of cocaine bound for the U.S. Coast Guard officials believe that this record amount of cocaine removed will result in exceeding the fiscal year 2005 performance target. Final program results are due to be published in July 2006.

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#### Programs Not Meeting Targets in Fiscal Year 2005

- *Defense Readiness.* Defense readiness is measured by the percent of time that units meet combat readiness status at a C-2 level.<sup>35</sup> The Coast Guard reported that the overall level of performance for the defense readiness program decreased for the second consecutive year from a high of 78 percent in fiscal year 2003, to 76 percent in fiscal year 2004, and 67 percent in fiscal year 2005. According to Coast Guard officials, this decline in recent years was because of staffing shortages for certain security units within the defense readiness mission. According to Coast Guard officials, the agency intends to solve these staffing

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<sup>35</sup> According to the Coast Guard, the C-2 combat readiness 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.

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problems by offering incentives for participation as well as making participation mandatory instead of voluntary, as it was previously.

- *Living marine resources.* The Coast Guard reported that the performance measure for living marine resources—defined as the percentage of fishermen complying with federal regulations—was 96.4 percent, just below the target of 97 percent for fiscal year 2005. This result is similar to the fiscal year 2004 result of 96.3 percent. According to Coast Guard officials, the agency missed the fiscal year 2005 target because of a variety of economic conditions and variables beyond Coast Guard control, such as hurricane damage, high fuel costs, fewer days-at-sea allocations, and lucrative seafood prices in some fisheries—which created greater incentives for fishermen to violate fishery regulations. The Coast Guard conducted 6,076 fisheries boardings in fiscal year 2005, an increase of more than 30 percent since fiscal year 2004. However, it is important to note that the compliance rate is a conservative estimate of agency performance because the Coast Guard targets vessels for boarding, thereby making it more likely that they will find vessels that are not in compliance with fishery regulations. According to Coast Guard officials, a key contributor to targeting vessels is the vessel monitoring system, which has enhanced the agency’s ability to target vessels by providing more timely information.
- *Undocumented migrant interdiction.* According to Coast Guard reports, in fiscal year 2005 the Coast Guard did not meet its performance target of interdicting or deterring at least 88 percent of undocumented aliens from Cuba, Haiti, the Dominican Republic, and China attempting to enter the U.S. through maritime routes. The Coast Guard identified 5,830 successful arrivals out of an estimated threat of 40,500 migrants yielding an interdiction and deterrence rate of 85.5 percent, a decrease from the fiscal year 2004 result of 87.1 percent. According to the Coast Guard, program performance decreased because the flow of migrants was higher than in previous years, increasing from almost 22,000 in fiscal year 2002, to more than 40,000 in fiscal year 2005. Coast Guard officials said that the agency is developing a new measure to better account for both the Coast Guard’s efforts and the migrant flow to more accurately report program performance. This new measure will include migrants of all nationalities that successfully arrive in the U.S. through maritime routes.

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# Related GAO Products

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*United States Coast Guard: Improvements Needed in Management and Oversight of Rescue System Acquisition.* [GAO-06-623](#). Washington, D.C.: May 31, 2006.

*Coast Guard: Changes in Deepwater Acquisition Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring Is Warranted.* [GAO-06-546](#). Washington, D.C.: April 28, 2006.

*Coast Guard: Progress Being Made on Addressing Deepwater Legacy Asset Condition Issues and Program Management, but Acquisition Challenges Remain.* [GAO-05-757](#). Washington, D.C.: July 22, 2005.

*Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges.* [GAO-05-651T](#). Washington, D.C.: June 21, 2005.

*Maritime Security: Enhancements Made, but Implementation and Sustainability Remain Key Challenges.* [GAO-05-448T](#). Washington, D.C.: May 17, 2005.

*Coast Guard: Preliminary Observations on the Condition of Deepwater Legacy Assets and Acquisition Management Challenges.* [GAO05-307T](#). Washington, D.C.: April 20, 2005.

*Coast Guard: Observations on Agency Priorities in Fiscal Year 2006 Budget Request.* [GAO-05-364T](#). Washington, D.C.: March 17, 2005.

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

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

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

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

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

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

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

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

*Coast Guard: Strategies for Procuring New Ships, Aircraft, and Other Assets.* [GAO/T-HEHS-99-116](#). Washington, D.C.: Mar. 16, 1999.

*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.



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