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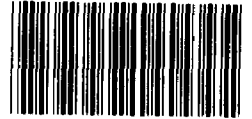
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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY  
EXPECTED FRIDAY MORNING  
FEBRUARY 26, 1982

STATEMENT OF  
MILTON J. SOCOLAR  
SPECIAL ASSISTANT TO THE COMPTROLLER GENERAL

BEFORE THE  
SUBCOMMITTEE ON TRANSPORTATION  
SENATE COMMITTEE ON APPROPRIATIONS



117651

ON THE

COAST GUARD'S PLANS FOR OBLIGATING  
ACQUISITION, CONSTRUCTION, AND IMPROVEMENT FUNDS

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY TO DISCUSS THE STATUS OF OUR REVIEW OF THE  
COAST GUARD'S PLANS FOR OBLIGATING APPROPRIATED FUNDS FOR  
ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS (AC&I) DURING FISCAL  
YEARS 1982 AND 1983.

IN MEETING THE TIME REQUIREMENTS OF THE SUBCOMMITTEE, WE WERE  
ABLE TO MAKE ONLY A LIMITED ANALYSIS OF THE FISCAL YEARS 1982 AND  
1983 BUDGETS FOR AC&I. ALSO, WE DISCUSSED WITH COAST GUARD OFFICIALS  
HOW AND WHEN THEY PLAN TO OBLIGATE THESE FUNDS AND WHETHER THEIR  
PLANS COULD BE ALTERED. THUS FAR, WE HAVE NOT VERIFIED THE INFORMATION  
PROVIDED TO US NOR HAVE WE RESOLVED ANY LEGAL IMPLICATIONS. AS  
REQUESTED BY THIS SUBCOMMITTEE AND OTHERS ON FEBRUARY 10, 1982, WE  
ARE CONTINUING OUR REVIEW AND PLAN TO PROVIDE A REPORT TO YOU NEXT  
MONTH.

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## FISCAL YEAR 1982 FUNDING

THE COAST GUARD WAS APPROPRIATED A TOTAL OF \$684 MILLION FOR AC&I IN TWO APPROPRIATIONS ACTS. THIS COMPARES TO THE COAST GUARD'S JULY 1980 BUDGET REQUEST TO THE DEPARTMENT OF TRANSPORTATION FOR \$887 MILLION.

THE FY '82 TRANSPORTATION APPROPRIATION ACT PROVIDED \$384 MILLION TO THE COAST GUARD FOR AC&I, OF WHICH \$175 MILLION IS RESTRICTED FOR USE IN ITS DRUG INTERDICTION PROGRAM. THE COAST GUARD WAS ALSO PROVIDED \$300 MILLION FOR AC&I IN THE FY '82 DEPARTMENT OF DEFENSE APPROPRIATION ACT. THE FULL \$684 MILLION REMAIN AVAILABLE FOR OBLIGATION UNTIL SEPTEMBER 30, 1986.

### THE COAST GUARD'S RESOURCE NEEDS

OVER THE PAST SEVERAL YEARS, THE COAST GUARD HAS CONSISTENTLY STATED TO CONGRESSIONAL COMMITTEES THAT ADDITIONAL FUNDS ARE NEEDED TO REPLACE ITS AGING FLEET AND TO EFFECTIVELY CARRY OUT THE ADDITIONAL RESPONSIBILITIES IT HAS BEEN ASSIGNED OVER THE PAST 10 YEARS. WE HAVE ALSO EXAMINED THE ADEQUACY OF THE COAST GUARD'S RESOURCES FOR ACHIEVING MISSION OBJECTIVES. IN OUR APRIL 3, 1980, REPORT ENTITLED "THE COAST GUARD--LIMITED RESOURCES CURTAIL ABILITY TO MEET RESPONSIBILITIES" (CED-80-76), WE CONCLUDED THAT THE COAST GUARD HAD NOT BEEN ABLE TO ADEQUATELY CARRY OUT SOME OF ITS RESPONSIBILITIES BECAUSE OF RESOURCE LIMITATIONS. THE REPORT POINTED OUT THAT THESE LIMITATIONS WERE THE RESULT OF INCREASES IN THE COAST GUARD'S RESPONSIBILITIES, WHICH WERE NOT ACCOMPANIED BY ADEQUATE INCREASES IN ITS RESOURCES.

IN A MORE RECENT REPORT ENTITLED "COAST GUARD DRUG INTERDICTION ON THE TEXAS COAST" (CED-81-104, MAY 19, 1981),

WE STATED THAT MARIJUANA SMUGGLING ALONG THE TEXAS COAST HAD INCREASED WHILE THE NUMBER OF COAST GUARD CUTTERS AND AIRCRAFT USED TO INTERDICT THIS SMUGGLING HAD NOT. WE CONCLUDED THAT MORE RESOURCES WOULD BE NEEDED IF THE COAST GUARD IS TO ACHIEVE ITS 75 PERCENT DRUG INTERDICTION GOAL. AT THE TIME OF OUR REVIEW, THE COAST GUARD ESTIMATED THAT ITS AVERAGE SEIZURE RATE WAS ABOUT 15 TO 20 PERCENT OF THE MARIJUANA SMUGGLED BY SEA.

#### COAST GUARD USE OF ITS RESOURCES

ACCORDING TO THE COAST GUARD, IT PRESENTLY HAS THREE MAJOR PROCUREMENT ACTIONS FOR THE ACQUISITION OF 13 CUTTERS, 90 HELICOPTERS, AND 41 SURVEILLANCE AIRCRAFT. THESE PROCUREMENTS WERE INSTITUTED IN PREVIOUS YEARS AND ARE IN VARYING STAGES OF COMPLETION. UNDER THESE CONTRACTS, DELIVERY WILL BE COMPLETED DURING THE NEXT FEW FISCAL YEARS. THE COAST GUARD MAKES PROGRESS PAYMENTS ON THESE CONTRACTS BASED ON CONTRACTOR PERFORMANCE ACCORDING TO SCHEDULES PROVIDED IN THE CONTRACTS.

THE ADMINISTRATION RECENTLY SUBMITTED ITS FISCAL YEAR 1983 BUDGET TO THE CONGRESS AND REQUESTED \$19.2 MILLION IN ADDITIONAL FUNDING FOR AC&I. THIS \$19.2 MILLION IS NOT SUFFICIENT TO SATISFY THE PROGRESS PAYMENTS WHICH WILL BE DUE IN FISCAL YEAR 1983 IF THE PROCUREMENTS MENTIONED ARE ALLOWED TO CONTINUE.

THE COAST GUARD ESTIMATES ITS EXISTING COMMITMENTS TOGETHER WITH A NUMBER OF RELATIVELY SMALL NEW COMMITMENTS WILL REQUIRE \$379.6 MILLION IN FISCAL YEAR 1982. WE UNDERSTAND THAT BECAUSE OF THE SMALL AMOUNT REQUESTED IN THE ADMINISTRATION'S BUDGET FOR FISCAL YEAR 1983, THE COAST GUARD PLANS TO RESERVE \$306 MILLION OF ITS PRESENT RESOURCES FOR FISCAL YEAR 1983, AND ABOUT \$5.4 MILLION

FOR FISCAL YEAR 1984 TO MEET PROGRESS PAYMENTS THAT WILL FALL DUE UNDER THE EXISTING CONTRACTS AND PAYMENTS THAT WILL BE REQUIRED UNDER NEW CONTRACTS.

WE UNDERSTAND FROM COAST GUARD OFFICIALS THAT THEY DO NOT RECORD THE FULL PRICE OF THESE CONTRACTS AS OBLIGATED WHEN THEY ARE AWARDED. RATHER, THE AMOUNT TREATED AS OBLIGATED IS THE ANTICIPATED AMOUNT REQUIRED TO SATISFY PAYMENTS THAT MUST BE MADE TO CONTRACTORS FOR WORK PERFORMED IN THAT FISCAL YEAR.

THEREFORE, THE AMOUNT THE COAST GUARD WILL CONSIDER OBLIGATED IN FISCAL YEAR 1982 WILL BE APPROXIMATELY \$379.6 MILLION. UNDER THIS SCHEME, THE REMAINDER REPRESENTS UNOBLIGATED FUNDS WHICH ARE AVAILABLE FOR OBLIGATION. HOWEVER, IF THE FULL AMOUNT OF THE REMAINDER IS OBLIGATED FOR ADDITIONAL CONTRACTS AND THE COAST GUARD DOES NOT RECEIVE FISCAL YEAR 1983 FUNDING SUFFICIENT TO SATISFY ITS PROJECTED PROGRESS PAYMENTS UNDER THE EXISTING CONTRACTS, THE COAST GUARD WOULD HAVE TO TERMINATE SOME CONTRACTS. THIS WOULD ENTAIL PAYING TERMINATION COSTS.

WE HAVE NOT YET DETERMINED WHETHER THE COAST GUARD'S OBLIGATION PRACTICES ARE IMPROPER, OR THE EXTENT TO WHICH FUNDS PLANNED FOR USE IN FISCAL YEAR 1983 COULD BE OBLIGATED THIS FISCAL YEAR. RESOLUTION OF THESE QUESTIONS ARE NECESSARY BEFORE WE CAN ADDRESS THE ISSUE OF WHETHER FUNDS PRESENTLY ARE BEING WITHHELD FROM OBLIGATION.

#### DRUG INTERDICTION ACTIVITIES

AS PREVIOUSLY MENTIONED, THE TRANSPORTATION APPROPRIATION ACT LIMITS THE USE OF \$175 MILLION PROVIDED IN THAT ACT TO DRUG INTERDICTION EFFORTS. WE UNDERSTAND THAT SOME OF THE CUTTERS AND HELICOPTERS ALREADY CONTRACTED FOR WILL BE USED TO SOME EXTENT FOR DRUG INTERDICTION. UNTIL WE RESOLVE THE ISSUES PREVIOUSLY DISCUSSED

CONCERNING THE EXTENT OF THE COAST GUARD'S UNOBLIGATED BALANCES,  
AND UNTIL WE EXAMINE THE PURPOSES FOR WHICH OBLIGATED FUNDS ARE  
BEING USED, WE ARE UNABLE TO DETERMINE WHETHER THE COAST GUARD  
IS COMPLYING WITH THE LIMITATION ON USE OF THE \$175 MILLION.

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MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT. WE WILL BE PLEASED  
TO RESPOND TO QUESTIONS.