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BY THE U.S. GENERAL ACCOUNTING OFFICE

**Report To The Chairman,
Committee on Governmental Affairs
United States Senate**

**GAO's Analysis Of Audit And
Investigative Reports Concerning
U.S. Coast Guard Procurement**

GAO's analysis of 60 audit and investigative reports by the Department of Transportation, GAO, and other organizations within the last 6 years indicates that problems exist in all phases of the Coast Guard's acquisition cycle. These problems are widespread and recurring enough to indicate system-wide deficiencies.



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GAO/RCED-85-144
JULY 16, 1985



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

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-215872

The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental
Affairs
United States Senate

Dear Mr. Chairman:

In your letter of November 27, 1984, you requested that we initiate a review of the Coast Guard's procurement process. You specifically referred to the Committee's concern that recently identified inadequacies may be systemic to the Coast Guard's procurement process. We agreed with your office to (1) inventory audit and investigative efforts, recently completed or currently underway, related to the Department of Transportation's U.S. Coast Guard procurement matters, (2) identify any patterns of findings and recommendations, (3) determine agency actions on the recommendations, and (4) provide the Committee with a formal briefing and briefing document.

On May 29, 1985, we provided your office with a formal briefing based on our research and analysis of 60 audit and investigative studies issued between January 1979 and February 1985 that are pertinent to Coast Guard procurement. Over 50 percent of the these studies were issued in 1983 and 1984. Our briefing also included information obtained during interviews with Coast Guard, Transportation's Office of Inspector General (OIG), and Office of Management and Budget officials. The attached briefing document that you requested presents information on the inventory of audit efforts and identifies a pattern of findings and recommendations. This report does not present the specific actions taken by the Coast Guard to address all the studies' recommendations. As arranged with your office, due to the large number of recommendations contained in the 60 studies, we did not attempt to gather this information. Additionally, Coast Guard officials told us that such information is not centralized and would, therefore, have to be obtained from individual units or activities.

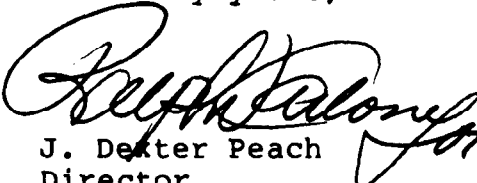
Coast Guard's procurement authority has increased significantly from fiscal year 1980 to 1984. As presented in the briefing, we estimated that during the period this authority has nearly doubled--from about \$0.8 billion to about \$1.5 billion. Additionally, year-end balances of unobligated procurement authority have also increased--from about \$67 million to \$536 million.

on an ad hoc basis, rather than being addressed as systemic problems.³

In order to provide your committee with this report in a timely manner, we did not obtain official written comments from the Coast Guard. We did obtain, however, oral comments from the Chief of Procurement, U.S. Coast Guard headquarters; these comments reflect his views as Chief of Procurement but are not necessarily the views of the Coast Guard. In summary, this official confirmed our observation that problems have in fact been identified in isolation--for selected activities or for certain acquisitions. The Chief told us that the Coast Guard's procurement problems can be attributed to its organizational structure and to the increasing complexity of the procurement process and of the items procured over the last 15 years. He anticipates that a forthcoming study of the Coast Guard procurement organization will result in major organizational changes. (This study, conducted by the Logistics Management Institute, was originally scheduled for release on April 15, 1985. As of June 19, 1985, this study had not yet been issued.) The Chief told us that this study will identify needed changes in the procurement phase of the acquisition cycle and will provide the impetus to bring about significant improvements. He stated that the study will not, however, specifically focus on all phases of the Coast Guard's acquisition cycle; thus critical phases, such as the needs determination process and inventory management, will not be addressed.

As arranged with your office, we are sending copies of this report to the Secretary, Department of Transportation, and the Commandant, U.S. Coast Guard. Copies will also be made available to other interested parties upon request.

Sincerely yours,


J. Dexter Peach
Director

³Report on the Review of Coast Guard Acquisition and Procurement Practices, Department of Transportation/Office of Inspector General, No. AV-CG-5-021, May 28, 1985.

BRIEFING DOCUMENT

**GAO'S ANALYSIS OF AUDIT AND INVESTIGATIVE
REPORTS CONCERNING
U.S. COAST GUARD PROCUREMENT**

**Prepared at the Request of the
Senate Committee on Governmental Affairs**

BACKGROUND

The Coast Guard, established in January 1915, became a component of the Department of Transportation in April 1967. The Coast Guard is a branch of the Armed Forces of the United States and is a unit of the Department of Transportation in peacetime. In time of war or when the President directs, the Coast Guard operates as part of the Navy.

Major functions and activities include search and rescue, maritime law enforcement, marine environmental protection, aids to navigation, and military readiness. As part of these diverse functions and activities, Coast Guard's duties involve saving life and property in and over the high seas; enforcing laws in the suppression of smuggling and illicit drug trafficking; administering and enforcing safety standards for U.S. commercial vessels; establishing and maintaining aids to navigation such as lighthouses, beacons, and fog signals; and maintaining a state of readiness to function as a specialized service in time of war.

To carry out these duties, the Coast Guard procures ships, aircraft, shore facilities, information systems, and support equipment. In fiscal year 1984, Coast Guard contract and small purchase obligations totaled \$607 million, approximately one-fourth of the Coast Guard's budget authority for that year. Because of the critical nature of the Coast Guard's functions and the significant amount of funds obligated to carry out these functions, GAO inventoried audit and investigative reports related to Coast Guard procurement at the request of the Senate Committee on Governmental Affairs.

COAST GUARD BUDGET AUTHORITY

From fiscal year 1980 to fiscal year 1984, the Coast Guard's total budget authority increased from about \$1.7 billion to about \$2.8 billion, or about 65 percent. During the same period, we estimate that the Coast Guard's procurement authority nearly doubled from about \$0.8 billion to about \$1.5 billion.¹ Amounts requested for total budget and procurement authority both declined slightly for fiscal year 1986.

¹Procurement authority was estimated for only the five Coast Guard programs consistently receiving the most funds during the period.

UNOBLIGATED PROCUREMENT AUTHORITY

Year-end balances of unobligated procurement authority increased from about \$67 million in fiscal year 1980 to \$536 million in fiscal year 1984. On the basis of the Coast Guard's fiscal year 1986 budget submission, procurement obligations are expected to rise by more than \$140 million in fiscal year 1986 (a rise of 11 percent over fiscal year 1984 levels), even though the amount requested for procurement authority declined.

PROCUREMENT OBLIGATIONS BY
ORGANIZATIONAL GROUPS

The Coast Guard makes most of its purchases through four organizational groups:

- the Headquarters Procurement Division, which is responsible for contracting for new acquisition and modernization of major systems including ships, aircraft, and vessel traffic systems;
- 12 districts, which are responsible for field operations, including repair and rehabilitation of ships, aircraft, and Coast Guard stations;
- three inventory control points, located at Curtis Bay, Maryland; Elizabeth City, North Carolina; and Brooklyn, New York, which are responsible for centrally managing ship parts, aviation parts, and electronics and general supplies, respectively; and
- two facilities design and construction centers, located in Seattle, Washington, and Norfolk, Virginia, which are responsible for all major shore construction projects funded through the Coast Guard's acquisition, construction, and improvement fund.

These four groups accounted for 92 percent of the \$607 million in contract and small purchase obligations in fiscal year 1984. Total obligations were divided as follows:

- the districts obligated \$239 million, or 39 percent;
- the Headquarters Procurement Division obligated \$184 million, or 30 percent;
- the inventory control points obligated \$88 million, or 15 percent; and

Scope of Literature Review

- 135 Studies Identified
- 60 Reports Analyzed

DOT IG	38
GAO	14
Sec. of Trans.	4
Coast Guard	1
House Merch. Mar. & Fish. Comm.	1
NACOA	1
CRS	1
	<hr/>
Jan. 79 - Feb. 85	<u>60</u>

SCOPE OF GAO'S SURVEY

We initially identified 135 audit and investigative studies that appeared to relate to Coast Guard procurement activities. Of these studies, 60 met our criteria; that is the reports identified problems related to Coast Guard procurement activities and were issued within the last 6 years. The 60 studies reviewed were issued between January 1979 and February 1985. Over 50 percent were issued in 1983 and 1984.

Of the 60 reports, the Department of Transportation's Office of the Inspector General (DOT IG) issued 38, and the General Accounting Office (GAO) issued 14. The remaining eight reports were issued by the Office of the Secretary of Transportation, the Coast Guard, the House Merchant Marine and Fisheries Committee, the National Advisory Committee on Oceans and Atmosphere (NACOA), and the Congressional Research Service (CRS).

ACTIVITIES REVIEWED IN RELATION
TO PROCUREMENT OBLIGATIONS

Of the 60 reports we reviewed, 26 focused on procurement activities at headquarters, 23 focused on districts, 5 focused on inventory control points, and 1 focused on one of the facilities design and construction centers. The remaining five reports focused on a combination of two or more of these organizational groups.

To provide a general indication of the relationship between the audit coverage of the major organizational groups and their contract and small purchase obligations, the bottom chart recaps procurement obligations by the different organizational groups. No firm conclusions should be drawn from this comparison because the reports were issued over a 6-year period and the contract and small purchase obligations represent only a 1-year period.

GENERAL AREAS OF REPORTED
PROCUREMENT PROBLEMS

The issues contained in the 60 reports fell into four broad areas that we established:

- GENERAL PROCUREMENT PLANNING: identifying the types of items that should be procured to meet a specifically defined mission responsibility;
- DETAILED PROCUREMENT PLANNING: planning the acquisition itself by transforming the generally identified need into specific requirements;
- ACQUISITION MANAGEMENT: complying with statutory and regulatory procedural requirements to acquire the items; and
- INVENTORY AND SUPPLY MANAGEMENT: managing the items after they have been acquired.

The chart shows the number of reports identifying problems in each broad area. The sum of the number of reports shown for each area exceeds the number of reports reviewed because some reports included issues that related to more than one area.

We established subareas for each one of these broad areas. Although we believe these broad areas and subareas include most aspects of the acquisition process, they were not selected to mirror or include all aspects of the process.

1: General procurement planning

General procurement planning includes all of the up-front planning needed before selecting a specific type of item to be procured. In all, 22 reports identified problems in this area. We divided this broad area into three subareas:

--unclear mission or mission/resource imbalance,

--inadequate requirement determinations, and

--inadequate cost/benefit analyses.

The chart shows the number of reports in each subarea. The total adds to more than 22 because some reports identified problems in two or more subareas.

Unclear mission or mission/resource imbalance

This subarea includes problems in defining the mission that needs to be met so that needed resources and types of procurements can be properly identified. Several of the reports said that because many new regulatory responsibilities were assigned over the last 10 to 15 years without an increase in resources, the Coast Guard was having trouble meeting all of its roles. These reports said that the Coast Guard needed to define its missions and determine what responsibilities it should and could perform.

One such report is the 1982 Coast Guard Roles and Missions Study prepared by representatives from the Coast Guard, the Office of the Secretary of Transportation, and the Office of Management and Budget. This study observed that the Coast Guard's main operational priority traditionally has been its peacetime maritime mission, such as search and rescue and law enforcement on the high seas. The study stated, however, that regulatory responsibilities added in recent years, such as commercial vessel

Inadequate cost/benefit analyses

The cost/benefit analysis subarea involves considering available alternatives before purchasing an item. A report (AV-CG-4-012) issued in February 1984 by the DOT IG illustrates this issue. According to the IG, a minimum of \$14 million could have been saved if the Coast Guard had selected the best cost/benefit option to fill its need for additional boats for drug enforcement responsibilities. The Coast Guard had chosen multi-mission patrol boats. The IG found that it would be far less expensive for the Coast Guard to modify Maritime Administration crewboats for its specialized drug enforcement mission than to buy new patrol boats designed to perform several missions.

2: Detailed procurement planning

After identifying an item to be procured, the Coast Guard must plan carefully to ensure that it obtains needed items at the best price and will be able to support the item once it is received. In all, 14 reports identified problems in this area. For further analyses, we divided this broad area into three subareas:

- inadequate contract specifications,
- inadequate interagency coordination, and
- inadequate support planning.

Inadequate contract specifications

The first of these subareas, which involves contract specifications, includes preparing detailed plans, drawings, and requirements to ensure that the Coast Guard purchases only what it needs--no more and no less.

Two reports illustrate this subarea. In a September 1984 letter report (GAO/RCED-84-115), GAO described how the Ship Inventory Control Point (Curtis Bay, Maryland) used incomplete specifications to purchase a \$388,000 generator for the cutter Boutwell. As a result, the Coast Guard purchased a generator that it found to be unusable because it contained parts that it felt could prove to be unsafe.

The second report, an IG report (R3-CG-4-108) also issued in September 1984, described additional purchase specification problems at the Curtis Bay Yard. In reviewing 20 equipment purchase contracts, the IG described 3 with a combined cost of about \$108,000, for which specifications were too restrictive. In purchasing a wheel loader/backhoe, for instance, procurement personnel at the Yard specified a brand name even though federal

Administration criticized the Coast Guard for inadequate logistics support of Falcon jet engines. The warranties on these engines were expiring, yet the Coast Guard would not be fully prepared to maintain them for another 2 years. Also, the Coast Guard did not order enough spare parts far enough in advance of warranty expiration. Long delays in repair of Falcon jet engines were adding to the Coast Guard's problems in keeping aircraft available for operations. At the time of the report, about 50 percent of Coast Guard aircraft were not available for operations.

3: Acquisition management

Good acquisition management involves complying with statutory and regulatory procedural requirements and using good business practices to acquire the item. In all, 26 reports found problems in this area.

We divided this broad area into four subareas:

- inadequate solicitation procedures,
- inadequate bid proposal evaluations,
- inadequate contractor performance monitoring, and
- inadequate control over payments.

Inadequate solicitation procedures

Compliance with solicitation procedures includes obtaining all required approvals and writing a contract with all necessary provisions. This does not always occur. For instance, a February 1985 joint Office of the Secretary of Transportation/Coast Guard headquarters review of procurement practices at the Curtis Bay Yard, Maryland, uncovered a long list of violations of procurement laws and regulations. For example, the time between issuance of a solicitation and opening/closing was routinely less than required by law without justification or approval for limiting the period. The IG has found similar violations at other Coast Guard units. As an example, an IG report on small purchases in the Coast Guard's Third District (New York) identified more than \$500,000 in purchases that did not comply with procurement regulations. Third District personnel reportedly (1) split purchases to avoid dollar limits, (2) failed to obtain bids for purchases exceeding a \$500 limit, (3) purchased items on a sole-source basis without justification, and (4) commercially purchased items that were available from federal sources without justification.

Inadequate control over payments

Control over payments involves making sure that items are received and in good order before payment is made.

Without such assurance improper payments can be made. For instance, the DOT IG found (R1-CG-3-087) that the Coast Guard's First District (Boston) paid for fuel without required measurements and documentation of quantities delivered. As a result, the Coast Guard may have paid for as many as 30,000 gallons of fuel it never received.

4: Inventory and supply management

This last broad area, inventory and supply management, involves procurement-related activities that occur after items are received. In all, nine reports identified problems in this area. We divided this area into two subareas:

--inadequate inventory management and

--inadequate supply distribution.

Inadequate inventory management

Inventory management involves stocking enough, but not too much, of needed items, stocking them in appropriate places, and having inventory available to users when needed.

A DOT IG report (R3-CG-0-169) contains an example of inventory management problems in which the IG found that over half of the inventory at the Curtis Bay Yard was unneeded. The IG estimated the total value of excess inventory at over \$18 million. Over one-third of the inventory (worth more than \$10 million) consisted of stock that no users had ordered for at least 6 years. Also, about two-thirds of the sampled line items were stocked in quantities that exceeded need levels designated by the Coast Guard. At the time of the audit, the Yard had about \$2 million in outstanding orders for additional quantities of unneeded items.

Inadequate supply distribution

Supply distribution involves getting items from inventory to the units that need them in the most cost-effective manner.

To cut unnecessary shipping, storage, and handling costs, GAO recommended in 1981 (PLRD-81-37) that the Coast Guard authorize units to receive shipments directly from supply sources, such as

STUDIES AND REPORTS ON U.S. COAST GUARD PROCUREMENTISSUED BY THE U.S. CONGRESS, HOUSE COMMITTEE ON MERCHANT MARINE
AND FISHERIES

Semi-paratus: The United States Coast Guard, 1981, Oversight
Report Serial No. 97-C, December 3, 1981.

ISSUED BY THE U.S. CONGRESSIONAL RESEARCH SERVICE

The U.S. Coast Guard, Senate Committee on Commerce, Science, and
Transportation, Committee Print, 97th Congress, Second Session,
March 1, 1982.

ISSUED BY THE U.S. GENERAL ACCOUNTING OFFICE

Information on the Purchase of a Gas Generator Engine for a U.S.
Coast Guard Cutter, GAO/RCED-84-115, September 7, 1984.

Reductions in Coast Guard Leased Housing Can Achieve Savings,
GAO/GGD-84-91, August 8, 1984.

Federal Civilian Agencies Can Better Manage Their Aircraft and
Related Services, GAO/PLRD-83-64, June 24, 1983.

The Coast Guard Headquarter's Aircraft Operations: A Costly Way
of Providing Transportation, GAO/PLRD-83-45, March 3, 1983.

The Coast Guard Needs Navy Weapon Systems to Meet Wartime
Mission Requirements, GAO/MASAD-83-13, January 28, 1983.

Logistics Support of the ATF3-6 Engine Installed on the HU-25A Aircraft, Memo from Jon H. Seymour, Acting Assistant Secretary for Administration, Department of Transportation, to Coast Guard Commandant, February 1, 1985.

Small Purchase Review, U.S. Coast Guard Headquarters, October 29-30, 1984, Lynne Oney and Carl Miller, Office of Installations & Logistics, Department of Transportation (M-60), Draft, October 29-30, 1984.

Coast Guard Roles and Missions Study Report, March 1982, Department of Transportation and Related Agencies Appropriations for 1983, 97th Congress, Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, Second Session, Part 3, pp. 787-979.

ISSUED BY THE U.S. COAST GUARD

Letter report from Admiral James S. Gracey, Commandant of the U.S. Coast Guard, to Senator Mark Hatfield, Chairman, Senate Committee on Appropriations, regarding steps taken and additional action needed to bring Coast Guard procurement capabilities to a level of full expertise, January 23, 1985.

ISSUED BY THE U.S. DEPARTMENT OF TRANSPORTATION, OFFICE OF THE INSPECTOR GENERAL

Survey Report on Selected Activities at the United States Coast Guard's Facilities Design and Construction Center-West (Seattle, Washington), RO-CG-5-016, November 21, 1984.

Report on Audit of Controls Over Small Purchases, United States Coast Guard, Third District (New York, New York), R2-CG-4-044, February 10, 1984.

Report on Procurement of Automated Data Processing Equipment, United States Coast Guard, AV-CG-4-007, January 24, 1984.

Report on the Adequacy of Procedures and Controls for Small Purchases in the U.S. Coast Guard's Ninth District (Cleveland, Ohio), R5-CG-4-032, December 23, 1983.

Letter Report on Procurement of Solid State Radio Transmitters for LORAN-C Transmission and Signal Monitoring Stations, AD-CG-4-002, November 30, 1983.

Report on Audit of Administration of Construction Contracts, United States Coast Guard, First District, R1-CG-4-003, October 3, 1983.

Audit Report of Contracting Activities, 17th U.S. Coast Guard District (Juneau, Alaska), R0-CG-3-095, August 5, 1983.

Audit of the Airborne Sensor System, United States Coast Guard, AV-CG-3-020, July 19, 1983.

Report on Audit of Vessel Maintenance Program, United States Coast Guard, Third District (New York, New York), R2-CG-3-081, July 8, 1983.

Report on Audit of the Fuel Management Program, United States Coast Guard First District (Boston, Massachusetts), R1-CG-3-087, June 30, 1983.

Audit Report on Contract Award Activities in the United States Coast Guard, Eighth District (New Orleans, Louisiana), R6-CG-2-032, December 14, 1981.

Audit Report on Contracting for Pollution Cleanup Services, United States Coast Guard, AM-CG-1-020, September 30, 1981.

Federal Pollution Fund, Second Coast Guard District, St. Louis, Missouri, R7-CG-1-079, August 11, 1981.

Management of Real Property, Second Coast Guard District (St. Louis, Missouri), R7-CG-1-065, June 23, 1981.

Audit Report on the United States Coast Guard's 270-Foot Medium Endurance Cutter Replacement Program, AM-CG-1-009, February 12 1981.

Audit of Analyses of Contractors' Cost and Price Proposals, United States Coast Guard, AM-CG-1-001, November 28, 1980.

Report on Audit of Ship Inventory Control Point, United States Coast Guard, Curtis Bay, Maryland, R3-CG-0-169, September 30, 1980.

Report on Audit of Management of Reserve Resources, United States Coast Guard, Twelfth District (San Francisco, California), R9-CG-0-212, September 18, 1980.

ISSUED BY THE NATIONAL ADVISORY COMMITTEE ON OCEANS AND ATMOSPHERE

A Special Report to the President and the Congress, United States Coast Guard: Status, Problems, and Potential, January 1983.

(344406)

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Our research and analyses show that during the same time period, problems have occurred in all phases of the Coast Guard's acquisition cycle: identifying the types of items that should be procured for meeting mission responsibilities, procuring those items, and managing the items once procured. Many of the studies we reviewed cited problems in the initial phase of the acquisition cycle--the needs determination process. For example, in 1984 Transportation's OIG reviewed the Coast Guard's proposed purchase of 109 high-performance Forward-Looking Infrared Sensor Systems, at a cost of approximately \$600,000 each, and found that off-the-shelf models, at a cost of \$100,000 each, should have been considered. The OIG stated that alternatives had not been adequately considered and that the Coast Guard should reevaluate the number and type of systems required to meet operational needs. The OIG also stated that some mix of high performance and off-the-shelf systems could meet mission needs.¹

Problems with the Coast Guard's preparation of specifications once needs were determined included the use of brand name identification when standard purchase descriptions of general requirements were available, the use of unnecessarily restrictive specifications derived from a vendor's brochure, and the use of inadequate specifications that in one case resulted in purchasing a Coast Guard cutter engine that consequently was not used for its intended purpose. Problems in inventory management were also cited in many of the studies we reviewed. As an example, the OIG issued a report² in 1980 charging that over half of the inventory at the Curtis Bay Yard was unneeded--either excess, duplicate, or condemned. Over one-third of the inventory consisted of stock that no users had ordered for at least 6 years.

The various audit and investigative studies that we reviewed described problems in a particular activity or acquisition. However, we noted that the same types of problems consistently appeared in the studies and that the problems related to every phase of the acquisition process. The pattern of findings and recommendations indicates that system-wide deficiencies may exist in the Coast Guard's acquisition process. A May 28, 1985, OIG report made a similar observation, noting that errors and weaknesses identified in major acquisitions were dealt with only

¹Report on Audit of the Forward-Looking Infrared Sensor System, United States Coast Guard, Department of Transportation/Office of Inspector General, No. AV-CG-4-011, Mar. 16, 1984.

²Report on Audit of Ship Inventory Control Point, U.S. Coast Guard, Curtis Bay, Maryland, Department of Transportation/Office of Inspector General, No. R3-CG-0-169, Sept. 30, 1980.

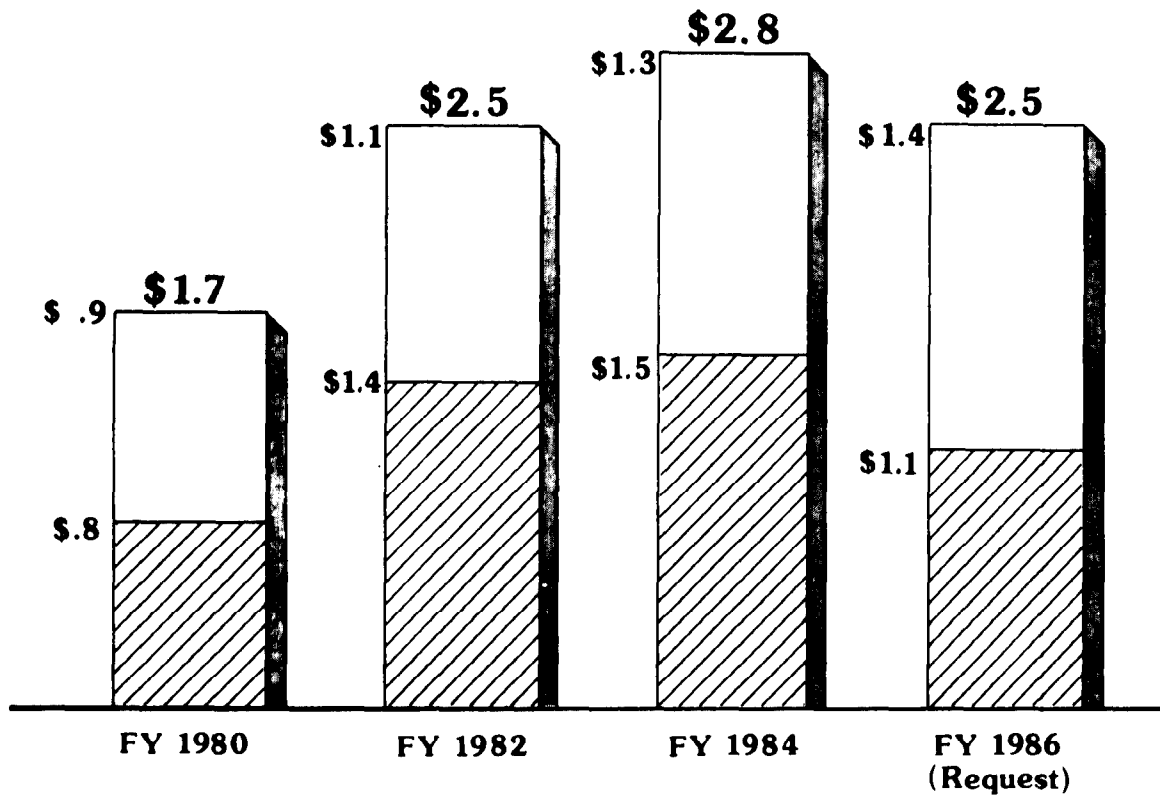
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
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USCG Budget Authority

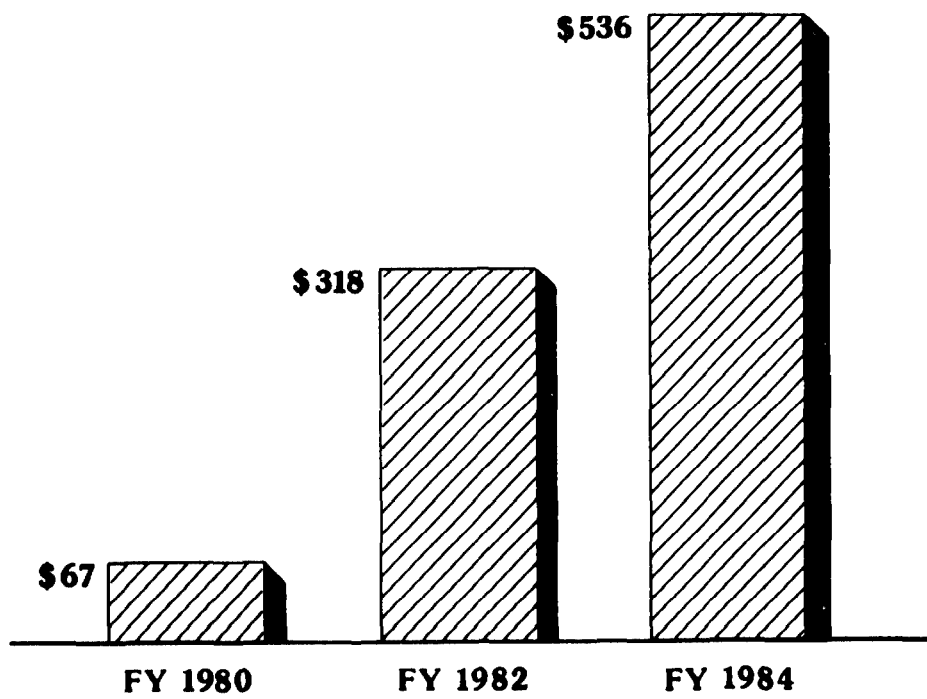
(Billions of dollars)



-  GAO'S estimate of USCG procurement authority
-  Balance of USCG budget authority

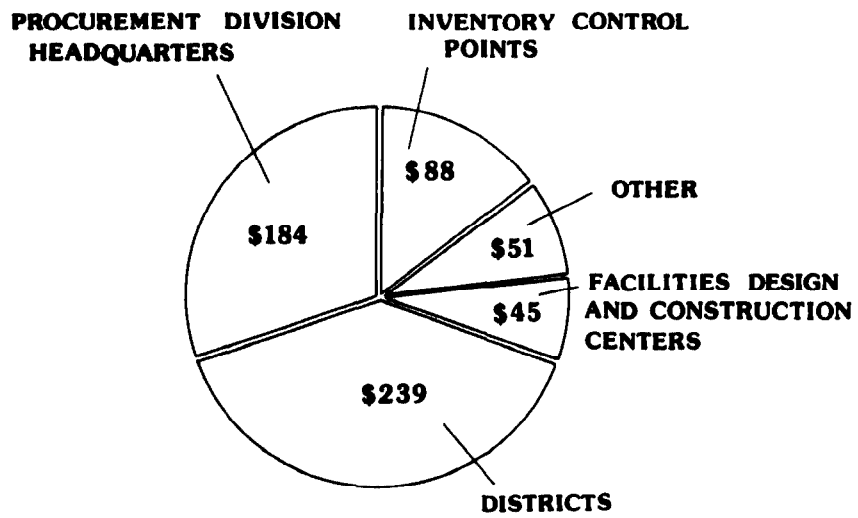
Unobligated Procurement Authority

(Estimated amounts--in millions)



FY 84 Procurement Obligations

Contract and Small Purchase
(Amounts in Millions)



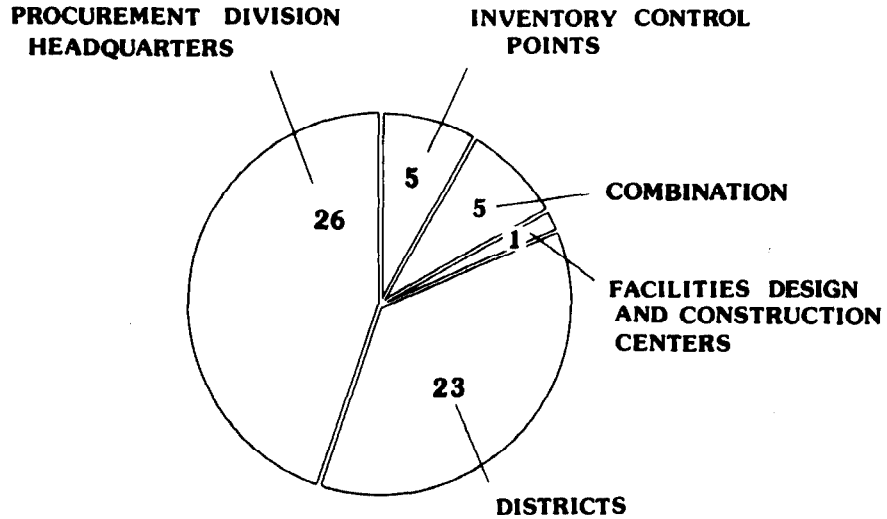
Total-- \$607 million

--the facilities design and construction centers obligated \$45 million, or 8 percent.

All remaining groups within the Coast Guard obligated a combined total of \$51 million, or approximately 8 percent.

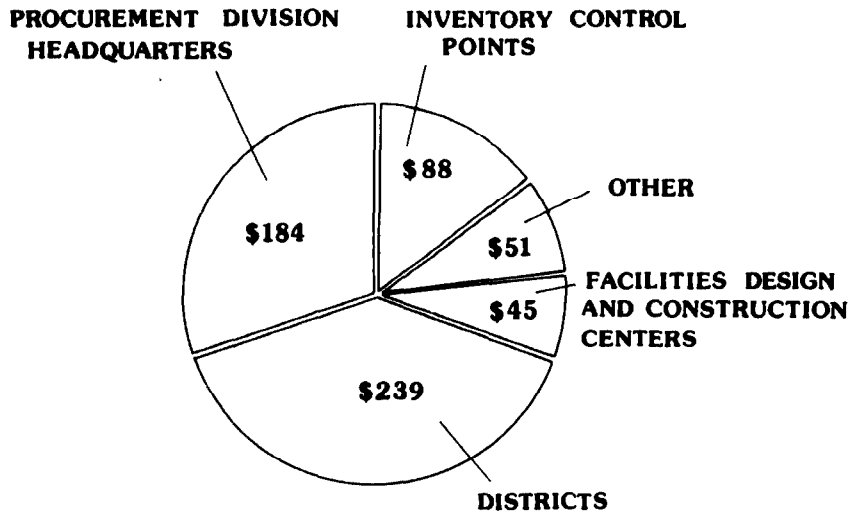
Activities Reviewed in Relation to Procurement Obligations

Focus of Reports



FY 84 Procurement Obligations

Contract and Small Purchase
(Amounts in Millions)



Total-- \$607 million

Areas of Reported Procurement Problems

Area 1

**General
Procurement
Planning**

22 reports

Area 2

**Detailed
Procurement
Planning**

14 reports

Area 3

**Acquisition
Management**

26 reports

Area 4

**Inventory
and Supply
Management**

9 reports

Area 1

**General
Procurement
Planning**

22 reports

Unclear mission or mission/resource imbalance--5

Inadequate requirement determinations--15

Inadequate cost/benefit analyses--14

safety enforcement and environmental protection, had caused a shift of emphasis within the Coast Guard as to how its resources should be used. The study stated that the Coast Guard needed to redetermine its main missions and how to accomplish them. The study also made specific recommendations as to the programs for which the Coast Guard needed to continue, modify, or otherwise decrease its roles.

A theme in the reports in this subarea was that before the Coast Guard can adequately determine needed resources, which would include procurement items, it must first have a comprehensive, coordinated understanding of its missions, roles, and responsibilities and an understanding of how best to accomplish these duties.

Inadequate requirement determinations

The subarea of requirement determinations includes purchasing only what is required to meet identified needs, i.e., what capability is needed, how many items are needed, and when they are needed.

A report issued by the DOT IG in 1984 (AV-CG-4-011) illustrates this issue. The IG reviewed the Coast Guard's plan to purchase 109 Forward-Looking Infrared (FLIR) Sensor Systems at a total cost of about \$70 million. The Coast Guard planned to buy the 109 high-performance FLIR systems at \$600,000 each, even though off-the-shelf FLIR models with almost the same performance capabilities were available at about \$100,000 each. The IG found that because the high-performance FLIRs were not required to meet all the mission needs to be served, the Coast Guard could save about \$29 million of the \$70 million planned purchase if it reevaluated the number and type of FLIR systems required to meet operational needs and then purchased a mix of high-performance and off-the-shelf FLIR models.

Area 2

**Detailed
Procurement
Planning**

14 reports

Inadequate contract specifications--3

Inadequate interagency coordination--9

Inadequate support planning--3

regulations required use of existing standard purchase descriptions of general requirements.

Inadequate interagency coordination

The next subarea, interagency coordination, includes working with other agencies that are involved in the procurement or that may be able to supply the item.

Two GAO reports provide examples of this issue. In one report (GAO/MASAD-83-13), GAO found that the Coast Guard did not adequately coordinate with the Navy in planning to buy 13 new 270-foot cutters. The estimated acquisition cost of this program, including the command, display, and control systems that manage many of the ships' control functions and weapons systems, approaches \$1 billion. The Coast Guard committed itself to purchase cutters designed to handle weapons systems that the Navy had not yet agreed to supply. The Coast Guard even took delivery of at least one of the cutters before the Navy reached a final decision on whether it would supply these weapons systems.

In the second report (LCD-81-12), GAO found that the 5th Coast Guard District (Portsmouth, Virginia) had awarded over 40 commercial ship repair contracts during a 15-month period even though a Navy facility in Norfolk, Virginia, was underutilized and could have done at least some of the work at lower cost.

Inadequate support planning

The last subarea involves the planning required to ensure that the Coast Guard will have sufficient trained staff, spare parts, and services to keep an item in operation once it is received.

An example of a report included in this subarea is one issued by the Office of the Secretary of Transportation in February 1985. In the report the Acting Assistant Secretary for

Area 3

**Acquisition
Management**

26 reports

Inadequate solicitation procedures -- 18

Inadequate bid-proposal evaluations--13

Inadequate contractor performance monitoring--5

Inadequate control over payments--8

Inadequate bid-proposal evaluations

Evaluation of bids and proposals includes reviewing responses to solicitations and requests for proposals in order to select the responsible vendor or contractor whose bid-proposal is in the best interest of the government, price and other factors considered.

A DOT IG report (AM-CG-1-020) provides an example showing that such evaluations are not always adequate. The IG reported that the Coast Guard did not perform required cost/price analyses of contractors' proposals for pollution cleanup services. The Coast Guard instead awarded contracts on a rotating rather than a competitive basis. The IG estimated that by using a different type of contractor or by improving the current contracting process, the Coast Guard could have saved \$4.6 million, or enough to save 10 percent of the cost of cleanup services over the 3-year audit period.

Inadequate contractor performance monitoring

Contractor performance monitoring includes overseeing contractors' work to ensure that the Coast Guard gets what it needs and that the contractors abide by contracts.

The Coast Guard's monitoring of contractors' performance is reported to be sometimes weak. According to a DOT IG report (AM-CG-1-009), responsibilities for managing the Coast Guard's program to replace its 270-foot medium-endurance cutters were split along functional lines, without a project officer overseeing the program. The Coast Guard did not have a routine reporting system for monitoring the program's status or overall program cost estimates until several months after contract award. The Coast Guard finally designated a project officer to oversee the contractor's performance approximately 8 months after contract award and almost 4 years after the project began.

Area 4

**Inventory
and Supply
Management**

9 reports

Inadequate inventory management -- 8

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the Air Force, rather than indirectly by way of central inventory control points. The DOT IG reported (AV-CG-3-013) in 1983 that the Coast Guard had not implemented this recommendation. For instance, the IG found that Coast Guard personnel at an air station on McClellan Air Force Base, Sacramento, California, sent a C-130 aircraft generator motor in need of repair to the Inventory Control Point at Elizabeth City, North Carolina. The Inventory Control Point sent it to an Air Force repair facility at McClellan Air Force Base. After repairs, the Air Force was not allowed to send the generator directly to the nearby Coast Guard air station, but had to send the generator back to North Carolina, so the Inventory Control Point could send it back to the Coast Guard air station at McClellan. In total, the generator was shipped across the country four times in order to be repaired at a facility on the same Air Force base.

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