

GAO

Report to the Chairman, Subcommittee  
on Transportation and Related Agencies,  
Committee on Appropriations, House of  
Representatives

May 1992

COAST GUARD

Use of Appropriated  
Funds for the Morale,  
Welfare, and  
Recreation Program



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**Resources, Community, and  
Economic Development Division**

B-248016

May 18, 1992

The Honorable William Lehman  
Chairman, Subcommittee on  
Transportation and Related Agencies  
Committee on Appropriations  
House of Representatives

Dear Mr. Chairman:

The primary mission of the U.S. Coast Guard's Morale, Welfare, and Recreation (MWR) Program is to provide activities (e.g., reduced-price tickets to professional sporting events, picnics, and parties) and facilities (e.g., swimming pools, automotive hobby shops, and movie theaters) that contribute to the physical and mental well-being of the Coast Guard's members—including reservists and retirees—and their dependents. This report responds to your September 4, 1991, request that we determine (1) the amount of appropriated and nonappropriated funds used to support the MWR Program, (2) how the Coast Guard's requirements on the use of appropriated and nonappropriated funds compare with the requirements of the Department of Defense (DOD) for support of its MWR programs, and (3) whether the Coast Guard's management of the program ensures effective use of funds.

## Results in Brief

During fiscal years 1988 through 1991, appropriated and nonappropriated funding support for the MWR Program ranged from \$10.8 million to \$12.4 million annually. On average, appropriated funding accounted for 49 percent of program support and nonappropriated funding accounted for 51 percent in those fiscal years.

At the behest of the House Armed Services Committee and under its own policies for its MWR programs, DOD requires its services to (1) minimize the use of appropriated funds to support facilities that generate revenue and (2) use nonappropriated funds to support the construction of certain MWR facilities. During the time of our audit, the Coast Guard had no such requirements; it placed no limitations on the use of appropriated funds to support its revenue-generating facilities and construction of MWR facilities. On March 27, 1992, the Coast Guard issued new requirements, similar to DOD's, to minimize the use of appropriated funds to support revenue-generating facilities. However, unlike DOD, the Coast Guard does

not have a requirement that nonappropriated funds be used to support construction of certain MWR facilities, such as bowling alleys or cottages.

The Coast Guard lacks key management requirements that could help ensure that its MWR Program funds are being used for the greatest benefit of its members. The Coast Guard does not (1) enforce its regulations that units prepare MWR budgets, (2) require its units to have their MWR budgets reviewed outside the local units to ensure that the agency knows how and in what amounts appropriated and nonappropriated funds will be used, or (3) require its units to conduct user surveys to systematically assess the MWR needs and interests of their personnel. Without such requirements, the Coast Guard does not know whether its funds are being used appropriately in the MWR Program or whether it is providing activities and facilities that meet the needs of its personnel.

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## Background

The Coast Guard's MWR Program provides personnel and their families with a variety of recreational activities and facilities. (See app. I for a detailed list of the Coast Guard's MWR activities and facilities.) The Office of Personnel and Training at Coast Guard headquarters is responsible for providing oversight and guidance for the agency's MWR Program. The MWR Program is managed by the commanding officer of each local unit.

The variety of MWR activities and facilities at each local unit depends on the unit's size and the level of its MWR funding. For example, MWR activities at small Coast Guard units can consist primarily of holding parties and picnics for their personnel. At larger units, MWR programs can include a variety of MWR activities and facilities such as ticket reimbursement plans, bowling alleys, swimming pools, and gymnasiums. The Coast Guard currently has approximately 600 units, varying in size from 4 to 950 people.

Funding for the MWR Program, both for construction and maintenance of facilities and for operating costs, is provided through appropriated and nonappropriated funds. Appropriated funds come primarily from two sources. Appropriated funds for construction of MWR facilities generally come from the Coast Guard's acquisition, construction, and improvements account and are allocated on a project-specific basis. Appropriated funds for operation and maintenance costs of MWR activities and facilities are supported by the Coast Guard's operating expenses account. Coast Guard headquarters allocates a portion of the agency's operating expenses account to the district offices. In turn, the district offices allocate a portion of that amount to local units. The local unit then decides on its own how

much of that total will be used for its MWR Program. The amount of appropriated funds each local unit allocates to the MWR Program for operating and maintenance costs typically falls within a range close to the amount spent for the previous year.

Nonappropriated funds are provided from two sources: (1) a percentage of the profits of the Coast Guard Exchange System (i.e., retail stores, barber shops, snack bars) and (2) user fees charged to members for participating in MWR activities or using MWR facilities. In addition to selling goods and services to Coast Guard personnel and their families at reduced rates, the exchange system's mission is to provide a supplemental source of funding for the Coast Guard's MWR Program. Profits from the exchange system, which are the primary source of nonappropriated funds for the MWR Program, are redistributed to Coast Guard units on a per capita basis. User fees are retained by the units that charge fees for their MWR activities and/or facilities.

## Amount of Appropriated and Nonappropriated Funds Expended

Between fiscal years 1988 and 1991, the total funding support for the Coast Guard's MWR Program ranged from \$10.8 million to \$12.4 million annually. Appropriated funding for the MWR Program during these fiscal years supplied \$5.7 million (or 49 percent), on average, of the program's total funding support, while the remaining \$6.0 million (or 51 percent), on average, of support came from nonappropriated funds.<sup>1</sup> Of the support from nonappropriated funds, on average, 79 percent was provided by profits from the agency's exchange system and 21 percent from user fees. (See app. II for details on the appropriated and nonappropriated funding for the MWR Program between fiscal years 1988 and 1991.)

## Comparison of Coast Guard's and DOD's Use of Appropriated Funds

While the House Armed Services Committee directed DOD to minimize the use of appropriated funds for its MWR programs, there is no similar directive to the Coast Guard. The Committee, in its report on the National Defense Authorization Act for fiscal year 1987, directed DOD's four military services to use appropriated funds primarily to support MWR activities that do not generate revenues and to minimize the use of appropriated funds to support MWR activities that generate revenues. As a result, DOD divided its

<sup>1</sup>The Coast Guard's Office of Personnel and Training collects information on the exchange system's income and profits. Coast Guard headquarters also collects information on funding for facility construction and renovation projects. However, the Office of Personnel and Training does not collect information on the total amount of appropriated funds from the operating expense account that are used to support the program, or MWR user fees collected by Coast Guard units. At our request, the Coast Guard surveyed all of its units to obtain information on appropriated fund support and MWR user fees collected in fiscal years 1988-91.

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MWR activities into three categories that receive various degrees of appropriated fund support. Mission-sustaining activities (such as athletic fields, gymnasiums, and libraries) are supported primarily with appropriated funds and generally are not required to generate revenues. Basic community support activities (such as swimming pools, automotive hobby shops, and child care centers) receive some appropriated funding, but many such activities also have the ability to generate revenues. Revenue-generating or business activities (such as golf courses, bowling alleys, and movie theaters) must be primarily self-supporting but may receive some minimal appropriated funding.

At the time of our review, the Coast Guard's MWR manual, which prescribes the policies and administrative procedures governing the agency's MWR Program, stated that local units should charge fees for the use of certain activities to help offset costs. The manual did not, however, specify which facilities should charge fees nor what the fees should be. Additionally, according to the manual, all facilities—including those that generated revenues—were to be operated and maintained with appropriated funds. The decision on whether to charge a fee and on the amount of the fee was left to the discretion of the commanding officer of each local Coast Guard unit.

We visited 13 Coast Guard units representing a variety of sizes, missions, and locations; all but 2 of these units charged user fees for some of their MWR activities and/or facilities. However, some facilities charged user fees while other similar facilities did not. For example, four of the units we visited had swimming pools. Only one unit charged Coast Guard personnel and their dependents a fee to use its pools, resulting in almost \$25,000 in fees in fiscal year 1991. The reasons why the other three units did not charge pool fees varied. One unit's MWR director stated that the operation and maintenance of the pool was paid for with appropriated funds. However, because the pool was constructed without federal funds, many of the unit's personnel believed that fees should not be charged. Another unit's MWR director stated that he did not know why fees were not charged; he knew only that fees had never been charged. A third MWR director stated that fees were not charged because the pools were primarily used by Coast Guard personnel to increase their fitness and were not used by dependents.

In general, among the units we visited, user fees were not emphasized as a way to make revenue-generating MWR facilities self-sufficient. The fees charged by some MWR revenue-generating facilities were not high enough

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to support the activities. For example, the revenues of a golf course operated by one unit were not sufficient to pay all of the course's operating expenses in 1991. As a result, the unit used almost \$58,000 of its appropriated funds to pay operating costs not covered by user fees. Also, the revenues of a cottage operated by another unit were not sufficient to pay all of the cottage's operating expenses in 1991. As a result, the unit used almost \$14,800 of its appropriated funds to pay operating costs not covered by user fees.

The commanding officer of one unit said that the user fees for his MWR facilities, such as swimming pools, were set by what the market would bear. However, this unit and most of the units we visited that charged fees could not provide any documentation on how they set fees for their facilities. One commanding officer stated that the MWR Program did not exist to make money but to provide a service. According to another unit's MWR director, he set fees low because he did not want to charge high prices to Coast Guard personnel.

On March 27, 1992, after the completion of our audit work, the Coast Guard revised its MWR manual to more clearly reflect how MWR facilities or activities should be funded. Similar to what DOD had done in its MWR programs, the Coast Guard classified its MWR activities and facilities into three categories—mission-sustaining activities, basic community support activities, and business activities. The Coast Guard also defined the level of appropriated funding support allowed for each category and identified which activities and facilities should charge user fees. According to Coast Guard MWR officials, it will probably take 6 months to a year before all the units implement this program change. These officials were unable to specify what impact the change will have on the Coast Guard's use of appropriated funds in its MWR Program.

However, the Coast Guard's policy still differs from DOD's in that it does not require the use of nonappropriated funds for some types of MWR construction projects. DOD military services require that certain MWR facilities, primarily facilities in the revenue-generating or business activities category, be constructed only with nonappropriated funds. During fiscal year 1991, DOD services spent over \$70 million for construction, enabling them to build some MWR facilities with nonappropriated funds rather than requiring appropriated funds. For example, the Air Force has approved the expansion of the automotive hobby shop and arts and crafts center at one of its units; this expansion will cost an estimated \$780,000 in MWR nonappropriated funds.

In contrast, the Coast Guard allocates all of its exchange profits designated for the MWR Program to local units on the basis of the number of personnel assigned to each unit. As a result, the Coast Guard does not accumulate funds to help finance the construction of new MWR facilities and instead relies principally on appropriated funds for construction. The Coast Guard's revised MWR manual does not address this issue.

## Coast Guard Program Lacks Key Management Requirements

The Coast Guard's MWR Program lacks key management requirements to ensure that its funds are being used in the best interests of Coast Guard personnel.<sup>2</sup> Coast Guard local units either do not develop budgets for their MWR programs or have only recently begun to do so. In addition, Coast Guard headquarters does not collect information on how MWR funds are being spent or on the total amount spent for MWR programs. Furthermore, the Coast Guard rarely conducts surveys to systematically assess the needs of its personnel to ensure that funds expended in the MWR Program meet the needs of those served.

## Not All Coast Guard Units Prepare MWR Budgets

Under the Coast Guard's MWR manual, local units are required to develop MWR budgets showing how both appropriated and nonappropriated funds will be used. According to the Coast Guard's MWR manual, the MWR budget is a financial plan for the operation of a unit's MWR Program. In addition, the manual states that proper and timely budgeting is a critical element in ensuring a successful MWR program. However, not all local units are preparing budgets as required, and policy does not require that the budgets be reviewed and approved by Coast Guard managers outside the local unit.

Of the 13 local Coast Guard units we visited, 4 did not prepare MWR budgets; of the remaining 9, 5 had been preparing budgets for the past 3 years.<sup>3</sup> As a result of the lack of budgeting by Coast Guard units, the units' managers do not know if MWR funds, particularly appropriated funds, are spent appropriately or efficiently. For example, one unit we visited—which is one of the largest in the Coast Guard in terms of the number of active duty personnel and dependents who live on-site—spent \$485,000 in appropriated funds in fiscal year 1991 to support its MWR

<sup>2</sup>The Coast Guard and all executive agencies are required by the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(b)) to develop and implement management controls to provide managers with reasonable assurance that their programs are operated efficiently and that resources are safeguarded against fraud, waste, and abuse.

<sup>3</sup>Of the other four units, two units developed their first budgets in fiscal year 1990, one unit developed its first budget in June 1990, and the remaining unit developed its first budget in Sept. 1991.



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Program. The unit's management, however, did not know the specific amounts spent on various MWR activities and facilities. Instead, expenditures were recorded under a general category of MWR Program expenses.

In addition, Coast Guard headquarters did not have information on MWR Program expenditures showing the total amount of funds being spent by the local units. At our request, the Coast Guard conducted a special survey of its units to identify the total appropriated funds support for the program and the MWR user fees collected by the units in fiscal years 1988-91.

In contrast, DOD's military services—which do not allow local unit commanders to determine on their own the level of appropriated funding to be used in their MWR programs—require local units to develop budgets and submit their budget requests for appropriated funds to their services' headquarters offices for approval. Furthermore, the policy of DOD's military services is to monitor, through their services' headquarters or major command offices, local units' expenditures of both appropriated and nonappropriated funds to ensure that such expenditures comply with the MWR budget.

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### The Coast Guard Rarely Assesses the MWR Needs of Its Personnel

According to the Coast Guard's MWR manual, programs are to offer a wide variety of MWR activities, including athletic, social, cultural, and competitive events. The manual further states that periodic surveys of program users can be an effective way to achieve a balanced mix of activities. Such surveys can also be an effective way to make certain that the needs of Coast Guard personnel are met. However, only 1 of the 13 Coast Guard units we visited had conducted a survey to systematically assess users' needs. Instead, MWR personnel at many of the units said they determined needs on the basis of their instincts, the number of complaints they received, or suggestions provided by morale committees, when they existed.

As a result, we found that expenditures for MWR activities at some of the local units did not appear to meet the needs of the personnel. For example, one unit spent MWR funds on parties and other outings that, according to the unit's MWR officer, hardly anyone attended. Another unit, had a woodworking shop that the unit's MWR director said was not used by many personnel. Coast Guard officials attributed these examples of low participation to the agency's policy of rotating personnel frequently. They

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said that new personnel often have different interests than their predecessors.

In contrast to the Coast Guard, DOD requires its military services to conduct triennial surveys of their members, dependents, and retirees. At a minimum, the surveys include an assessment of personnel's needs and interest in the MWR programs as well as an assessment of alternative private-sector facilities. These surveys are intended to help the DOD services determine how funds should be allocated and what changes to programs are justified.

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## Conclusions

During our review, we found that the Coast Guard and DOD differed widely in their requirements on the use of appropriated and nonappropriated funds to support their MWR programs. Although the House Armed Services Committee clearly expressed an interest in reducing the use of appropriated funds for such programs in the military services, the Coast Guard did not operate under such a stricture. Consequently, during our review, we found that the Coast Guard did not have policies similar to those of DOD to minimize the use of appropriated funding for those activities that could be supported by user fees or to allocate some nonappropriated funds for construction of new MWR facilities. However, in March 1992, the Coast Guard changed its policy to better ensure that revenue-generating facilities are self-supporting. Nevertheless, it remains to be seen how effectively this requirement will be implemented and how it will affect the Coast Guard's use of appropriated funds.

In addition, the Coast Guard's MWR Program lacks key management requirements, including budgets at some units and budget reviews, that would help ensure that the agency's funds are being used appropriately. Furthermore, because the Coast Guard does not formally survey program users, it cannot be assured that the MWR activities and facilities provided by its units meet the highest-priority needs of its members. User surveys, which would provide a systematic process for determining users' needs, could be an effective tool in helping the Coast Guard ensure that its expenditures promote a program that operates for the greatest benefit of its personnel.

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## Recommendations

We recommend that the Secretary of Transportation direct the Commandant of the Coast Guard to require that

- units' MWR budgets are reviewed and approved by district and/or headquarters MWR offices to provide better fiscal oversight of the MWR Program and
- regularly scheduled surveys of personnel are conducted to ensure that the MWR Program is more closely oriented to the needs of its users.

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## Agency Comments

We discussed the contents of the report with the director of the Coast Guard's MWR Program and other agency officials, who provided some suggestions for clarification. Their comments have been incorporated where appropriate. However, as requested, we did not obtain written agency comments on a draft of this report.

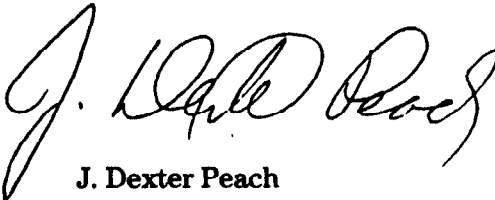
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Our review was conducted between September 1991 and March 1992 in accordance with generally accepted government auditing standards. Appendix III contains details on our scope and methodology.

We will send copies of this report to the Secretary of Transportation and the Commandant of the Coast Guard. We will make copies available to other interested parties on request.

This work was performed under the direction of Kenneth M. Mead, Director of Transportation Issues, who can be reached at (202) 275-1000. Other major contributors to this report are listed in appendix IV.

Sincerely yours,



J. Dexter Peach  
Assistant Comptroller General

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## Abbreviations

|     |                                 |
|-----|---------------------------------|
| DOD | Department of Defense           |
| GAO | General Accounting Office       |
| MWR | Morale, Welfare, and Recreation |



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# Coast Guard Morale, Welfare, and Recreation Program Activities and Facilities

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## Recreational Facilities

- Campgrounds
- Child development centers
- Game rooms
- Libraries
- Marinas
- Movie theaters
- Picnic and barbecue areas
- Recreational cottages
- Storage areas for service members' recreational vehicles

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## Sports Facilities

- Athletic fields
- Bowling alleys
- Golf courses
- Gymnasiums
- Swimming pools
- Tennis courts

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## Hobby Facilities

- Auto hobby shops
- Ceramics shops
- Woodworking shops

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## Recreational and Sports Activities

- Entry fees for sporting tournaments
- Entertainment and shows
- Equipment rental (e.g., canoes, boats, campers, bikes, camping equipment, lawn mowers)
- Parties and picnics
- Sightseeing tours
- Subscriptions to newspapers and magazines for unit offices
- Teen clubs
- Ticket plans (e.g., reimbursement, drawings for free tickets)

# Funding Support for the Coast Guard's Morale, Welfare, and Recreation Program, Fiscal Years 1988-91

|                                     | 1988                | 1989                | 1990                | 1991                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Appropriated funds</b>           | \$ 5,463,176        | \$ 5,189,654        | \$ 6,092,321        | \$ 6,028,106        |
| <b>Nonappropriated funds</b>        |                     |                     |                     |                     |
| Exchange system contribution to MWR | 4,500,000           | 4,300,000           | 4,900,000           | 5,200,000           |
| MWR user fees collected             | 1,285,771           | 1,298,570           | 1,325,363           | 1,185,154           |
| <b>Total</b>                        | <b>\$11,248,947</b> | <b>\$10,788,224</b> | <b>\$12,317,684</b> | <b>\$12,413,260</b> |

Source: U.S. Coast Guard.

# Scope and Methodology

We interviewed Coast Guard officials at Coast Guard headquarters in Washington, D.C., to obtain information on the agency's (1) financial management requirements and oversight of the Morale, Welfare, and Recreation (MWR) Program and (2) policies and processes for constructing or renovating MWR facilities. We also obtained and reviewed the Coast Guard's MWR manual and analyzed internal files, documents, and internal program correspondence. Because the Coast Guard does not collect information on the appropriated and nonappropriated funding provided to support its MWR Program, the agency—at our request—surveyed its local units on the amount of support coming from appropriated funds and MWR user fees collected for fiscal years 1988 through 1991. We did not assess the reliability of the data the Coast Guard provided.

We interviewed MWR Program officials at 13 of the Coast Guard's units to obtain information on the operation, management, and funding of the units' MWR programs. The 13 units were (1) First District Office, Boston, Massachusetts; (2) Air Station Cape Cod, Massachusetts; (3) Group Woods Hole, Massachusetts; (4) Support Center Boston, Massachusetts; (5) Group Boston, Massachusetts; (6) Support Center New York, Governors Island, New York; (7) Maintenance and Logistics Command-Atlantic, Governors Island, New York; (8) Maintenance and Logistics Command-Pacific, Coast Guard Island, California; (9) Support Center Alameda, Coast Guard Island, California; (10) Group San Francisco, California; (11) Long Range Aids to Navigation Station, Middletown, California; (12) Coast Guard Training Center, Petaluma, California; and (13) Coast Guard Reserve Training Center, Yorktown, Virginia. We chose these units because of the diversity in the units' numbers of personnel, missions, and proximity to urban settings. We also chose several of the units because they provided on-site housing for dependents, which meant that the dependents relied on the services provided in the military community more than dependents who live in civilian communities.

To obtain information on the Department of Defense's (DOD) MWR programs, we held discussions with MWR Program officials for the Office of the Secretary of Defense; the Departments of the Air Force, Army, and Navy; and the United States Marine Corps. We also obtained and reviewed the MWR policies and procedures of DOD and the military services. However, we did not evaluate the quality of DOD's or the services' programs, nor did we evaluate compliance with these policies and procedures by local DOD units.

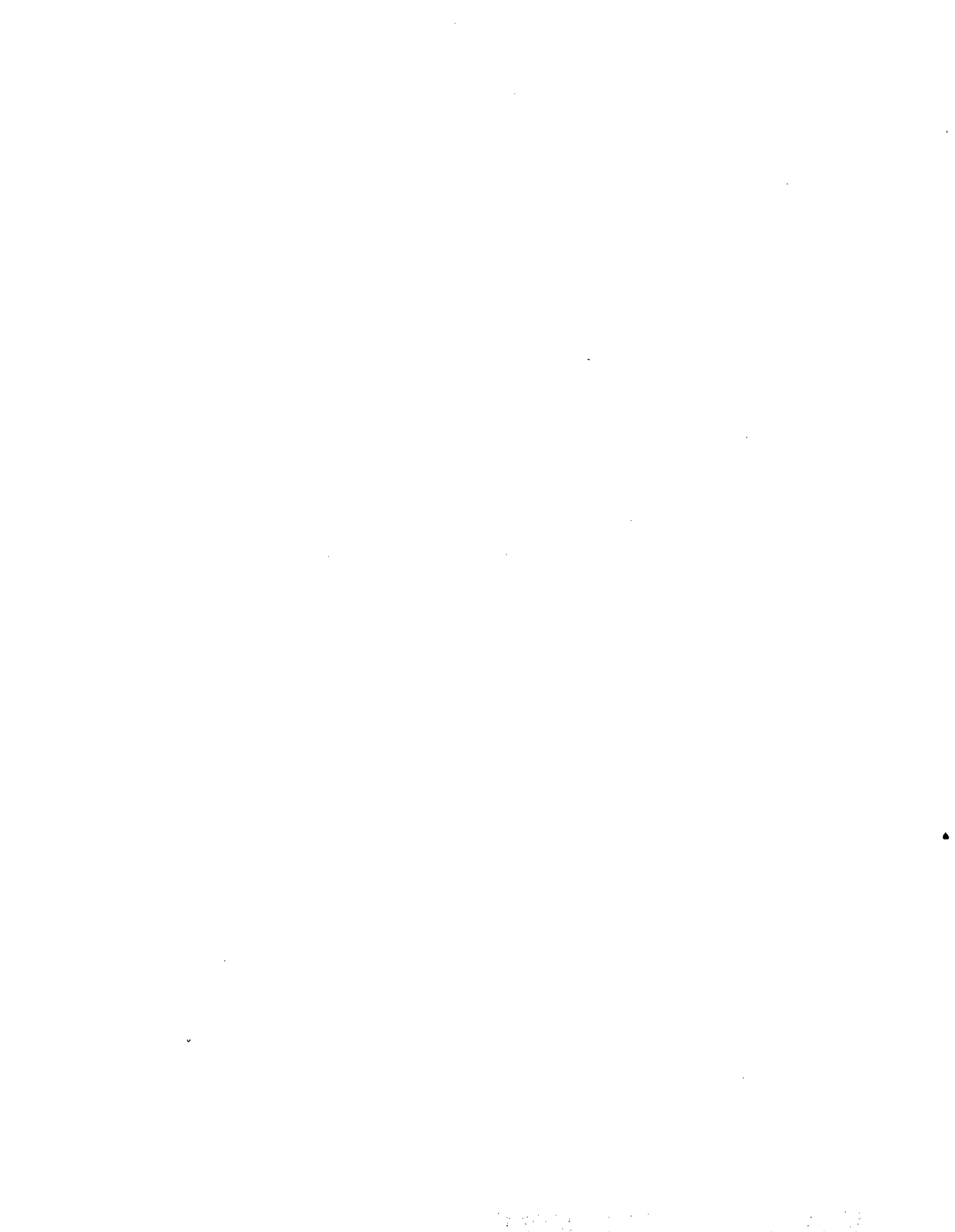


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