



United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-281829

March 10, 1999

The Honorable Wayne T. Gilchrest
Chairman
The Honorable Peter A. DeFazio
Ranking Democratic Member
Subcommittee on Coast Guard
and Maritime Transportation
Committee on Transportation and Infrastructure
House of Representatives

Subject: Coast Guard: Review of Administrative and Support Functions

You asked us to review the Coast Guard's major administrative and support functions to identify areas of possible budget savings and to determine if additional opportunities for cost savings exist. As agreed with your offices, we reviewed eight¹ Coast Guard administrative and support functions to identify which functions may merit further analysis by the Coast Guard to identify potential cost savings. In conjunction with Coast Guard officials, we judgmentally selected the eight administrative and support functions on the basis of the functions' costs and importance and the interests of the Subcommittee staff in comparison with other Coast Guard administrative functions. Our observations stem from studies and reviews we have conducted in recent years and from additional research done specifically for this review.

RESULTS IN BRIEF

Seven of the eight administrative and support functions we reviewed may have the potential to achieve cost-savings and may merit further examination to determine the size and nature of these potential savings. The Coast Guard is already considering some of the cost-saving opportunities but has taken no

¹The eight administrative and support functions are training; permanent change of station and related travel and transportation; shipbuilding and repair; cutter and aircraft spare parts inventory control; health care; collection of administrative civil penalties; payment of bills and payroll costs; and housing.

action on others. Table 1 shows each administrative and support function, the estimated annual expenditures associated with it, the types of cost-saving initiatives that have already been taken, and the types of cost-saving possibilities that may still remain. The one function we identified that has few additional possibilities, the housing function, already has major cost-saving initiatives under way that would eliminate much government-owned housing.

Table 1: Summary of Cost-Saving Possibilities in Coast Guard Administrative and Support Functions

Administrative or support function	Approximate 1998 annual expenditure	Cost-saving initiative in past 5 years	Observations on possible additional cost-saving initiatives
Functions with some potential for cost savings			
Training	\$345 million	Consolidation of training centers has been studied but not implemented.	Consolidate training centers.
Permanent change of station (rotation)	\$60 million	Tour of duty for officers has been increased 8 percent from 1990 to 1995.	Study longer tours of duty as a cost-saving option.
Shipbuilding and repair	\$55 million	Overhead and labor rates have been reduced and infrastructure improvements at the Coast Guard Yard have been made.	Conduct comprehensive study to determine whether the Yard is more cost-effective than commercial shipyards.
Cutter and aircraft spare parts inventories	\$790 million (inventory value)	Development of new inventory control systems for cutters and aircraft is under way.	Study the possible consolidation of the two new systems; also, reduce or eliminate "cannibalizing" parts from one aircraft to put on another despite extensive inventories, a practice that is expensive.
Health care	\$140 million	Initiatives are under way on information system compatibility, privatization of administrative functions, and establishing an oversight unit.	Closely monitor costs; examine the applicability of initiatives used in the Department of Defense (DOD) and other agencies to cut costs.
Collection of administrative civil penalties	\$59.2 million ^a	New system for collecting penalties for pollution violations has allowed the Coast Guard to consolidate hearing offices.	Study the collection system implemented in 1995 to determine its effectiveness; also, study the need to further consolidate hearing offices.
Payment of bills and payroll	\$31.5 million	Comparisons between Finance Center processing of transactions and other processing centers has shown the Finance Center to be efficient; development of a new personnel and payroll system is currently under way.	Study the use of the Finance Center to do other processing as well; plans to administer the new payroll system at a different location raise the possibility for phasing out or reducing the size of the Human Resources and Information Center.
Areas with little or no possibility for additional cost savings			
Housing	\$119 million	Program is under way that is expected to eliminate much government-owned and government-leased housing and rely on the commercial market.	Changes already under way hold the greatest potential for savings.

^aApproximate amount of administrative civil penalties, including interest and administrative charges, assessed by the Coast Guard in the last several fiscal years.

BACKGROUND

The Coast Guard, a Department of Transportation (DOT) agency, is responsible for maritime missions that include conducting search and rescue operations; protecting the marine environment; enforcing laws relating to fishing, immigration, and drugs; and facilitating the safe navigation of vessels through U.S. waters. The Coast Guard's nearly 41,000 full-time military and civilian employees, 7,500 reservists, and 34,000 volunteer auxiliary staff provide services through 185 boat stations, 26 air stations, 43 marine safety offices, and other facilities located in coastal areas and on navigable lakes and rivers. To carry out its functions, the agency maintains a fleet of cutters and other vessels as well as a fleet of airplanes and helicopters.

The Coast Guard's fiscal year 1999 budget totals about \$4.3 billion, of which \$2.8 billion, about 66 percent, is for operating expenses, including administrative costs. Most of the remainder is for retirement pay and acquisition, construction, and improvement projects.

To manage and support its varied missions, the Coast Guard has established a structure consisting of (1) headquarters offices, which are responsible for the overall management of a specific program; (2) area commands, which are responsible for overall mission performance in their geographic areas; (3) district offices, which provide regional direction; (4) maintenance and logistics commands, which provide support for the agency; and (5) activities and group commands, which provide direction and support for performing units such as boat stations.

The Coast Guard's cost-reduction efforts since fiscal year 1994 have occurred in two phases. The agency's efforts in fiscal year 1994 through fiscal year 1996 yielded savings of about \$266 million by eliminating over 2,600 jobs and decommissioning old cutters and aircraft. In fiscal year 1996, the agency began a second round of efforts, called the National Plan for Streamlining, from which it expects to achieve an additional \$77 million in net savings by fiscal year 1999.

ADMINISTRATIVE AND SUPPORT FUNCTIONS WITH POTENTIAL FOR COST SAVINGS

Seven of the eight administrative and support functions appear to hold some possibility for additional cost savings. Three of the seven functions have no major cost-saving initiatives currently planned or under way, but opportunities exist for such initiatives. The remaining four are the focus of cost-saving initiatives, but additional opportunities may also be present. These seven areas are discussed below.

Training

- Purpose, scope, and cost. The Coast Guard spends about \$345 million annually, including salaries, to operate and maintain six training centers—in Petaluma, California; Yorktown, Virginia; Mobile, Alabama; Cape May, New Jersey; Elizabeth City, North Carolina; and New London, Connecticut. The training centers' operating expenditures include building maintenance and repair, food, boat supplies, vehicles, specialized electronic equipment, training equipment

and supplies, spare parts, housekeeping, energy, salaries, and other daily supply needs.

- Current or recent cost-saving initiatives. No cost-saving initiatives are currently under way for the training centers. A 1995 study conducted by the Coast Guard as part of its streamlining efforts recommended closing the training center at Petaluma, which could save up to an estimated \$9 million a year. The Coast Guard decided not to close the training center, largely because of public opposition and because it was conducting its other streamlining efforts at the time.
- Observations on areas for further study. The Coast Guard agrees that it has excess training space and needs to assess whether it should close or consolidate its training centers. In its fiscal year 1999 budget, the Coast Guard received \$2.2 million to conduct the first portion of a multiyear effort to optimize its training infrastructure. It plans to first assess the environmental, social, and economic impacts associated with any options for closure or consolidation. We believe it is important that the Coast Guard complete the assessment it has under way before it conducts additional studies of the training function.

Permanent Change of Station and Related Travel and Transportation

- Purpose, scope, and cost. The relocation of personnel is another major administrative Coast Guard function. About 19,000 relocations, known as permanent changes of station (PCS), are made each year. According to the Coast Guard, about 28 percent of PCSs are for staff who are retiring, separating from the service, or graduating from training. Another 24 percent were made to replace those members. In addition, about 25 percent result from the need to relieve staff from arduous duty, which leaves about 23 percent of PCSs for discretionary changes. PCS costs include travel, the transportation and storage of household goods, and other authorized items. Over the past 6 years, annual PCS costs have ranged from \$61.9 million to \$75.4 million, not counting salary costs for time spent moving or the administrative cost of preparing an estimated 19,000 rotation orders annually. The higher amount was due to one-time costs associated with the Coast Guard's streamlining efforts.
- Current or recent cost-saving initiatives. In 1995, the DOT Inspector General reported that since 1990, the Coast Guard has increased the average length of a standard tour of duty for an officer by 8 percent.²
- Observations on areas for further study. We identified this area as having potential for cost savings in our recent review of the Coast Guard's response to budget constraints.³ Coast Guard officials said they were reluctant to change

²DOT Inspector General Report R5-CG-5-003, Mar. 1995.

³Coast Guard: Challenges for Addressing Budget Constraints (GAO/RCED-97-110, May 14, 1997).

the agency's rotation policies, believing that they had developed optimum lengths of time for tours of duty. Coast Guard officers and enlisted personnel generally change assignments every 2 to 4 years. We suggested that the Congress might want to make certain that potentially controversial issues within the Coast Guard, such as rotations, are independently reviewed or that a third party validates any Coast Guard studies. Such a study has not been done, and we believe that this function still holds the potential for cost savings.

Shipbuilding and Repair

- Purpose, scope, and cost. The Coast Guard Yard, founded in 1899 and located near Baltimore, Maryland, is the Coast Guard's only major shipbuilding and repair facility. Currently, about 800 military and civilian personnel are employed at the Yard. The Yard performs only a small percentage of the Coast Guard's industrial operations related to ships. Most operations are contracted out to commercial shipyards. The Yard's industrial operations include the repair, modification, and construction of vessels; ordnance overhaul and maintenance; the manufacture of miscellaneous Coast Guard equipment; and the maintenance and repair of vessel components. The Yard is funded through a revolving fund with annual revenues of about \$55 million.
- Current or recent cost-savings initiatives. The economic viability of the Yard has been debated for over a decade. In 1988, the Coast Guard tried to close most of the industrial activities at the Yard, saying that the Yard's anticipated workload was declining and that most of the work there could be done more cheaply at commercial shipyards, resulting in estimated savings of \$2 million to \$3 million a year. We were asked to review the Coast Guard's decision, and while we did not take a position on whether the Yard should be closed, we noted that the Coast Guard did not have good supporting data to justify closing the Yard or keeping it open.⁴ For example, the Coast Guard did not compare the cost of ship repair and construction at the Yard with that of work done in the private sector. Rather than restudy the closure, the Coast Guard decided not to close the Yard.

According to the Coast Guard, since 1995, the Yard has undertaken many cost-saving initiatives, including (1) reducing the number of overhead personnel, (2) bringing its labor rate closer to that of commercial shipyards, and (3) making dockside infrastructure improvements to reduce project costs.

- Observations on areas for further study. In the past, the cost-effectiveness of the Coast Guard Yard has been questioned. According to the Coast Guard, however, many cost-saving initiatives have recently been taken. In addition, the Coast Guard pointed out that the Yard is the only major shipbuilding and

1997).

⁴Coast Guard: Decision to Phase Out Curtis Bay Yeard Is Inadequately Supported (GAO/RCED-89-29, Oct. 7, 1988)

repair facility under Coast Guard control. It therefore can provide backup when a commercial contractor fails. A comprehensive, detailed study of the Yard may be warranted by the Coast Guard or others to compare its cost-effectiveness with that of commercial shipyards.

Cutter and Aircraft Spare Parts Inventory Control

- Purpose, scope, and cost. The Coast Guard maintains a sizable inventory of cutter and aircraft spare parts valued at more than \$790 million. For cutters, a supply center located in Curtis Bay, Maryland, stocks about 18,000 different parts valued at about \$140 million. Aircraft parts are primarily located at a supply center in Elizabeth City, North Carolina, which stocks about 49,000 different parts valued at about \$350 million. In addition, cutters maintain parts and supplies inventories on board that range in value from a few thousand dollars to a million dollars. Individual air stations also maintain about \$175 million in parts. An additional \$125 million in parts are in transit or at repair facilities.
- Current or recent cost-saving initiatives. Currently, the Coast Guard is developing an information system for cutters, called the Fleet Logistics System, and a separate system for aircraft, called the Aviation Logistics Management Information System. The development of these systems has been under way for several years. This revamping stems in part from problems we noted in an earlier review. In January 1995, we reported that the Coast Guard did not have the organizational structure or computer systems necessary to effectively manage its cutter inventory.⁵ As a result, the Coast Guard did not know the value, type, quantity, and condition of many of the spare parts in its inventory. We stated that without such information, the Coast Guard could not determine whether it had a shortage or an excess of parts. The Coast Guard basically agreed with our recommendations and took some interim actions to eliminate some of its excess inventory.

The Coast Guard's revised cutter inventory system is scheduled for completion in 2001. The Coast Guard expects to have a real-time centralized computer system to track its cutter inventory; a single source of accountability for all fleet logistics; and a consolidated maintenance, technical, and supply organization to perform supply functions now performed by headquarters and the inventory supply center.

- Observations on areas for further study. We asked both the staff developing the cutter system and the staff operating the aircraft system if the systems could be combined. They both agreed that, in hindsight, the consolidation of the two systems could have saved money. They said that at this stage of the Fleet Logistics System's development, it is too late to achieve any savings by consolidation, and consolidation may result in delaying the development of the

⁵Coast Guard Cutters: Actions Needed Now to Ensure Better Management of Parts and Supplies (GAO/RCED-95-62, Jan. 24, 1995).

systems. They added, however, that once both systems are operational, the Coast Guard plans to explore the potential for consolidating the systems into a core Coast Guard logistics system.

Concerning another issue, we recently completed work on the Coast Guard's Deepwater Acquisition Project.⁶ During that work, we visited the Coast Guard's aircraft inventory control center in Elizabeth City, North Carolina. Even though the Coast Guard maintains an aircraft spare parts inventory in excess of \$650 million, several Coast Guard officials told us that the center often does not have all of the needed parts on hand and has to "cannibalize" parts from other aircraft awaiting repair so that it can maintain its air capabilities. This process is perpetually repeated as parts from other aircraft are later removed to replace parts on the aircraft that were last cannibalized. While the extent of this practice is unknown, it is not cost-effective. In light of the past and ongoing problems, it appears that further study of the possible consolidation of the cutter and aircraft information systems and the cannibalization of aircraft parts may be warranted by the Coast Guard or others.

Health Care

- Purpose, scope, and cost. Health care is a major personnel program for the Coast Guard, which must ensure that health care is available for more than 100,000 people—35,000 active duty military personnel, 60,000 active duty dependents, and 7,500 selected reservists. For fiscal year 1998, the Coast Guard's estimated health care cost was \$140 million. Health care is provided from the following five sources:
 - Coast Guard Clinics. The Coast Guard manages 30 outpatient clinics at certain units. Each clinic has one or more physicians from the Public Health Service. In fiscal year 1997, these clinics had 337,379 outpatient visits. Estimated expenditures for fiscal year 1998 were \$8.5 million for clinic costs and \$15 million for Public Health Service salaries, for a total cost of \$23.5 million.
 - Nonfederal health care. Nonfederal health care providers are civilian physicians, dentists, and hospitals that are contracted by the Coast Guard to provide emergency and routine health care. These providers are used only when their use is determined to be more cost-effective than military facilities. Estimated expenditures for fiscal year 1998 were \$23.3 million.
 - DOD medical treatment facilities. Active duty personnel and their dependents are entitled to medical and dental care in any facility of any uniformed service. A memorandum of agreement with the Army, Air Force, and Navy requires reimbursement at the federal

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

interagency rate. Estimated reimbursements provided by the Coast Guard for fiscal year 1998 were \$31.2 million.

- Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).⁷ Dependents of personnel on active duty can use CHAMPUS for inpatient or outpatient care. When these dependents use a private doctor who accepts CHAMPUS, health care funds cover a portion of the cost. Estimated expenditures for fiscal year 1998 were \$54.5 million, including dental costs.
- Uniformed Services Family Health Plan (USFHP). This is a managed care plan that provides benefits, similar to CHAMPUS benefits, for active-duty dependents. If these dependents enroll in the plan, they cannot use CHAMPUS or any DOD facility, except in an emergency. Estimated expenditures for fiscal year 1998 were \$5.5 million.
- Current or recent cost-saving initiatives. According to Coast Guard headquarters officials, cost-saving initiatives, like other management activities at the clinic level, are done primarily at the area office level. Coast Guard headquarters has typically had a limited staff to monitor and manage clinics' health care costs. However, the Coast Guard is currently establishing a headquarters unit that will more closely monitor clinics' health care expenditures and identify opportunities to optimize the use of the Coast Guard's health care resources. Other initiatives currently under way include (1) making information systems compatible with DOD's and capable of providing better monitoring information and (2) studying whether the process of certifying medical bills for payment should be done by private contractors or by the Coast Guard's Finance Center rather than by health care personnel.
- Observations on areas for further study. Current Coast Guard actions notwithstanding, areas of additional study still remain to determine if costs can be lowered without affecting the quality of care. In particular, analyzing the relative cost of providing care through the various sources used by the Coast Guard may show areas with potential for cost savings. Although the Coast Guard is attempting to improve its information systems, it has not developed the data it needs to evaluate the cost-effectiveness of the various components of the health care program. Because its cost accounting system does not track all costs, the Coast Guard cannot compare the per-unit costs of its individual clinics or its health care costs with DOD's costs. Such comparisons could help determine if the costs for care provided by clinics or nonfederal sources are in line with those at DOD facilities. Other cost comparisons, such as those we have previously made at DOD and the Veterans Administration (VA), might point to additional ways to reduce costs. For example, in previous work we found that VA could save money by consolidating health care management as

⁷CHAMPUS is a part of DOD's managed health care program for military beneficiaries called TRICARE.

well as specific types of health care services.⁸ Such adjustments might be appropriate within the Coast Guard's health care delivery system as well.

Collection of Administrative Civil Penalties

- Purpose, scope, and cost. To encourage compliance, the Coast Guard can assess an administrative civil penalty for various maritime-related violations of regulations and laws. These include violations related to chemical testing, the illegal dumping of materials in U.S. waterways, navigation safety, pollution prevention, port and waterways safety, recreational boating safety, chemical or oil spills, and vessel systems and operations. Coast Guard inspectors or other officials report the violations and recommend the amount of the penalty in accordance with written criteria. The report is sent to a hearing office, which reviews the case for the sufficiency of the evidence. If a valid case exists, the office notifies the violator by letter that the Coast Guard will begin a civil proceeding. The violator then can either appear in person at a hearing or submit evidence in writing regarding the penalty or the violation. The hearing officer then reviews all evidence and makes a final determination on whether a violation occurred and, if so, the amount of the penalty; and the violator is then notified of the payment due.

Typically, only a fraction of the penalty amounts recommended by inspectors are actually collected. This smaller percentage collected occurs because recommended penalties are reduced by the hearing officer, and not all of the reduced penalties are actually collected. For example, for fiscal years 1995 through 1997, the Coast Guard recommended penalties of \$154,550 for violations related to chemical testing. The hearing offices reduced this amount to \$66,050, or by about 57 percent. Of the \$66,050, \$62,000—about 40 percent of the amount recommended—was actually collected. During our 1995 review of illegal discharges into U.S. waterways, enforcement personnel with whom we talked expressed frustration and confusion about the dismissal or reduction of penalties.⁹

- Current or recent cost-saving initiatives. The introduction of a new system for collecting penalties has the potential for cost-savings. This new system, implemented in 1995, allows inspectors to issue a "ticket" on the spot for pollution violations. The Coast Guard is currently considering implementing this system for other violations. A Coast Guard official told us that because of the Coast Guard's new system, hearings for and appeals of penalties have dramatically decreased. As a result, the Coast Guard has consolidated its four

⁸VA Health Care: Lessons Learned From Medical Facility Integrations (GAO/T-HEHS-97-184, July 24, 1997).

⁹Coast Guard: Enforcement Under MARPOL V Convention on Pollution Expanded, Although Problems Remain (GAO/RCED-95-143, May 30, 1995).

hearing offices into two. The official also said that further consolidation might be possible.

- Observations on areas for further study. Now that a new system for assessing and collecting penalties has been in place for several years, a study by the Coast Guard or others to determine its effect could reveal whether collection rates are appropriate or whether additional changes to the penalty process should be considered. A study to determine the need for further hearing office consolidation may also be warranted.

Payment of Bills and Payroll Costs

The Finance Center located in Chesapeake, Virginia, and the Human Resources and Information Center, located in Topeka, Kansas, pay most of the Coast Guard's bills as well as its payroll costs.

Finance Center

- Purpose, scope, and costs. The Finance Center is responsible for paying bills, maintaining accounting records, and preparing financial reports for all functions within the Coast Guard except health care and inventory control. The center was established in 1989, when the Coast Guard consolidated its 25 field accounting offices to increase operational efficiency and effectiveness. In fiscal year 1996, the Finance Center managed more than 5.2 million accounting transactions. Its military and civilian salary costs, including overtime, were about \$14 million. Its operating budget is an additional \$2.5 million.
- Current or recent cost-saving initiatives. Recent studies have found the Finance Center's operations to be efficient. In 1993, the public accounting firm of Coopers and Lybrand compared the Finance Center's cost with that of eight other accounting organizations within the federal government, including some that process financial transactions for many federal agencies. The firm found that the Finance Center (1) was less expensive than the other organizations in terms of the average cost per payment and costs per receivable collected, (2) matched the other agencies in invoices processed per full-time equivalent position, and (3) had fewer errors. The Coast Guard recently received the U.S. Senate's Productivity and Quality Award for its Finance Center's efficiency.
- Observations on areas for further study. According to the Coast Guard's Chief Financial Officer, the Finance Center is extremely efficient and effective. He believed that, to save money, the Coast Guard should have the Finance Center handle all of the Coast Guard's finances, including health care and inventory costs, because it is more effective than the other units handling some of the Coast Guard's finances. Given his comments, further study by the Coast Guard seems warranted to explore whether it could realize further savings by processing more of its financial transactions at the Finance Center.

Human Resources Service and Information Center

- Purpose, scope, and cost. The Coast Guard's Human Resources Service and Information Center maintains personnel information on all Coast Guard military personnel, develops management reports for personnel and pay matters, provides payment and personnel services, and pays Coast Guard travel claims. Personnel and payroll systems for the Coast Guard's civilian personnel are provided elsewhere, mainly by DOT.¹⁰ The Center employs 300 people and costs the Coast Guard about \$4 million annually to operate. Salary costs are about \$11 million annually. In addition to the Center, the Coast Guard has 48 personnel reporting units located throughout the United States. These units make personnel and pay determinations, provide pay and personnel advice, and submit electronic personnel/pay transactions to the center for automated processing. As of December 1, 1998, the 48 units employed 409 people. The Coast Guard does not provide separate cost information for these units.
- Current or recent cost-saving initiatives. The Coast Guard is currently revamping its military personnel and payroll system, a change that, among other things, is expected to reduce the need for administrative personnel. The current system, known as the Personnel Management Information System/Joint Uniform Military Pay System (PMIS/JUMPS), is being replaced with a system called PMIS/JUMPS II. This new system will include all of the Coast Guard's human resource databases in a single database. During the first phase of the project (fiscal years 1994-96), the Coast Guard reduced 127 billets, or positions, from personnel reporting units. Beginning this year, for 3 years, the Coast Guard intends to remove another 115 positions by the time PMIS/JUMPS II is completed in 2002. The core of the PMIS/JUMPS II software is commercially operated in the Coast Guard's Martinsburg, West Virginia, Operations System Center, which is staffed predominantly by contractors.¹¹

To comply with the Government Performance and Results Act, a Coast Guard official stated that the Coast Guard surveyed the commercial market and other government agencies to see if they had the capability to process its military payroll. The Coast Guard found no commercial company capable of providing this service, and only DOD was capable of providing this service among federal agencies. However, according to Coast Guard officials, in 1995 and 1996, it cost the Coast Guard only

¹⁰ DOT is currently the sponsor of a project known as the Human Resources Information System, which will determine a course of action for providing civilian personnel and pay services for all DOT modes except the Federal Aviation Administration.

¹¹The Operations Systems Center develops, supports, and maintains a small number of large, specific, operationally focused information systems, databases, and services that are accessible across the Coast Guard around the clock to support mission accomplishments.

\$2.81 per account per month, as compared with DOD's cost of about \$8.00 for payroll services.

- Observations on areas for further study. We have not analyzed or verified the Coast Guard's cost data regarding its processing costs at the Center. Also, given all the changes currently being made to the Coast Guard's pay system, a review by the Coast Guard of its processing costs, as well as the need for the Topeka Center after the changes are finished, may be warranted.

ONE FUNCTION WITH LITTLE OR NO POTENTIAL FOR ADDITIONAL COST SAVINGS

One function appears to hold the least potential for cost savings through additional initiatives. This function, housing, may hold considerable potential for savings but appears to be adequately addressed in current Coast Guard initiatives.

Housing

- Purpose, scope, and costs. About 42 percent of the Coast Guard's military personnel live in Coast Guard-owned or -leased facilities or other government-owned facilities, including houses, barracks, and ships. The Coast Guard owns about 4,600 houses and leases about 3,000 housing units for families. For fiscal year 1999, the Coast Guard estimates that it will spend a total of \$119 million for its housing program, which includes about \$47 million for the houses it owns, \$47 million for its leased units, \$11 million for units owned by other services, and \$14 million for personnel costs.
- Current or recent cost-saving initiatives. The Coast Guard has implemented new housing policies and a new housing program. According to the Chief of the Coast Guard's Housing Branch, the new program is administered and regulated by DOD and is called the Basic Allowance for Housing. The new program will provide a price-based housing allowance linked to a national index of housing costs. It is meant to defray the cost of adequate housing, provide geographic and pay grade equity, and meet other goals. The new program was implemented because DOD reports and studies showed that it would be cheaper to allow members to obtain housing on the open market with it. The Basic Housing Allowance is expected to eliminate much government housing.

- Observations on areas for further study. Given the breadth of the changes being made in military housing, we do not see a need for further study in this function until the new program is fully implemented and sufficient data are available for evaluating it.

AGENCY COMMENTS

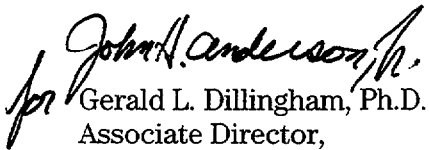
We provided copies of a draft of this report to DOT and the Coast Guard for review and comment and met with Coast Guard officials, including officials from many of the functions discussed in this report, such as the Chief for Information Management for Human Resources and the Chief, Office of Health Services. The officials generally agreed with the information included in the report. They questioned, however, whether cost-savings could actually be achieved in some of the functions, primarily shipyard building and repair and the collection of civil penalties. Because this report points out areas of potential savings and states that the actual amount of savings to be achieved is unknown, we did not make any changes to the report in response to this comment. For example, regarding shipyard building, the Coast Guard officials provided information on its recent cost-saving efforts and examples of individual projects done by the Yard that they believe were very cost-effective. We continue to believe, however, that without a detailed, comprehensive study, the Yard's overall cost-effectiveness as compared with that of commercial shipyards is still unknown. As a result, additional cost savings may be possible in the future. The Coast Guard also provided technical comments to clarify portions of the draft, which we have incorporated as appropriate.

SCOPE AND METHODOLOGY

To identify the Coast Guard's major administrative functions, we reviewed the Coast Guard's budget and organization manual. We also talked with various Coast Guard administrative and liaison officials and Subcommittee staff to obtain their views on what the Coast Guard's major administrative functions are. For each function, we discussed with Coast Guard officials the operation of these functions, their costs, and the changes under way. We did not validate the information obtained from Coast Guard officials. We conducted our review from October 1998 through February 1999 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Honorable Rodney E. Slater, the Secretary of Transportation and Admiral James M. Loy, Commandant, U.S. Coast Guard. We will also make copies available to others on request.

Please call me on (202) 512-2834 if you or your staff have any questions about this report. Major contributors to this report were Neil Asaba, Steve Gazda, and Randy Williamson.


for Gerald L. Dillingham, Ph.D.
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