

**GAO**

Testimony

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Committee on Commerce, Science, and  
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**COAST GUARD**

**Observations on the Fiscal  
Year 2010 Budget and  
Related Performance and  
Management Challenges**

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



**GAO**

Accountability \* Integrity \* Reliability

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Highlights of [GAO-09-810T](#), a testimony before the Subcommittee on Oceans, Atmosphere, Fisheries, and Coast Guard, Committee on Commerce, Science, and Transportation, U.S. Senate

## Why GAO Did This Study

The U.S. Coast Guard, a component of the Department of Homeland Security (DHS), conducts 11 statutory missions that range from marine safety to defense readiness. To enhance mission performance, the Coast Guard is implementing a modernization program to update its command structure, support systems, and business practices, while continuing the Deepwater program—the acquisition program to replace or upgrade its fleet of vessels and aircraft. This testimony discusses the Coast Guard's (1) fiscal year 2010 budget, (2) mission performance in fiscal year 2008, the most recent year for which statistics are available; and (3) challenges in managing its modernization and acquisition programs and workforce planning. This testimony is based on GAO products issued in 2009 (including [GAO-09-530R](#) and [GAO-09-620T](#)) and other GAO products issued over the past 11 years—with selected updates in June 2009—and ongoing GAO work regarding the Coast Guard's newest vessel, the National Security Cutter. Also, GAO analyzed budget and mission-performance documents and interviewed Coast Guard officials.

## What GAO Recommends

GAO previously has made recommendations to improve planning and other aspects of the Deepwater program, and DHS is in various stages of implementing them. GAO provided a copy of the information in this statement to DHS and incorporated technical comments as appropriate.

View [GAO-09-810T](#) or key components. For more information, contact Stephen Caldwell at (202) 512-9610 or [caldwells@gao.gov](mailto:caldwells@gao.gov).

## COAST GUARD

### Observations on the Fiscal Year 2010 Budget and Related Performance and Management Challenges

#### What GAO Found

The Coast Guard's fiscal year 2010 budget request totals \$9.7 billion, an increase of 4.2 percent over its fiscal year 2009 enacted budget. Of the total requested, about \$6.6 billion (or 67 percent) is for operating expenses—the primary appropriation account that finances Coast Guard activities, including operating and maintaining multipurpose vessels, aircraft, and shore units. This account, in comparing the 2010 budget request to the 2009 enacted budget, reflects an increase of \$361 million (about 6 percent). The next two largest accounts in the 2010 budget request, at about \$1.4 billion each, are (1) acquisition, construction, and improvements and (2) retired pay—with each representing about 14 percent of the Coast Guard's total request. The retired pay account—with an increase of about \$125 million in the 2010 budget request compared to the 2009 enacted budget—is second only to the operating expenses account in reference to absolute amount increases, but retired pay reflects the highest percentage increase (about 10 percent) of all accounts.

Regarding performance of its 11 statutory missions in fiscal year 2008, the Coast Guard reported that it fully met goals for 5 missions, partially met goals for 3 missions, and did not meet goals for 3 missions. One of the fully met goals involved drug interdiction. Specifically, for cocaine being shipped to the United States via non-commercial means, the Coast Guard reported achieving a removal rate of about 34 percent compared to the goal of at least 28 percent. Search and rescue was a mission with partially met goals. The Coast Guard reported that it met one goal (saving at least 76 percent of people from imminent danger in the maritime environment) but narrowly missed a related goal (saving at least 87 percent of mariners in imminent danger) by achieving a success rate of about 84 percent. For missions with unmet goals, the Coast Guard reported falling substantially short of performance targets for only one mission—defense readiness. The Coast Guard reported meeting designated combat readiness levels 56 percent of the time compared to the goal of 100 percent.

The Coast Guard continues to face several management challenges. For example, GAO reported in June 2009 that although the Coast Guard has taken steps to monitor the progress of the modernization program, development of performance measures remains in the early stages with no time frame specified for completion. Also, as GAO reported in April 2009, although the Coast Guard has assumed the lead role for managing the Deepwater acquisition program, it has not always adhered to procurement processes, and its budget submissions to Congress do not include detailed cost estimates. GAO also reported that the Coast Guard faces challenges in workforce planning, including difficulties in hiring and retaining qualified acquisition personnel. Further, GAO's ongoing work has noted that delays associated with the Coast Guard's newest vessel, the National Security Cutter, are projected to result in the loss of thousands of cutter operational days for conducting missions through 2017. The Coast Guard is working to manage this operational challenge using various mitigation strategies.

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Madam Chair and Members of the Subcommittee:

I am pleased to be here today to discuss the Coast Guard's fiscal year 2010 budget, mission performance, and related management challenges. For many years, we have provided Congress with information and observations on the Coast Guard's budget and related issues. Consistent with this approach, this statement will include information from our prior and ongoing work to help provide perspective as appropriate. As you know, the Coast Guard has grown considerably since 2002 to meet new homeland security missions while continuing to carry out its traditional missions such as marine safety and search and rescue operations. In addition to a substantial budget increase over these years, the Coast Guard has faced a myriad of new management challenges, which we have identified in previous reports.<sup>1</sup>

To help perform its missions, the Coast Guard is currently implementing several important programs, including an effort to modernize its command structure and mission-support processes, while continuing the Deepwater program—the long-term, multibillion-dollar acquisition program to upgrade or replace the service's aging fleet of vessels and aircraft. Given the history of performance and management problems associated with the Deepwater program, such as cost breaches, schedule slips, and design defects, the Coast Guard has initiated several major changes to its acquisition efforts that present a new set of challenges that must be managed effectively.

This statement discusses

- the Coast Guard's budget for fiscal year 2010, and additional funds received under the American Recovery and Reinvestment Act of 2009 (Recovery Act<sup>2</sup>);
- the Coast Guard's mission performance in fiscal year 2008, the most recent year for which statistics are available,<sup>3</sup> and

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<sup>1</sup> See related GAO products at the end of this statement.

<sup>2</sup> Pub. L. No. 111-5, 123 Stat. 115 (2009).

<sup>3</sup> The Coast Guard has responsibilities that fall under two broad mission categories—homeland security and non-homeland security. Within these categories, the Coast Guard's primary activities are further divided into 11 statutory missions, which are listed later in this statement (see table 1).

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- various challenges confronting the Coast Guard in managing its modernization program, workforce planning efforts, and large-scale acquisition projects.

This statement is based in part on our prior work completed over the past 11 years—with selected updates in June 2009—that collectively address a number of the Coast Guard’s programmatic and management initiatives. The scope of our prior work included reviews of program documents, such as the Coast Guard’s Blueprint for Acquisition Reform;<sup>4</sup> analysis of applicable program databases; and interviews with Coast Guard officials at headquarters and field units in domestic and international locations.<sup>5</sup> In assessing the Coast Guard’s budget request for fiscal year 2010, we reviewed the President’s budget request for that year and related Coast Guard documents, including the U.S. Coast Guard Posture Statement, issued in May 2009.<sup>6</sup> The scope of our review did not include evaluating whether the proposed funding levels were appropriate for the Coast Guard’s stated needs. We also reviewed the Coast Guard’s most recent performance report, which presents mission-specific statistics for fiscal year 2008.<sup>7</sup> In identifying and discussing various management challenges confronting the Coast Guard, we focused especially on the information presented in our recently issued products regarding the service’s modernization program and the large-scale Deepwater acquisition program.<sup>8</sup> Also, this statement is based partly on the results of our ongoing work for the Senate and House Appropriations’ Subcommittees on Homeland Security. Our report on this ongoing work—which involves the Coast Guard’s newest vessel, the National Security Cutter—is anticipated to be issued later in the summer of 2009.

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<sup>4</sup> U.S. Coast Guard, *Blueprint for Acquisition Reform* (Version 3.0) (July 14, 2008).

<sup>5</sup> More detailed information on our scope and methodology appears in our prior reports included in the related GAO products listed at the end of the statement. The work to support these reports was conducted in accordance with generally accepted government auditing standards.

<sup>6</sup> U.S. Coast Guard, *U.S. Coast Guard Posture Statement with 2010 Budget in Brief* (May 2009).

<sup>7</sup> U.S. Coast Guard, *Fiscal Year 2008 U.S. Coast Guard Performance Report* (May 2009).

<sup>8</sup> See, for example, GAO, *Coast Guard: Observations on the Genesis and Progress of the Service’s Modernization Program*, [GAO-09-530R](#) (Washington, D.C.: June 24, 2009); *Coast Guard: Update on Deepwater Program Management, Cost, and Acquisition Workforce*, [GAO-09-620T](#) (Washington, D.C.: Apr. 22, 2009); and *Coast Guard: Change in Course Improves Deepwater Management, but Outcome Still Uncertain*, [GAO-08-745](#) (Washington, D.C.: June 24, 2008).

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We conducted the work for this statement from June 2009 to July 2009, as well as our ongoing work, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Summary

For fiscal year 2010, the Coast Guard's budget request totals \$9.7 billion, which is an increase of about \$393 million (or 4.2 percent) over its fiscal year 2009 enacted budget. Of the total \$9.7 billion requested, about \$6.6 billion (or 67 percent) is for operating expenses, which is the primary appropriation account that finances Coast Guard activities, including operating and maintaining multipurpose vessels, aircraft, and shore units. The operating expenses account, in comparing the 2010 budget request to the 2009 enacted budget, represents an increase of \$361 million (or about 6 percent). The next two largest accounts in the fiscal year 2010 budget request, at about \$1.4 billion each, are (1) acquisition, construction, and improvements and (2) retired pay. Each of these accounts represents about 14 percent of the Coast Guard's total budget request for fiscal year 2010. In reference to absolute amount increases, the retired pay account—with an increase of about \$125 million in the fiscal year 2010 budget request compared to the fiscal year 2009 enacted budget—is second only to the \$361 million increase for the operating expenses account. Based on percentage increases, however, the retired pay account reflects the highest percentage increase (about 10 percent) of all accounts.

Regarding mission performance in fiscal year 2008, the most recent year for which statistics are available, the Coast Guard reported that it fully met goals for 5 of its 11 statutory missions, partially met goals for another 3 missions, and did not meet goals for the other 3 missions. One of the fully met goals, for example, involved drug interdiction. Specifically, for cocaine being shipped to the United States via non-commercial means, the Coast Guard reported achieving a removal rate of about 34 percent compared to the goal of at least 28 percent. The other four missions reported as fully meeting goals were ports, waterways, and coastal security; marine environmental protection; other law enforcement;<sup>9</sup> and

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<sup>9</sup> According to the Coast Guard, the other law enforcement mission is more accurately described as foreign fishing vessel law enforcement.

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ice operations. The search and rescue mission was one of the three missions reported as partially meeting goals. For this mission, which has two performance goals, the Coast Guard reported that one goal was met (saving at least 76 percent of people from imminent danger in the maritime environment), but a related goal (saving at least 87 percent of mariners in imminent danger) was narrowly missed, as reflected by a success rate of about 84 percent. The three missions reported as not meeting fiscal year 2008 performance goals were defense readiness, migrant interdiction, and living marine resources. However, for missions with unmet goals, the Coast Guard reported falling substantially short of its performance target for only one mission—defense readiness. For this mission, the goal was for Coast Guard assets to meet designated combat readiness levels 100 percent of the time, but the reported performance was 56 percent. To assess mission performance for fiscal year 2008, the Coast Guard introduced a number of new performance measures and targets. Rather than use a single measure for each of its 11 statutory missions as in prior years, the Coast Guard reported on a total of 21 performance measures. The Coast Guard intended for these changes to better capture the breadth of key mission activities and the results achieved and were informed by collaboration with other federal agencies, including the DHS Office of Program Analysis and Evaluation and us.

The Coast Guard continues to face several management challenges that we have identified in prior work and as part of our ongoing efforts to assess the Coast Guard's workforce planning challenges and operational impacts resulting from acquisition-related delays. For example, the Coast Guard is currently undertaking a major effort—referred to as the modernization program—intended to improve mission execution by updating the service's command structure, support systems, and business practices. In June 2009, we reported that although the Coast Guard has taken several efforts to monitor the progress of the modernization program, development of applicable performance measures remains in the early stages with no time frame specified for completion.<sup>10</sup> Our work has also noted significant challenges that the Coast Guard faces in assessing personnel needs and developing an adequate workforce plan.<sup>11</sup> For

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<sup>10</sup> [GAO-09-530R](#).

<sup>11</sup> See, for example, [GAO-09-620T](#); *Maritime Security: Coast Guard Inspections Identify and Correct Facility Deficiencies, but More Analysis Needed of Program's Staffing, Practices, and Data*, [GAO-08-12](#) (Washington, D.C.: Feb. 14, 2008); and *Maritime Security: Federal Efforts Needed to Address Challenges in Preventing and Responding to Terrorist Attacks on Energy Commodity Tankers*, [GAO-08-141](#) (Washington, D.C.: Dec. 10, 2007).

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example, the Coast Guard has identified continued difficulties in hiring and retaining qualified acquisition personnel—leaving 138 available acquisition positions unfilled as of April 2009. In addition to personnel challenges, the Deepwater acquisition program continues to be a source of several distinct management challenges. For example, while the Coast Guard has assumed lead responsibility for planning, organizing, and integrating the individual assets comprising the Deepwater acquisition program, the Coast Guard has not always adhered to disciplined procurement processes, and its budget submissions to Congress do not include detailed cost estimates. Moreover, the ongoing delays associated with the acquisition of Deepwater assets, such as Fast Response Cutters<sup>12</sup> and National Security Cutters,<sup>13</sup> have resulted in operational impacts, such as the projected loss of thousands of days of availability for the National Security Cutter to conduct missions until 2017. The Coast Guard is working to manage these impacts using various mitigation strategies.

In our previous reports on the Deepwater acquisition program, we have made a number of recommendations to improve the management of the program, and the Coast Guard has implemented or is in the process of implementing the recommendations. We provided a copy of the information in this statement to DHS and the Coast Guard and incorporated technical comments as appropriate.

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## Background

A component of DHS, the Coast Guard is a multimission military service that serves as the principal federal agency responsible for maritime safety, security, and environmental stewardship. In addition to being one of the five Armed Services of the United States, the Coast Guard serves as a law enforcement and regulatory agency with broad domestic authorities. In its most recent Posture Statement, the Coast Guard reported having nearly 49,900 full-time positions—about 42,600 military and 7,300 civilians. In addition, the service reported that it has about 8,100 reservists who

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<sup>12</sup> The 140-foot Fast Response Cutters are intended to replace the 110-foot and 123-foot patrol boats that were acquired between 1986 and 1992. The Fast Response Cutters are to be capable of performing marine safety, living marine resources, and defense readiness missions, among others.

<sup>13</sup> The 418-foot National Security Cutters—referred to as the flagship of the Coast Guard's fleet—are intended to replace the aging 378-foot High Endurance Cutters that have been in service since the 1960s. The National Security Cutters are to be capable of meeting maritime homeland security, law enforcement, and national defense missions—including supporting the mission requirements of joint U.S. combatant commanders.

support the national military strategy or provide additional operational support or surge capacity during times of emergency, such as natural disasters. The Coast Guard also reported that it utilizes the services of approximately 29,000 volunteer auxiliary personnel who conduct a wide array of activities, ranging from search and rescue to boating education. The Coast Guard has responsibilities that fall under two broad mission categories—homeland security and non-homeland security. Within these categories, the Coast Guard’s primary activities are further divided into 11 statutory missions, as shown in table 1.

**Table 1: Coast Guard Homeland Security and Non-Homeland Security Missions**

Statutory missions <sup>a</sup>	Primary activities and functions of each Coast Guard mission
<b>Homeland security missions</b>	
Ports, waterways, and coastal security	<ul style="list-style-type: none"> <li>• Conducting harbor patrols, vulnerability assessments, intelligence gathering and analysis, and other activities to prevent terrorist attacks and minimize the damage from attacks that occur.</li> </ul>
Defense readiness	<ul style="list-style-type: none"> <li>• Participating with the Department of Defense in global military operations.</li> <li>• Deploying cutters and other boats in and around harbors to protect Department of Defense force mobilization operations.</li> </ul>
Migrant interdiction	<ul style="list-style-type: none"> <li>• Deploying cutters and aircraft to reduce the flow of undocumented migrants entering the United States via maritime routes.</li> </ul>
<b>Non-homeland security missions</b>	
Drug interdiction	<ul style="list-style-type: none"> <li>• Deploying cutters and aircraft in high drug-trafficking areas.</li> <li>• Gathering intelligence to reduce the flow of illegal drugs through maritime transit routes.</li> </ul>
Aids to navigation	<ul style="list-style-type: none"> <li>• Managing U.S. waterways and providing a safe, efficient, and navigable marine transportation system.</li> <li>• Maintaining the extensive system of navigation aids; monitoring marine traffic through vessel traffic service centers.</li> </ul>
Search and rescue	<ul style="list-style-type: none"> <li>• Operating multimission stations and a national distress and response communication system.</li> <li>• Conducting search and rescue operations for mariners in distress.</li> </ul>
Living marine resources	<ul style="list-style-type: none"> <li>• Enforcing domestic fishing laws and regulations through inspections and fishery patrols.</li> </ul>

Statutory missions <sup>a</sup>	Primary activities and functions of each Coast Guard mission
Marine safety	<ul style="list-style-type: none"> <li>Setting standards and conducting vessel inspections to better ensure the safety of passengers and crew aboard commercial vessels.</li> <li>Partnering with states and boating safety organizations to reduce recreational boating deaths.</li> </ul>
Marine environmental protection	<ul style="list-style-type: none"> <li>Preventing and responding to marine oil and chemical spills.</li> <li>Preventing the illegal dumping of plastics and garbage in U.S. waters.</li> <li>Preventing biological invasions by aquatic nuisance species.</li> </ul>
Other law enforcement (foreign fish enforcement)	<ul style="list-style-type: none"> <li>Protecting U.S. fishing grounds by ensuring that foreign fishermen do not illegally harvest U.S. fish stocks.</li> </ul>
Ice operations	<ul style="list-style-type: none"> <li>Conducting polar operations to facilitate the movement of critical goods and personnel in support of scientific and national security activity.</li> <li>Conducting domestic icebreaking operations to facilitate year-round commerce.</li> <li>Conducting international ice operations to track icebergs below the 48th north latitude.</li> </ul>

Source: Coast Guard.

<sup>a</sup>The Coast Guard's homeland security and non-homeland security missions are delineated in section 888 of the Homeland Security Act of 2002 (Pub. L. No. 107-296, 116 Stat. 2135, 2249 (2002)). Starting with the fiscal year 2007 budget, however, the Office of Management and Budget designated the Coast Guard's drug interdiction and other law enforcement missions—which were originally homeland security missions—as non-homeland security missions for budgetary purposes.

For each of these 11 missions, the Coast Guard has developed performance measures to communicate agency performance and provide information for the budgeting process to Congress, other policymakers, and taxpayers. Each year, the Coast Guard undergoes a process to assess performance and establish performance targets for the subsequent year. In May 2009, the Coast Guard published its most recent performance report, which presents the service's accomplishments for fiscal year 2008.

To help carry out its missions, the Coast Guard has a large-scale acquisition program, called Deepwater, under way to modernize its fleet.<sup>14</sup>

<sup>14</sup> Our reports and testimonies over the past 11 years have included details on the Deepwater program related to affordability, management, and operations. See, for example, [GAO-09-620T](#); [GAO-08-745](#); *Coast Guard: Observations on the Fiscal Year 2009 Budget, Recent Performance, and Related Challenges*, [GAO-08-494T](#) (Washington, D.C.: Mar. 6, 2008); and *Coast Guard: Challenges Affecting Deepwater Asset Deployment and Management Efforts to Address Them*, [GAO-07-874](#) (Washington, D.C.: June 18, 2007).

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The Deepwater program now includes projects to build or modernize five classes each of vessels and aircraft, as well as to procure other capabilities such as improved command, control, communications, computer, intelligence, surveillance, and reconnaissance systems. To carry out these acquisitions, the Coast Guard awarded a contract in June 2002 to Integrated Coast Guard Systems (ICGS), a joint venture formed by Lockheed Martin Corporation and Northrop Grumman Ship Systems, to serve as a systems integrator. However, in April 2007, the Coast Guard acknowledged it had relied too heavily on contractors. This reliance, among other concerns, contributed to an inability to control costs. As a result, the Coast Guard initiated several major changes to the acquisition approach to Deepwater, the key one being that the Coast Guard would take over the lead role in systems integration from ICGS.

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## Coast Guard Budget Request for Fiscal Year 2010 Is 4.2 Percent Higher than the Previous Year's Enacted Budget, but Long-Term Budget Outlook Remains Uncertain

The Coast Guard's budget request for fiscal year 2010 is \$9.73 billion, which is approximately \$393 million (or 4.2 percent) more than the service's enacted budget for fiscal year 2009 (see table 2).<sup>15</sup> These calculations do not include either the supplemental funding of \$242.5 million that the Coast Guard reported receiving in fiscal year 2009 or the \$240 million provided by the Recovery Act (discussed below). When the supplemental and the Recovery Act funding are taken into account and added to the fiscal year 2009 enacted budget, the calculations reflect a decrease of about 1 percent from fiscal year 2009 to fiscal year 2010.

Of the \$9.73 billion requested for fiscal year 2010, about \$6.6 billion, or approximately 67 percent, is for operating expenses (OE). The OE account is the primary appropriation that finances the Coast Guard's activities, including operating and maintaining multipurpose vessels, aircraft, and shore units. In comparing the 2010 budget request to the 2009 enacted budget, funding for the OE account represents an increase of \$361 million (or about 6 percent). The next two largest accounts in the fiscal year 2010 budget request—each with funding at about \$1.4 billion—are the acquisition, construction, and improvements account (AC&I) and the retired pay account. Collectively, these two accounts represent about 28 percent of the Coast Guard's total budget request for fiscal year 2010. In terms of percentage increases in comparing the 2010 budget request to the

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<sup>15</sup> GAO's analysis of the Coast Guard's budget requests are presented in nominal terms. Supplemental funding received during fiscal year 2009 is not included in the analysis.

2009 enacted budget, the retired pay account reflects the highest percentage increase (about 10 percent) of all accounts.<sup>16</sup>

**Table 2: Comparison of Coast Guard’s Budget Request for Fiscal Year 2010 and the Enacted Budget for Fiscal Year 2009**

Appropriation Account	Enacted budget for FY 2009 (in millions)	Budget request for FY 2010 (in millions)	Difference between FY 2010 budget request and FY 2009 enacted budget	
			Amount (in millions)	Percentage change
Operating expenses	\$6,194.9	\$6,556.2	\$361.3	5.8%
Acquisition, construction, and improvements	1,474.6	1,384.0	-90.6	-6.1
Retired pay	1,236.7	1,361.2	124.5	10.1
Medicare Eligible Retiree Health Care Fund Contribution	257.3	266.0	8.7	3.4
Reserve training	130.5	133.6	3.1	2.4
Research, development, test, and evaluation	18.0	19.7	1.7	9.7
Alteration of bridges	16.0	0.0 <sup>a</sup>	-16.0	-100.0
Environmental compliance	13.0	13.2	0.2	1.5
<b>Total<sup>b</sup></b>	<b>\$9,341.1</b>	<b>\$9,734.0</b>	<b>\$392.9</b>	<b>4.2%</b>

Source: Coast Guard.

Note: The numbers in the table for fiscal year 2009 do not include supplemental funding and Recovery Act funding (discussed below).

<sup>a</sup>As discussed later in this statement, the Coast Guard has plans to use \$142 million in funding received under the Recovery Act to fund bridge alteration projects in four states.

<sup>b</sup>Column totals may not add due to rounding.

According to the Coast Guard, some of the key initiatives for fiscal year 2010 include increasing the number of marine inspectors and investigative officers, and supporting financial management improvements, among others. Furthermore, as a result of the emergence of the U.S. Global Positioning System (a space-based system of satellites) as an aid to navigation, the long-range radio-navigation system known as LORAN-C (a terrestrial-based system operated by the Coast Guard) is expected to be

<sup>16</sup> The retired pay account includes cost-of-living adjustments for all retirement annuities and most survivor annuities as well as entitlement benefits authorized by the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. No. 110-181, 122 Stat. 3 (2008)).

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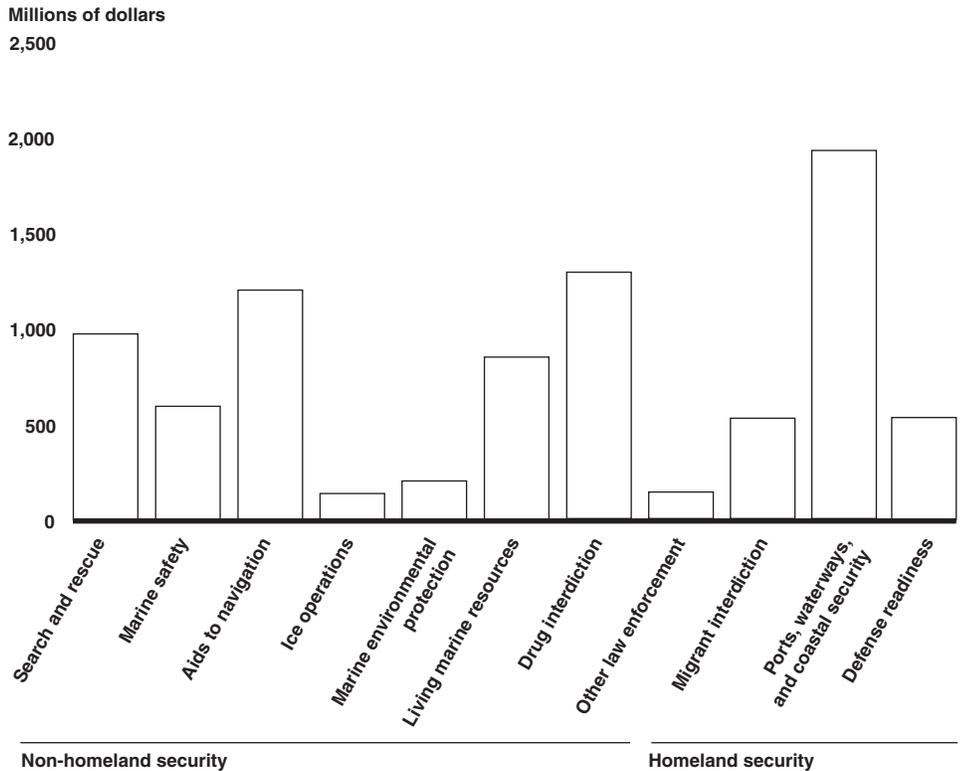
terminated in fiscal year 2010.<sup>17</sup> This termination, according to the Coast Guard, is projected to result in a savings of \$36 million in fiscal year 2010 and additional savings of \$154 million over the following 4 years.

Although the Coast Guard receives funding by appropriation account rather than by individual missions, the Coast Guard provides an estimated comparison of homeland security versus non-homeland security funding as part of its annual budget request. Based on these estimates, the Coast Guard's fiscal year 2010 budget request for homeland security missions represents approximately 36 percent of the service's overall budget, with the non-homeland security funding representing approximately 64 percent. However, as a multimission agency, the Coast Guard notes that it may conduct multiple mission activities simultaneously. For example, a multimission asset conducting a security escort is also monitoring safety within the harbor and could potentially be diverted to conduct a search and rescue case. As a result, it is difficult to accurately detail the level of resources dedicated to each mission. Figure 1 shows the Coast Guard's estimated funding levels for fiscal year 2010 by each statutory mission.

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<sup>17</sup> As an aid to navigation, LORAN-C was originally developed to provide radio-navigation service for U.S. coastal waters and was later expanded to include complete coverage of the continental United States as well as most of Alaska. The President's fiscal year 2010 budget supported the "termination of outdated systems," such as the terrestrial-based LORAN-C operated by the Coast Guard.

**Figure 1: Coast Guard Fiscal Year 2010 Budget Request by Statutory Mission**



Source: GAO analysis of Coast Guard data.

In addition to the Coast Guard's enacted budget for fiscal year 2009, the Coast Guard has received \$240 million of funding under the Recovery Act. According to the Coast Guard, the service's Recovery Act funds are to be allocated as follows:

- \$142 million is to be used to fund bridge alteration projects in four states—the Mobile Bridge in Hurricane, Alabama; the EJ&E Bridge in Devine, Illinois; the Burlington Bridge in Burlington, Iowa; and the Galveston Causeway Railroad Bridge in Galveston, Texas.
- \$88 million in Recovery Act funds is to support shore infrastructure projects—construction of personnel housing, boat moorings, and other improvements—in Alaska, Delaware, North Carolina, Oregon, Virginia, and Washington.

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- \$10 million is to help upgrade or replace worn or obsolete components on the Coast Guard's fleet of 12 High Endurance Cutters. The 40-plus-year-old cutters benefiting from the Recovery Act-funded projects are based in Kodiak, Alaska; Alameda and San Diego, California; Honolulu, Hawaii; Charleston, South Carolina; and Seattle, Washington.

While the Coast Guard's budget has increased considerably since 2003, the long-term budget outlook for the agency is uncertain. From fiscal year 2003 through fiscal year 2009, the Coast Guard's budget increased an average of 5.5 percent per year. However, this administration's current budget projections indicate that the DHS annual budget is expected to remain constant or decrease over the next 10 years. It is important to note that these budget projections are nominal figures, which are not adjusted or normalized for inflation. Thus, if inflationary pressures arise in future years, budgetary resources available to DHS could be further strained. Given the uncertainty of future budgets, it remains important for the Coast Guard to ensure that limited resources are utilized most effectively to successfully manage existing challenges and emerging needs. For example, as we reported in March 2008, affordability of the Deepwater program has been an ongoing concern for many years, and will continue to be a major challenge to the Coast Guard given the other demands upon the agency for both capital and operations spending.<sup>18</sup> The increasing demand for Coast Guard resources in the arctic region also presents an emerging challenge that will need to be balanced against competing priorities. For example, two of the Coast Guard's three polar icebreakers are more than 30 years old and, and in 2008 the Coast Guard estimated that it could cost between \$800 million to \$925 million dollars per ship to procure new replacement ships. Such needs could pose challenges to the Coast Guard in an era of increased budget constraints.

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<sup>18</sup> [GAO-08-494T](#).

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## Coast Guard Reported on Several New Performance Measures for Fiscal Year 2008

Each year, the Coast Guard conducts a process of performance evaluation, improvement planning, and target setting for the upcoming year. According to the Coast Guard, this process helps ensure that the performance measures and associated targets adequately represent desired Coast Guard mission outcomes, are reflective of key drivers and trends, and meet applicable standards for federal performance accounting. In addition, as part of a larger DHS effort, the Coast Guard conducted a more comprehensive evaluation of its performance measures in fiscal year 2008. This evaluation process included input on potential improvements to the Coast Guard's performance measures from the DHS Office of Program Analysis and Evaluation and us.

Consequently, the Coast Guard initiated a number of changes to its performance reporting for fiscal year 2008 to better capture the breadth of key mission activities and the results achieved. Our review of the Coast Guard's performance reporting for fiscal year 2008 indicates that the Coast Guard revised or broadened several existing measures. As a result, the Coast Guard reported on a total of 21 primary performance measures for fiscal year 2008—3 homeland security mission measures and 18 non-homeland security mission measures. This represents a substantial change from previous years, in which the Coast Guard reported on a single performance measure for each of the service's 11 statutory missions (see app. I for a list of the primary performance measures and reported performance results for fiscal years 2004 through 2008). One of the principal changes involved the disaggregation of existing measures into several distinct component measures. For example, in prior years, the marine safety mission was assessed using one primary measure—the 5-year average annual mariner, passenger, and recreational boating deaths and injuries. However, the Coast Guard reported on six different measures for the marine safety mission in fiscal year 2008—annual deaths and injuries for each of three separate categories of individuals (commercial mariners, commercial passengers, and recreational boaters) as well as 5-year averages of each of these three categories.

As indicated in table 3, the Coast Guard reported meeting 15 of its 21 performance targets in fiscal year 2008.

**Table 3: Coast Guard Mission Performance Results for Fiscal Year 2008**

<b>Coast Guard mission</b>	<b>Number of performance measures</b>	<b>Number of performance targets met</b>
<b>Missions meeting 2008 performance targets:</b>		
Ports, waterways, and coastal security	1	1
Drug interdiction	1	1
Marine environmental protection	4	4
Other law enforcement	1	1
Ice operations	1	1
<b>Missions partially meeting 2008 performance targets:</b>		
Aids to navigation	2	1
Search and rescue	2	1
Marine safety	6	5
<b>Missions that did not meet 2008 performance targets:</b>		
Defense readiness	1	0
Migrant interdiction	1	0
Living marine resources	1	0
<b>Total</b>	<b>21</b>	<b>15</b>

Source: GAO analysis of Coast Guard data (see table 4 in app. I).

Also, table 3 shows that the Coast Guard reported meeting all performance targets for 5 of the 11 statutory missions—ports, waterways, and coastal security; drug interdiction; marine environmental protection; other law enforcement; and ice operations.<sup>19</sup> Regarding the drug interdiction mission, for example, the fiscal year goal was to achieve a removal rate of at least 28 percent for cocaine being shipped to the United States via non-commercial means. The Coast Guard reported achieving a removal rate of 34 percent.

For another 3 of the 11 statutory missions—aids to navigation, search and rescue, and marine safety—the Coast Guard reported partially meeting performance targets. For each of these missions, the Coast Guard did not meet at least one performance target among the suite of different measures used to assess mission performance. For example, regarding the search and rescue mission, which has two performance goals, the Coast

<sup>19</sup> According to the Coast Guard, the other law enforcement mission is more accurately described as foreign fishing vessel law enforcement.

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Guard reported that one goal was met (saving at least 76 percent of people from imminent danger in the maritime environment), but the other goal (saving at least 87 percent of mariners in imminent danger) was narrowly missed, as reflected by a success rate of about 84 percent.

For the other 3 statutory missions—defense readiness, migrant interdiction, and living marine resources—the Coast Guard reported that it did not meet fiscal year 2008 performance targets. However, for these missions, the Coast Guard reported falling substantially short of its performance target for only one mission—defense readiness. Although performance for this mission rose slightly—from 51 percent in fiscal year 2007 to 56 percent in fiscal year 2008—the Coast Guard’s goal was to meet designated combat readiness levels 100 percent of the time. However, the Coast Guard remains optimistic that the relevant systems, personnel, and training issues—which are being addressed in part by the Deepwater acquisition program—will result in enhanced capability for all missions, including defense readiness. Yet, the Coast Guard further noted in its annual performance report that it is reviewing the defense readiness metrics to determine what potential changes, if any, need to be made.

In comparison, the Coast Guard met targets for 6 of its 11 statutory missions in fiscal year 2007. The overall reduction in the number of missions meeting performance targets in fiscal year 2008 is largely because of the inability of the Coast Guard to meet its performance target for the migrant interdiction mission. However, this may be attributed, in part, to the new measure used for the migrant interdiction mission for fiscal year 2008.<sup>20</sup> Regarding the three statutory missions whose performance targets were not met, the Coast Guard’s reported performance generally remained steady in fiscal year 2008 compared with previous years, and the Coast Guard was relatively close to meeting its performance targets. For example, for the migrant interdiction and living marine resources missions, the Coast Guard reported achieving over 96 and 98 percent of the respective performance targets.

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<sup>20</sup> Prior to fiscal year 2008, the Coast Guard’s primary outcome measure for this mission also included undocumented migrants who were deterred from using maritime routes to enter the United States. Because of uncertainties involved in estimating the number of deterred potential migrants, the new measure was changed to include only the percentage of undocumented migrants who were actually interdicted.

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## The Ongoing Modernization Program, Workforce Planning Issues, and Large-Scale Acquisitions Present Management Challenges

The Coast Guard faces a number of different management challenges that we have identified in prior work. Highlighted below are four such challenges that the Coast Guard faces as it proceeds with efforts to modernize its organization, address shifting workforce needs, manage the Deepwater acquisition program, and mitigate operational issues caused by delays in the Deepwater program.

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## The Coast Guard Has an Ongoing Modernization Program, but Work Remains to Develop Performance Metrics

The Coast Guard is currently undertaking a major effort—referred to as the modernization program—which is intended to improve mission execution by updating the service’s command structure, support systems, and business practices. The modernization program is specifically focused on transforming or realigning the service’s command structure from a geographically bifurcated structure into a functionally integrated structure—as well as updating mission support systems, such as maintenance, logistics, financial management, human resources, acquisitions, and information technology.

The Coast Guard has several efforts under way or planned for monitoring the progress of the modernization program and identifying needed improvements. For example, the Coast Guard has established timelines that identify the sequencing and target dates for key actions related to the modernization program consistent with project management principles.<sup>21</sup> Our prior work has shown that such action-oriented goals along with associated timelines and milestones are critical to successful organizational transformation efforts and are necessary to track an organization’s progress toward its goals.<sup>22</sup> However, as we reported in June 2009, the Coast Guard’s efforts to develop applicable performance

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<sup>21</sup> Project Management Institute, *A Guide to the Project Management Body of Knowledge, Fourth Edition* (2008).

<sup>22</sup> GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov. 14, 2002); and GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

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measures to evaluate results of the modernization program remain in the early stages.<sup>23</sup> For example, the Coast Guard has begun to identify key internal activities and outputs required for mission execution within the realigned organizational structure. This effort, expected to be completed in summer 2009, is intended as a preliminary step before identifying associated business metrics that can be used to evaluate how the modernization program has impacted the delivery of core services and products. However, Coast Guard officials were still in the process of developing a specific time frame for the estimated completion of this next step. As outlined in the Government Performance and Results Act of 1993<sup>24</sup> and Standards for Internal Control in the Federal Government,<sup>25</sup> performance measures are important to reinforce the connection between long-term strategic goals and the day-to-day activities of management and staff.

In April 2008, to evaluate aspects of the modernization program and identify potential improvements, the Coast Guard engaged the National Academy of Public Administration (NAPA) to conduct a third-party, independent review.<sup>26</sup> After completing its review, NAPA provided a report to the Coast Guard in April 2009.<sup>27</sup> The report recognized that the Coast Guard's planned organizational realignment "makes logical sense" and that the service's leadership "is collectively engaged" to improve mission execution and support-related business processes. NAPA cautioned, however, that the Coast Guard remains in the early stages of its organizational transformation. To help mitigate potential implementation risks and facilitate a successful modernization process, NAPA recommended, among other steps, that the Coast Guard develop a clear quantifiable business case for modernization, measurement tools, and a

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<sup>23</sup> GAO-09-530R.

<sup>24</sup> Pub. L. No. 103-62, 107 Stat. 285 (1993).

<sup>25</sup> See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999). These standards, issued pursuant to the requirements of the Federal Managers' Financial Integrity Act of 1982, provide the overall framework for establishing and maintaining internal control in the federal government.

<sup>26</sup> NAPA is an independent, nonprofit organization chartered by Congress to assist federal, state, and local governments in improving their effectiveness, efficiency, and accountability.

<sup>27</sup> National Academy of Public Administration, *U.S. Coast Guard Modernization Study* (Washington, D.C., April 2009).

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process of metrics assessment to track modernization progress and the effects on mission execution.<sup>28</sup>

Similar to GAO’s findings, NAPA concluded that one of the key challenges faced by the Coast Guard is the development of adequate measures to assess the progress and outcomes of the modernization program. NAPA noted that such measures are important to ensure that the impacts of modernization are aligned with intended objectives and that they provide an opportunity to “course-correct” as necessary. NAPA further noted that the development of appropriate measurement tools will help to provide quantifiable support for the modernization business case and facilitate stakeholder buy-in. After receiving NAPA’s report, the Coast Guard established a new organizational entity—the Coast Guard Enterprise Strategy, Management and Doctrine Oversight Directorate. Among other functions, this directorate is to be responsible for strategic analysis, performance management, and ongoing coordination of change initiatives within the modernization effort and beyond.

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## Workforce Planning Presents Challenges for the Coast Guard

Generally, it has been noted by Congress and supported by our past reviews that the Coast Guard faces significant challenges in assessing personnel needs and providing a workforce to meet the increased tempo of maritime security missions as well as to conduct traditional marine safety missions such as search and rescue, aids to navigation, vessel safety, and domestic ice breaking.<sup>29</sup> Workforce planning challenges are further exacerbated by the increasingly complex and technologically advanced job performance requirements of the Coast Guard’s missions. Workforce planning challenges include managing the assignments of military personnel who are subject to being rotated among billets and multiple missions. As we have previously reported, rotation policies can affect, for example, the Coast Guard’s ability to develop professional expertise in its personnel and to retain qualified personnel as they progress in their careers.<sup>30</sup>

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<sup>28</sup> In discussing the rationale for this recommendation, among other considerations, NAPA cited two GAO reports: GAO, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer*, [GAO-04-432](#) (Washington, D.C.: Mar. 22, 2004), and *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, [GAO-03-155](#) (Washington, D.C.: Nov. 12, 2002).

<sup>29</sup> See, for example, [GAO-08-494T](#), [GAO-08-141](#), and [GAO-08-12](#).

<sup>30</sup> GAO, *Coast Guard: Challenges for Addressing Budget Constraints*, [GAO/RCED-97-110](#) (Washington, D.C.: May 1997).

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In October 2008, the Coast Guard received congressional direction to develop a workforce plan that would identify the staffing levels necessary for active duty and reserve military members, as well as for civilian employees, to carry out all Coast Guard missions. The workforce plan is to include (1) a gap analysis of the mission areas that continue to need resources and the type of personnel necessary to address those needs; (2) a strategy, including funding, milestones, and a timeline for addressing personnel gaps for each category of employee; (3) specific strategies for recruiting individuals for hard-to-fill positions; and (4) any additional authorities and resources necessary to address staffing requirements.<sup>31</sup> In response, the Coast Guard plans to provide Congress with a workforce plan this summer. As part of our ongoing work for the House Transportation and Infrastructure Committee, we plan to review the Coast Guard's workforce plan. The scope of our work includes assessing whether the Coast Guard's workforce plan comports with the parameters set out by DHS guidance<sup>32</sup> and contains the elements that we previously reported as being essential for effective workforce plans.<sup>33</sup> Our scope will also include assessing the Coast Guard's related workforce initiatives,

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<sup>31</sup> The Explanatory Statement (House Appropriations Committee Print on H.R. 2638/Public Law 110-329, Division D, at 646) accompanying DHS's fiscal year 2009 appropriations (Consolidated Security Disaster Assistance, and Continuing Appropriations Act, 2009, Pub. L. No. 110-329, 122 Stat. 3574 (2008)) directed the Coast Guard to follow workforce planning guidance set out in Senate Report 110-396.

<sup>32</sup> Department of Homeland Security, *DHS Workforce Planning Guide* (July 31, 2007).

<sup>33</sup> [GAO-04-39](#). The key principles reflect GAO's review of documents from organizations with governmentwide responsibilities for or expertise in workforce planning models and tools. These organizations include the Office of Personnel Management (OPM), NAPA, and the International Personnel Management Association. Also, see OPM's Human Capital Assessment and Accountability Framework, developed in conjunction with OMB and GAO, which presents consolidated guidance on standards for success and performance indicators that agencies can refer to, including workforce planning indicators.

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such as the Sector Staffing Model<sup>34</sup> and the Officer Specialty Management System.<sup>35</sup>

As an example of its workforce planning challenges, the Coast Guard cites continued difficulties in hiring and retaining qualified acquisition personnel—challenges that pose a risk to the successful execution of the service’s acquisition programs. According to Coast Guard human capital officials, the service has funding for 855 acquisition-program personnel (military and civilian personnel) but has filled 717 of these positions, leaving 16 percent of the positions unfilled, as of April 2009. The Coast Guard has identified some of these unfilled positions as core to the acquisition workforce, such as contracting officers and specialists, program management support staff, and engineering and technical specialists.<sup>36</sup>

In addition, the Coast Guard has begun to address several workforce planning challenges raised by Congress related to its marine safety mission. In November 2008, the Coast Guard published the U.S. Coast Guard Marine Safety Performance Plan FY2009-2014, which is designed to reduce maritime casualties, facilitate commerce, improve program processes and management, and improve human resource capabilities. The Coast Guard recognized that marine safety inspectors and investigators need increased competency to fulfill this mission. The plan sets out specific objectives, goals, and courses of action to improve this competency by building capacity of inspectors and investigators, adding civilian positions, creating centers of expertise specific to marine safety, and expanding opportunities for training in marine safety. As noted, the

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<sup>34</sup> The Sector Staffing Model, chartered in 2007, is designed to (1) quantify shortfalls to justify resource proposals, (2) provide a transparent basis for mission requirement resource allocation, (3) enable senior leadership and program managers to understand resource implications of proposed policy changes and requirements, and (4) help forecast future staffing needs based on projected activity and mission growth. The model was recently beta-tested with a planned deployment later this summer.

<sup>35</sup> The Officer Specialty Management System will replace legacy officer billet codes with a new framework of officer specialties and sub-specialties, along with competency requirements for each. The system is intended to provide a clearer picture of what is required by billets and facilitate better identification of officer corps capabilities. The Officer Specialty Management System is being beta tested this summer, with a planned deployment for summer 2010.

<sup>36</sup> [GAO-09-620T](#).

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challenge for the Coast Guard is to successfully implement this plan, along with the others we have described above.

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### The Coast Guard Has Taken Steps to Become the Deepwater Systems Integrator, but Some Concerns Remain Regarding Procurement Processes and Cost Reporting

In addition to workforce planning challenges, the Coast Guard faces other acquisition-related challenges in managing the Deepwater program. The Coast Guard has taken steps to become the systems integrator for the Deepwater program and, as such, is responsible for planning, organizing, and integrating the individual assets into a system-of-systems to meet the service's requirements.<sup>37</sup> First, the Coast Guard has reduced the scope of work performed by ICGS<sup>38</sup> and has assigned those functions to Coast Guard stakeholders. For example, in March 2009, the Coast Guard issued a task order to ICGS limited to tasks such as data management and quality assurance for assets currently under contract with ICGS. The Coast Guard has no plans to award additional orders to ICGS for systems integrator functions when this task order expires in February 2011. Second, as part of its system integration responsibilities, the Coast Guard has initiated a fundamental reassessment of the capabilities, number, and mix of assets it needs to fulfill its Deepwater missions by undertaking a "fleet mix analysis." The goals of this study include validating mission performance requirements and revisiting the number and mix of all assets that are part of the Deepwater program. According to the Coast Guard, it hopes to complete this study later this summer. Third, at the individual Deepwater asset level, the Coast Guard has improved and begun to apply the disciplined management process found in its Major Systems Acquisition Manual, which requires documentation and approval of acquisition decisions at key points in a program's life-cycle by designated officials at high levels. However, as we reported in April 2009, the Coast Guard did not meet its goal of complete adherence to this process for all Deepwater assets by the second quarter of fiscal year 2009.<sup>39</sup> For example, key acquisition management activities—such as operational requirements documents and test plans—are not in place for assets with contracts

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<sup>37</sup> In 2002, the Coast Guard contracted with Integrated Coast Guard Systems to be the systems integrator for managing the acquisition of Deepwater program assets. After the program experienced a series of failures, the Coast Guard announced in April 2007 that it would take over the lead role.

<sup>38</sup> ICGS—a joint venture formed by Lockheed Martin Corporation and Northrop Grumman Ship Systems—was awarded a contract by the Coast Guard in 2002 to serve as a systems integrator for the Deepwater program.

<sup>39</sup> [GAO-09-620T](#).

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recently awarded or in production, placing the Coast Guard at risk of cost overruns or schedule slippages. In the meantime, as we reported in April 2009, the Coast Guard continues with production of certain assets and award of new contracts in light of what it views as pressing operational needs.

Since the establishment of the \$24.2 billion baseline estimate for the Deepwater program in 2007, the anticipated cost, schedules, and capabilities of many of the Deepwater assets have changed, in part because of the Coast Guard's increased insight into what it is buying. Coast Guard officials stated that the original baseline was intended to establish cost, schedule, and operational requirements as a whole, which were then allocated to the major assets comprising the Deepwater program. As a result, the baseline figure did not reflect a traditional cost estimate, which generally assesses costs at the asset level, but rather the overall anticipated costs as determined by the contractor. However, as the Coast Guard has assumed greater responsibility for management of the Deepwater program, it has begun to improve its understanding of costs by developing its own cost baselines for individual assets using traditional cost estimating procedures and assumptions. As a result of these revised baselines, the Coast Guard has determined that some of the assets it is procuring may cost more than anticipated. As we reported in April 2009, information showed that the total cost of the program may grow by \$2.1 billion. As more baselines for other assets are approved by DHS, further cost growth may become apparent. These cost increases present the Coast Guard with additional challenges involving potential tradeoffs associated with quantity or capability reductions for Deepwater assets. In addition, our April 2009 testimony noted that while the Coast Guard plans to update its annual budget requests with asset-based cost information, the current structure of its budget submission to Congress does not include certain details at the asset level, such as estimates of total costs and total numbers to be procured.

In our previous reports on the Deepwater program, we have made a number of recommendations to improve the Coast Guard's management of the program. The Coast Guard has implemented or is in the process of implementing these recommendations.<sup>40</sup>

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<sup>40</sup> For more details on our previous recommendations and their status, see GAO, *Status of Selected Aspects of the Coast Guard's Deepwater Program*, [GAO-08-270R](#) (Washington, D.C.: Mar. 11, 2009), pages 7-12.

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## Problems in Deepwater Management and Oversight Have Led to Delivery Delays and Other Operational Challenges That the Coast Guard Is Working to Overcome

Other management challenges associated with the Deepwater program have operational or mission performance implications for the Coast Guard. Our prior reports and testimonies have identified problems with management and oversight of the Deepwater program that have led to delivery delays and other operational challenges for certain assets—particularly (1) patrol boats and their anticipated replacements, the Fast Response Cutters and (2) the National Security Cutters. The Coast Guard is working to overcome these issues, as discussed below.

As we reported in June 2008, under the original (2002) Deepwater implementation plan, all 49 of the Coast Guard’s 110-foot patrol boats were to be converted into 123-foot patrol boats with increased capabilities as a bridging strategy until their replacement vessel (the Fast Response Cutter) became operational.<sup>41</sup> Conversion of the first eight 110-foot patrol boats proved unsuccessful, however, and effective November 2006, the Coast Guard decided to remove these vessels from service and accelerate the design and delivery of the replacement Fast Response Cutters. The removal from service of the eight converted patrol boats in 2006 created operational challenges by reducing potential patrol boat availability by 20,000 annual operational hours.<sup>42</sup> For example, fewer patrol boats available on the water may affect the level of deterrence provided as part of homeland security missions and reduce the Coast Guard’s ability to surge during periods of high demand, such as may occur during missions to interdict illegal drugs and undocumented migrants.

To mitigate the loss of these patrol boats and their associated operational hours in the near term, the Coast Guard implemented a number of strategies beginning in fiscal year 2007. For example, the Coast Guard began using the crews from the eight patrol boats removed from service to augment the crews of eight other patrol boats, thereby providing two crews that can alternate time operating each of the eight patrol boats (i.e., double-crewing). According to Coast Guard officials, additional strategies employed by the Coast Guard that are still in use include increasing the operational hours of 87-foot patrol boats and acquiring four new 87-foot

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<sup>41</sup> GAO, *Coast Guard: Strategies for Mitigating the Loss of Patrol Boats Are Achieving Results in the Near Term, but They Come at a Cost and Longer Term Sustainability Is Unknown*, GAO-08-660 (Washington, D.C.: June 23, 2008).

<sup>42</sup> Each of the eight 123-foot patrol boats was expected to provide 2,500 annual operational hours.

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patrol boats, among others.<sup>43</sup> To help fill the longer-term patrol boat operational gap, Coast Guard officials are pursuing the acquisition of a commercially available Fast Response Cutter. The first of these cutters is scheduled to be delivered in early fiscal year 2011, and the Coast Guard intends to acquire a total of 12 by early fiscal year 2013. While the contract is for the design and production of up to 34 cutters, the Coast Guard plans to assess the capabilities of the first 12 Fast Response Cutters before exercising options for additional cutters.

Regarding National Security Cutters, the first vessel (National Security Cutter USCGC Bertholf) was initially projected for delivery in 2006, but slipped to August 2007 after design changes made following the terrorist attacks of September 11, 2001, and was again delayed until May 2008 because of damage to the shipyard caused by Hurricane Katrina. Based on the results of our ongoing review, the USCGC Bertholf will likely be 1 year behind schedule when it is certified as fully operational, scheduled for the fourth quarter of fiscal year 2010.<sup>44</sup> Further, the eighth and final National Security Cutter was to be fully operational in 2016 but is currently projected to be fully operational by the fourth quarter of calendar year 2018. The Coast Guard has not yet acquired the unmanned aircraft and new small boats that are to support the National Security Cutters. The Coast Guard plans to draft operational specifications for the unmanned aircraft in 2010, and to acquire new small boats that are expected to be deployed with the first National Security Cutter by the end of calendar year 2010. After the unmanned aircraft is selected, the Coast Guard must contract for the acquisition and production of the unmanned aircraft, accept delivery of it, and test its capabilities before deploying it with the National Security Cutter—activities that can take several years. Delays in the delivery of the National Security Cutters and the associated support assets are expected to lead to a projected loss of thousands of anticipated cutter operational days for conducting missions through 2017, and may prevent the Coast Guard from employing the full capabilities of the National Security Cutters and the support assets for several years. Given the enhanced capabilities that the Coast Guard believes the National Security Cutters have over existing assets, a loss in operational days could negatively affect the Coast Guard's ability to more effectively conduct missions, such as enforcement of domestic fishing laws, interdiction of

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<sup>43</sup> For a complete list of mitigation strategies, see [GAO-08-660](#).

<sup>44</sup> According to the 2007 delivery schedule, the first National Security Cutter was to be certified as fully operational in calendar year 2009.

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illegal drugs and undocumented migrants, and participation in Department of Defense operations.

To address these potential operational gaps, the Coast Guard has decided to continue to rely on its aging fleet of High Endurance Cutters and to use existing aircraft and small boats to support the National Security Cutters. However, because the High Endurance Cutters are increasingly unreliable, the Coast Guard plans to perform a series of upgrades and maintenance procedures on selected vessels. However, before this work begins, the Coast Guard plans to conduct an analysis on the condition of the High Endurance Cutters and complete a decommissioning schedule. As a result, work on the first selected High Endurance Cutter is not scheduled for completion until 2016. Until the Coast Guard has acquired new unmanned aircraft and small boats, the Coast Guard plans to support the National Security Cutters with the small boats and manned aircraft it currently uses to support the High Endurance Cutter. We will continue to assess this issue as part of our ongoing work and plan to issue a report on the results later this summer.

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Madam Chair and Members of the Subcommittee, this completes my prepared statement. I will be happy to respond to any questions that you or other Members of the Subcommittee may have.

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## GAO Contacts and Staff Acknowledgments

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# Appendix I: Performance Results by Mission, Fiscal Years 2004 through 2008

This appendix provides a detailed list of performance results for the Coast Guard's 11 statutory missions for fiscal years 2004 through 2008 (see table 4).

**Table 4: Coast Guard Performance Results by Mission, Fiscal Year 2004 through Fiscal Year 2008**

Coast Guard mission	Mission performance measures	Performance results					Performance target for 2008
		2004	2005	2006	2007	2008	
<b>Missions meeting 2008 performance targets:</b>							
Ports, waterways, and coastal security	Percentage reduction in maritime terrorism risk over which the Coast Guard has influence	n/a	14%	18%	15%	20%	≥15%
Drug interdiction	Removal rate for cocaine shipped via non-commercial maritime means <sup>a</sup>	30.7%	27.3%	25.3%	32.6%	33.8% <sup>b</sup>	≥28%
Marine environmental protection <sup>c</sup>	5-year average number of oil spills greater than 100 gallons per 100 million short tons shipped	17.2	15.4	13.6	13.9	12.7	≤13.5
	Annual number of oil spills greater than 100 gallons	162	155	165	135	111	≤151
	5-year average number of chemical discharge incidents per 100 million short tons shipped	42.6	32.0	27.9	24.7	19.7	≤26.6
	Annual number of chemical discharge incidents greater than 100 gallons	39	31	45	41	21	50
Other law enforcement (foreign fishing enforcement)	Number of incursions into U.S. exclusive economic zone	247	171	164	119	81	≤195
Ice operations	Number of days critical waterways are closed due to ice	4	0	0	0	0	≤2/8 <sup>d</sup>
<b>Missions partially meeting 2008 performance targets:</b>							
Aids to navigation	5-year average number of collisions, allisions, and groundings <sup>e</sup>	1,928	1,875	1,818	1,856	1,857	≤1,756
	Percentage of availability of federal short-range aids to navigation	97.5%	97.1%	97.0%	97.9%	98.3%	≥97.5%
Search and rescue	Percentage of mariners in imminent danger saved <sup>f</sup>	86.1%	86.0%	85.3%	85.3%	83.6%	≥87%
	Percentage of people saved from imminent danger in the maritime environment	76.7%	77.1%	76.0%	76.6%	76.8%	≥76.0%
Marine safety	5-year average commercial mariner deaths and injuries	483	473	501	526	479	≤501
	Annual commercial mariner deaths and injuries	460	522	616	476	322	≤483

Coast Guard mission	Mission performance measures	Performance results					Performance target for 2008
		2004	2005	2006	2007	2008	
	5-year average commercial passenger deaths and injuries	170	171	216	238	244	≤225
	Annual commercial passenger deaths and injuries	259	188	336	253	185	≤201
	5-year average recreational boating deaths and injuries	4,703	4,502	4,366	4,253	4,070	≤4,252
	Annual recreational boating deaths and injuries <sup>g</sup>	4,081	4,120	4,197	3,224	3,658	≤4,076
<b>Missions that did not meet 2008 performance targets:</b>							
Defense readiness	Percentage of time that Coast Guard assets meet designated combat readiness level <sup>h</sup>	76%	67%	62%	51%	56%	100%
Migrant interdiction	Percentage of interdicted undocumented migrants attempting to enter the United States via maritime routes <sup>i</sup>	n/a	n/a	n/a	65.2%	62.7%	≥65%
Living marine resources	Percentage of fishing vessels observed to be in compliance with federal regulations	96.3%	96.4%	96.6%	96.2%	95.3%	≥97%

Source: GAO analysis of Coast Guard data.

Note: n/a, not available. Performance targets for previous years may have been different than fiscal year 2008 targets.

<sup>a</sup>This performance measure is to be retired for fiscal year 2009. The Coast Guard plans to transition to a new measure: the number of metric tons of cocaine removed.

<sup>b</sup>The cocaine removal rate estimate for fiscal year 2008 is based on the non-commercial maritime cocaine flow to the United States in 2007. Data on the cocaine flow to the United States in 2008 is to be available following the publication of the Interagency Assessment of Cocaine Movement in July 2009.

<sup>c</sup>Results may be subject to change pending receipt of shipping statistics from the Army Corps of Engineers that are used to calculate the normalized 5-year averages. The data are not generally available until the December following the calendar year. In fiscal year 2009, the Coast Guard also plans to introduce a performance measure for oil spill mitigation.

<sup>d</sup>Closure day targets vary according to the relative severity of the winter. The standard is 2 days in an average winter and 8 days in a severe winter.

<sup>e</sup>A collision refers to two moving vessels that strike one another whereas an allision is when a vessel strikes a fixed object, such as a bridge.

<sup>f</sup>This performance measure is to be retired for fiscal year 2009. The Coast Guard has collected data for the new measure—percentage of people saved from imminent danger in the maritime environment—for several years, but has not reported it externally. The new measure includes “lives unaccounted for,” which are those persons still missing when search and rescue operations cease.

<sup>g</sup>2008 data are based on reports submitted by state authorities that require validation. The Coast Guard expects further review of these 2008 reports will reveal a decrease in deaths and an increase in injuries, resulting in a probably net increase in the 2008 figure.

<sup>h</sup>According to the Coast Guard, defense readiness metrics are being reviewed as part of the service’s Mission Performance Plan to determine what potential changes, if any, are necessary.

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Prior to fiscal year 2008, the Coast Guard's primary measure for this mission also included the percentage of undocumented migrants that were deterred from using maritime routes to enter the United States. However, given the uncertainties involved in estimating the deterrence of potential migrants, the Coast Guard chose to limit the measure to undocumented migrants interdicted.

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# Related GAO Products

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*Coast Guard: Observations on the Genesis and Progress of the Service's Modernization Program.* [GAO-09-530R](#). Washington, D.C.: June 24, 2009.

*Coast Guard: Administrative Law Judge Program Contains Elements Designed to Foster Judges' Independence and Mariner Protections Assessed Are Being Followed.* [GAO-09-489](#). Washington, D.C.: June 12, 2009.

*Coast Guard: Update on Deepwater Program Management, Cost, and Acquisition Workforce.* [GAO-09-620T](#). Washington, D.C.: April 22, 2009.

*Coast Guard: Observations on Changes to Management and Oversight of the Deepwater Program.* [GAO-09-462T](#). Washington, D.C.: March 24, 2009.

*Maritime Security: Vessel Tracking Systems Provide Key Information, but the Need for Duplicate Data Should Be Reviewed.* [GAO-09-337](#). Washington, D.C.: March 17, 2009.

*Coast Guard: Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain.* [GAO-08-745](#). Washington, D.C.: June 24, 2008.

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