



Report to the Committee on  
Transportation and Infrastructure, House  
of Representatives

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September 2017

# COAST GUARD

## Workforce Actions Under Way to Address Backlog in Recreational Vessel Documentation

# GAO Highlights

Highlights of [GAO-17-629](#), a report to the Committee on Transportation and Infrastructure, House of Representatives

## Why GAO Did This Study

Vessel documentation—a national form of vessel registration—provides evidence of nationality for international travel and trade, among other things. Certificates of documentation are required for certain commercial vessels and optional for recreational vessels of 5 or more net tons. NVDC commercial officers are funded using commercial user fee collections and may also be funded by appropriations; recreational officers are funded wholly by recreational user fee collections. Since at least 2007, some applications for recreational certificates of documentation have waited in a queue before they could be reviewed (i.e., a backlog). As a result, vessel owners have sometimes waited as long as 4 months to obtain certificates of documentation.

GAO was asked to review NVDC operations related to the backlog. GAO reviewed (1) the factors that contributed to the backlog in processing applications for recreational certificates of documentation, and (2) the extent to which Coast Guard has taken steps to address these factors.

To address these questions, GAO reviewed data on the NVDC recreational application backlog dating back to fiscal year 2007, and financial and staffing data dating back to fiscal year 2004; reviewed NVDC documents; conducted a site visit to observe NVDC's work processes; and interviewed Coast Guard headquarters and NVDC officials.

View [GAO-17-629](#). For more information, contact Jennifer Grover at (202) 512-7141 or [groverj@gao.gov](mailto:groverj@gao.gov).

September 2017

## COAST GUARD

### Workforce Actions Under Way to Address Backlog in Recreational Vessel Documentation

## What GAO Found

The backlog for processing applications for recreational certificates of documentation increased after Coast Guard's National Vessel Documentation Center (NVDC) management modified the application review process in July 2010 by limiting the number of documentation officers available to process recreational applications. Other factors—including a prior reduction to recreational staffing levels in fiscal year 2009 as a result of decreases in recreational fee collections associated with the recession—also contributed to the backlog over time.

- **December 2007 to June 2009**—During the recession, NVDC's recreational fee collections decreased from \$5.5 million in fiscal year 2007 to \$3.6 million in fiscal year 2009.
- **Fiscal year 2009**—In response to decreased recreational fee collections, NDVC officials reduced the number of recreational officers from 27 to 10 to ensure recreational services were fully funded by recreational fee collections, as required by Department of Homeland Security (DHS) appropriations acts.
- **July 2010**—NVDC management implemented a control to ensure there were not more documentation officers reviewing recreational applications at any one time than there were filled recreational officer positions. NVDC did this to ensure full compliance with annual DHS appropriations acts, according to the NVDC director. Given that NVDC had 10 filled recreational officer positions at this time, this decision meant that a relatively small number of officers were available to process recreational applications—increasing the backlog.
- **Fiscal years 2010 through 2014**—NVDC was unable to reduce the backlog because recreational fee collections remained relatively flat and, as a result, NVDC was unable to increase the number of recreational officers to pre-recession levels because, according to Coast Guard officials, doing so might have caused recreational costs to exceed recreational fee collections.
- **November 2014 through June 2017**—NVDC implemented a new fee that resulted in recreational collections doubling between fiscal years 2014 and 2016. Despite this fee increase, NVDC had not restored the number of recreational officers to pre-recession levels as of June 2017 primarily because of concerns about a change to the NVDC fee structure that may result from the Coast Guard Authorization Act of 2015. Specifically, the Act requires Coast Guard to issue a regulation to extend the time recreational certificates are valid from 1 to 5 years. NVDC relies heavily on collections from the annual renewal fee to fund recreational operations, and Coast Guard officials expressed concern about how changes to the renewal period and fee might affect recreational officer staffing levels.

NVDC has filled some vacant recreational documentation officer positions, is using overtime, and plans to restructure its workforce over the long-term to address staffing challenges. Regarding hiring, in June 2017 NVDC filled four vacant recreational documentation officer positions. Additionally, NVDC is using overtime in the short-term to address the backlog and plans to restructure its workforce over the long-term to ensure the appropriate mix of commercial and recreational staff.

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## Abbreviations

DHS	Department of Homeland Security
NVDC	National Vessel Documentation Center

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September 12, 2017

The Honorable Bill Shuster  
Chairman  
The Honorable Peter DeFazio  
Ranking Member  
Committee on Transportation and Infrastructure  
House of Representatives

Vessel documentation—a national form of vessel registration—is one of the oldest functions of U.S. government, dating back to 1789. Documentation provides evidence of nationality for international travel and trade and admits vessels to certain restricted trades, such as coastwise trade and the fisheries. To be eligible for documentation, vessels must measure at least 5 net tons (generally vessels longer than 26 feet) and be owned by a citizen or citizens of the United States. Documentation is required for certain vessels engaging in commercial activities and optional for vessels engaging in recreational activities. Currently, about 228,000 federally documented vessels are used for commercial and recreational purposes.<sup>1</sup>

Owners of recreational vessels may choose to federally document their vessels or to obtain state registration.<sup>2</sup> However, many owners of recreational vessels choose to federally document their vessels in order to secure a “preferred mortgage.” Securing a preferred mortgage, which provides lenders status to recoup debt in case of default, requires that vessels be federally documented.<sup>3</sup> According to officials at the National

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<sup>1</sup>For purposes of this report, we use the term “commercial” to refer to vessels engaged in coastwise or foreign trade, or the fisheries. Documentation is required for vessels engaged in coastwise trade or the fisheries. Coastwise trade involves the transportation of merchandise or passengers between points in the United States or in the exclusive economic zone—an area extending 200 miles out from the U.S. shoreline, and fisheries involves the processing, storing, transporting (except in foreign commerce), planting, cultivating, catching, taking, or harvesting of fish, shellfish, marine animals, pearls, shells, or marine vegetation in the navigable waters of the United States or in the exclusive economic zone. Documentation is optional for vessels engaged in foreign trade. See 46 C.F.R. §§ 67.5, 67.7.

<sup>2</sup>Some states require vessel owners to obtain a title for their vessel as part of the registration process, and some states require federally documented vessels to be registered.

<sup>3</sup>See 46 U.S.C. §§ 31301-31330.

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Marine Lenders Association, most lenders only offer such a mortgage for vessels eligible for documentation.<sup>4</sup> Owners of recreational vessels may also choose to federally document their vessels because it provides them with protections under the U.S. flag when travelling internationally.

The Department of Homeland Security's U.S. Coast Guard (Coast Guard)—and specifically, the Coast Guard's National Vessel Documentation Center (NVDC) located in Falling Waters, West Virginia—is responsible for reviewing and processing applications for federal vessel documentation. Since 2011, NVDC has experienced an increase in the time some applications for recreational certificates of documentation wait in a queue to be reviewed (i.e., a backlog). During this time, owners of recreational vessels have had to wait up to 4 months to obtain certificates of documentation. You asked us to review NVDC operations related to this backlog. We examined

1. the factors that contributed to the backlog in processing applications for recreational certificates of documentation, and
2. the extent to which Coast Guard has taken steps to address these factors.

To determine what factors contributed to the backlog, we collected and reviewed the following data: (1) length of time applications for recreational certificates of documentation wait in a queue prior to review,<sup>5</sup> (2) recreational fee collections and operational costs, and (3) number of recreational staff that review applications. To estimate the extent of the backlog, which may change daily as applications are reviewed and new ones received, we reviewed selected time-in-queue data from fiscal year 2007 through June 2017 (the earliest full fiscal year and most current month for which data were available). We analyzed fee collection and cost data from fiscal years 2004 through 2016 (the most recent year for which data were available), and staffing data from fiscal year 2004 through June 2017 (the most current month for which data were available). We analyzed fee, cost, and staffing data dating back to 2004

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<sup>4</sup>The National Marine Lenders Association educates lenders in marine financing and promotes the extension of credit to consumers, among other things.

<sup>5</sup>For purposes of this report, we measure the length of time applications wait in a queue to be reviewed in business days from the date when NVDC receives applications to the date staff begin reviewing applications. According to an NVDC analysis, it takes NVDC staff an average of 40 to 50 minutes to review most applications associated with the backlog once removed from the queue.

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to help us identify possible relationships between the 2008 recession, NVDC’s recreational fee collections and operational costs, number of staff, and the backlog.<sup>6</sup> We assessed the reliability of these data by reviewing available documentation and interviewing knowledgeable officials and found the data were sufficiently reliable to demonstrate trends in backlog times, fee collections, costs, and staffing levels. We also conducted a site visit to the NVDC in October 2016 where we observed NVDC’s work processes and interviewed Coast Guard Information Technology and NVDC officials to obtain information related to NVDC operations and factors that might have contributed to the backlog in processing applications for recreational certificates of documentation.

To determine the extent to which Coast Guard has taken steps to address the factors that contributed to the backlog, we reviewed key documents, including, among others, a regulation that added a new fee in 2014, documents related to relevant hiring actions, a Coast Guard-sponsored analysis of staffing needs completed in 2016, and a report on the use of overtime. We also interviewed Coast Guard headquarters and NVDC officials to obtain information related to fee collections, staffing, and regulatory actions, among other things.

We conducted this performance audit from June 2016 through September 2017 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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## Background

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### National Vessel Documentation Center Services and Processes

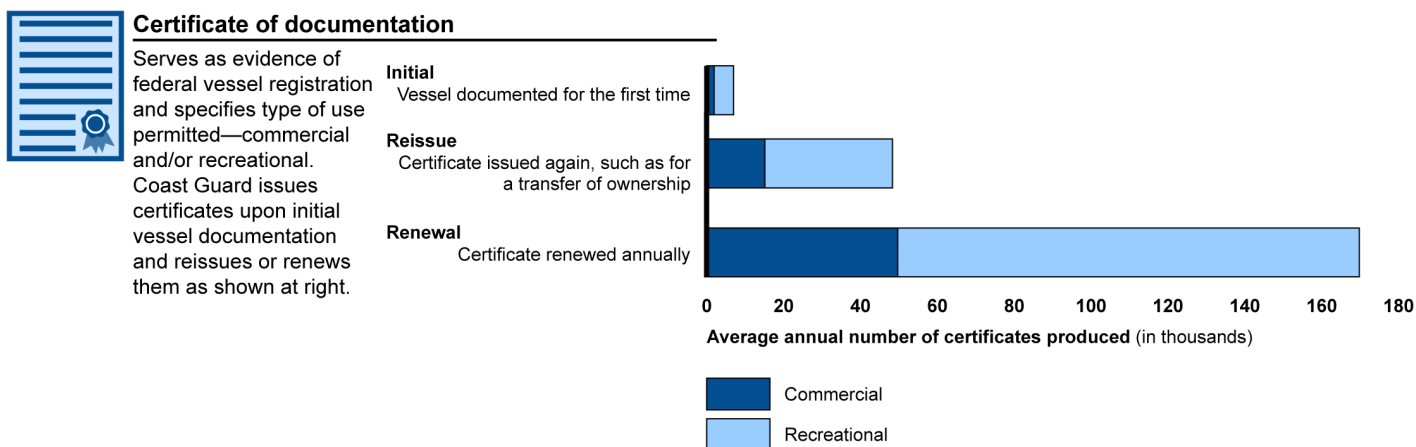
The two primary functions of the NVDC are to manage U.S. vessel documentation and, upon request, to provide third parties, such as lenders, with notice of the existence of mortgages and liens on federally documented vessels. To manage U.S. vessel documentation, among

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<sup>6</sup>According to the U.S. National Bureau of Economic Research, the recession, as experienced in the United States, began in December 2007 and ended in June 2009. In this report, we refer to this as the “2008 recession.”

other things, NVDC processes applications for certificates of documentation (hereafter “certificates”) and issues about 225,000 certificates each year, as shown in figure 1 below.<sup>7</sup>

**Figure 1: Certificate of Vessel Documentation Definition and Average Number of Certificates Produced Annually by Type of Certificate (Fiscal Years 2013 through 2016)**



Source: GAO analysis of National Vessel Documentation Center data and information; Art Explosion (clip art). | GAO-17-629

To provide third parties with notice of existing mortgages and liens on federally documented vessels, NVDC maintains vessel ownership history on abstracts of title specific to each documented vessel and provides this information to lenders or other interested parties upon request.<sup>8</sup>

Applications for initial and reissue certificates take longer to process than applications for renewal certificates and abstracts of title because they require more in-depth review. Processing applications for certificate renewals and abstracts of title is largely automated and usually does not require evaluation by NVDC staff. In contrast, application processing for initial and reissue certificates—which often include accompanying documentation (e.g., bills of sale and mortgages)—requires evaluation by specially-trained documentation officers. Applications for all services may be submitted by mail, fax, or PDF attachment to email; and applications

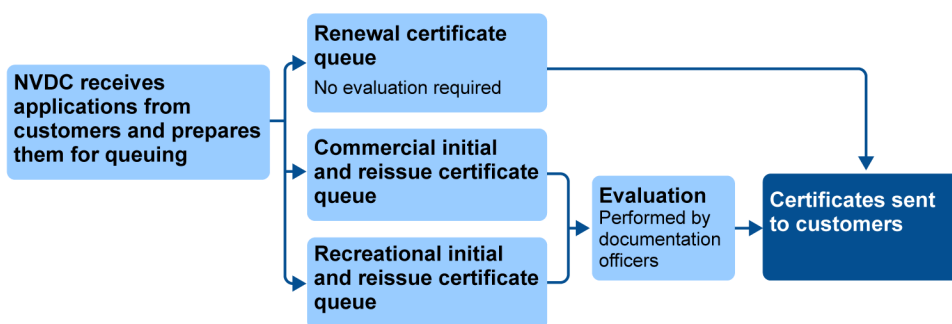
<sup>7</sup>NVDC also provides other vessel documentation services, but we focus on certificates of documentation in this report.

<sup>8</sup>An abstract of title is a document kept on file at NVDC that shows vessel ownership history—including owner names, mortgages, claims of lien, and other instruments.



for certificate renewals and abstracts of title may also be submitted online (through pay.gov). Upon receipt, NVDC personnel electronically scan hard-copy applications and supporting documents (if needed) and assign work items to various queues where they are processed on a first-in, first-out basis, as shown in figure 2 below.

**Figure 2: National Vessel Documentation Center (NVDC) Certificate of Documentation Application Process**



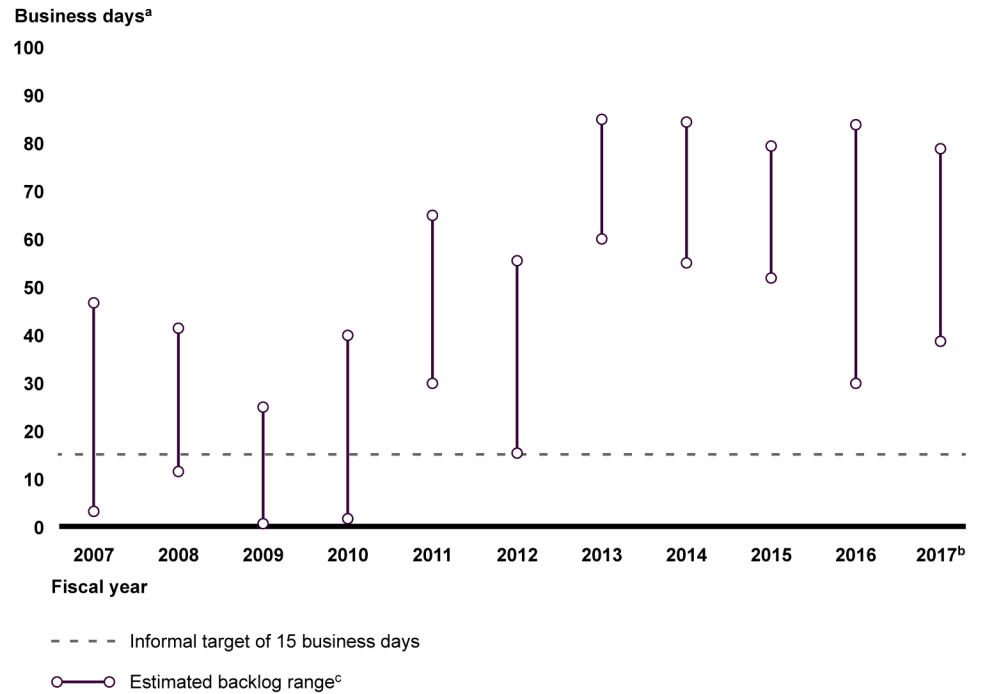
Source: GAO analysis of NVDC processes. | GAO-17-629

## Backlog in Processing Applications for Recreational Initial and Reissue Certificates

NVDC has experienced an increase in the time applications for recreational initial and reissue certificates wait in the queue to be reviewed—i.e., a backlog—since 2011. NVDC officials said NVDC has an informal goal of reviewing applications for recreational initial and reissue certificates within 15 business days or less from the date of receipt, but data show that NVDC has not been able to meet its informal goal since July 2010. Figure 3 below shows the approximate extent of the backlog since fiscal year 2007, with estimated times in the queue for recreational initial and reissue certificates ranging between 1 and 25 business days in fiscal year 2009 and between 60 and 85 business days in fiscal year 2013.<sup>9</sup>

<sup>9</sup>The backlog range approximates the minimum and maximum during a given fiscal year, based on data provided by NVDC. Specifically, on Friday of each week, NVDC determined the difference in business days between the date of receipt and the date of processing for the next application in the queue to be processed. We obtained this data from NVDC for the last Friday of each month (except for June 2017 where it was the first Friday of the month). NVDC provided separate numbers (business days) for initial and reissue applications. However, the numbers were often the same and were never more than 7 days apart—except for a 7 month stretch spanning fiscal years 2007 and 2008—so we combined the presentation of initial and reissue applications and, where numbers differed, we used the lowest number (for the minimum) and the highest number (for the maximum).

**Figure 3: National Vessel Documentation Center (NVDC) Estimated Backlog for Processing Applications for Recreational Initial and Reissue Certificates of Documentation (Fiscal Years 2007 through 2017)**



Source: GAO analysis of NVDC data. | GAO-17-629

<sup>a</sup>Business days reflect the number of work days between the date when NVDC receives applications and the date when staff begin reviewing applications. According to an NVDC analysis, it takes NVDC staff an average of 40 to 50 minutes to review most applications associated with the backlog once removed from the queue.

<sup>b</sup>Only partial-year data is available for fiscal year 2017 (October through June). According to NVDC officials, the busiest time of year is May through October.

<sup>c</sup>The backlog range approximates the minimum and maximum during a given fiscal year, based on data provided by NVDC. Specifically, on Friday of each week, NVDC determined the difference in business days between the date of receipt and the date of processing for the next application in the queue to be processed. We obtained this data from NVDC for the last Friday of each month (except for June 2017 where it was the first Friday of the month). NVDC provided separate numbers (business days) for initial and reissue applications. However, the numbers were often the same and were never more than 7 days apart—except for a 7 month stretch spanning fiscal years 2007 and 2008—so we combined the presentation of initial and reissue applications and, where numbers differed, we used the lowest number (for the minimum) and the highest number (for the maximum).

Our report specifically focuses on applications for recreational initial and reissue certificates, since this is where the backlog occurs. Thus, for purposes of our report, we refer to applications for recreational initial and reissue certificates simply as “applications.”

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## NVDC Funding and Implications for NVDC Staffing

NVDC charges vessel owners with user fees that are intended to recover the costs for the documentation services NVDC provides.<sup>10</sup> Federal policy generally requires that user fee collections recover the full cost of providing services.<sup>11</sup> Additionally, annual DHS appropriations acts have prohibited the use of appropriations for services associated with recreational vessels, except to the extent that user fee collections are credited to the appropriation.<sup>12</sup> Although NVDC's user fees are set at the same dollar amounts for services associated with both commercial and recreational vessels, collections are reported separately. This allows NVDC to ensure that recreational collections recover the full cost of providing services to recreational vessel owners. NVDC cannot carryover user fee collections from year-to-year—thus, any user fee collections in excess of costs are deposited to the Treasury.

As of June 2017, NVDC had 95 authorized positions, including 45 “commercial” positions and 50 “recreational” positions. Positions at NVDC are classified as either commercial or recreational, depending on their source of funding. Specifically, funding for commercial positions comes from commercial user fees and may also come from appropriations. Based on the provision in the annual DHS appropriations acts, however, funding for recreational positions must come solely from recreational user fees. Coast Guard considers positions that are required to be fully funded by user fees—including NVDC's recreational positions—to be “reimbursable” positions. Coast Guard policy specifies that reimbursable positions are, by default, temporary. However, Coast Guard units such as NVDC may request—via a waiver—that Coast Guard headquarters approve hiring staff into reimbursable positions on a permanent basis.

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<sup>10</sup>For instance, NVDC charges separate fees for processing applications for initial certificates, reissue certificates, renewal certificates and abstracts of title, among other things. Fees for processing initial and reissue applications are higher than fees for processing renewal applications or abstracts of title.

<sup>11</sup>See Office of Management and Budget Circular No. A-25 Revised. Per the circular, “full cost” includes all direct and indirect costs to the government.

<sup>12</sup>See, e.g., Pub. L. No. 114-113, 129 Stat. 2242, 2500 (2015). DHS appropriations acts for fiscal years 2015 through 2017 also included a provision stating that to the extent fees are insufficient to pay expenses of recreational vessel documentation and there is a backlog of recreational vessel applications, then personnel performing non-recreational vessel documentation functions may perform recreational documentation.

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## Backlog Increased in 2011 after 2010 Staffing Changes and Fee Collection Decreases Associated with the 2008 Recession

The backlog in the queue for processing applications for recreational certificates increased in 2011 after NVDC management modified the application review process by limiting the number of documentation officers available to review recreational applications, based on the number of filled recreational officer positions. However, other factors—including changes to recreational staffing levels as a result of decreases in recreational fee collections associated with the 2008 recession—also contributed to the growth of the backlog.<sup>13</sup> According to NVDC officials, prior to July 2010, NVDC’s practice was to have both commercial and recreational documentation officers review applications on a first-in, first-out basis, without regard to whether applications were for commercial or recreational vessels. Officials said this approach led to commercial documentation officers reviewing a large number of recreational applications because (1) about 70 percent of applications were for recreational vessels, and (2) the number of recreational documentation officers had been reduced in fiscal year 2009 from 27 to 10 staff. NVDC officials said they reduced the number of recreational staff to ensure recreational costs would not exceed recreational collections, as legally required. They said a reduction of recreational staff was necessary since recreational fee collections had begun decreasing with the onset of the 2008 recession—ultimately decreasing from \$5.5 million collected in fiscal year 2007 to \$3.6 million in fiscal year 2009.<sup>14</sup>

In July 2010, NVDC management decided to adjust the recreational application review process by implementing a control to ensure that there were never more documentation officers reviewing recreational applications at any one time than there were filled recreational documentation officer positions, according to the director of NVDC.<sup>15</sup> The director said NVDC made this change to ensure it was fully complying with annual DHS appropriations acts—which require that services for

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<sup>13</sup>NVDC had a backlog in the queue for processing recreational initial and reissue certificates dating back to at least fiscal year 2007. The current NVDC director reported that factors that contributed to the backlog from fiscal years 2007 through 2009 could not be identified.

<sup>14</sup>A Coast Guard official familiar with NVDC’s fee structure confirmed that during this time NVDC was heavily dependent on fee collections associated with initial and reissue applications. This official agreed that these applications are often, but not always, submitted in connection with recreational vessel sales.

<sup>15</sup>NVDC management’s policy is that commercial and recreational documentation officers process both types of applications, over time, to provide variety and maintain staff skills.

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owners of recreational vessels be fully-funded from recreational fee collections.<sup>16</sup> Given that NVDC reduced the number of filled recreational officer positions from 27 to 10, the July 2010 decision meant that a relatively small number of documentation officers were available to review recreational applications. After this change, the existing backlog in the queue for processing applications increased.<sup>17</sup> Figure 4 below shows factors that contributed to the growth of the backlog after 2010.

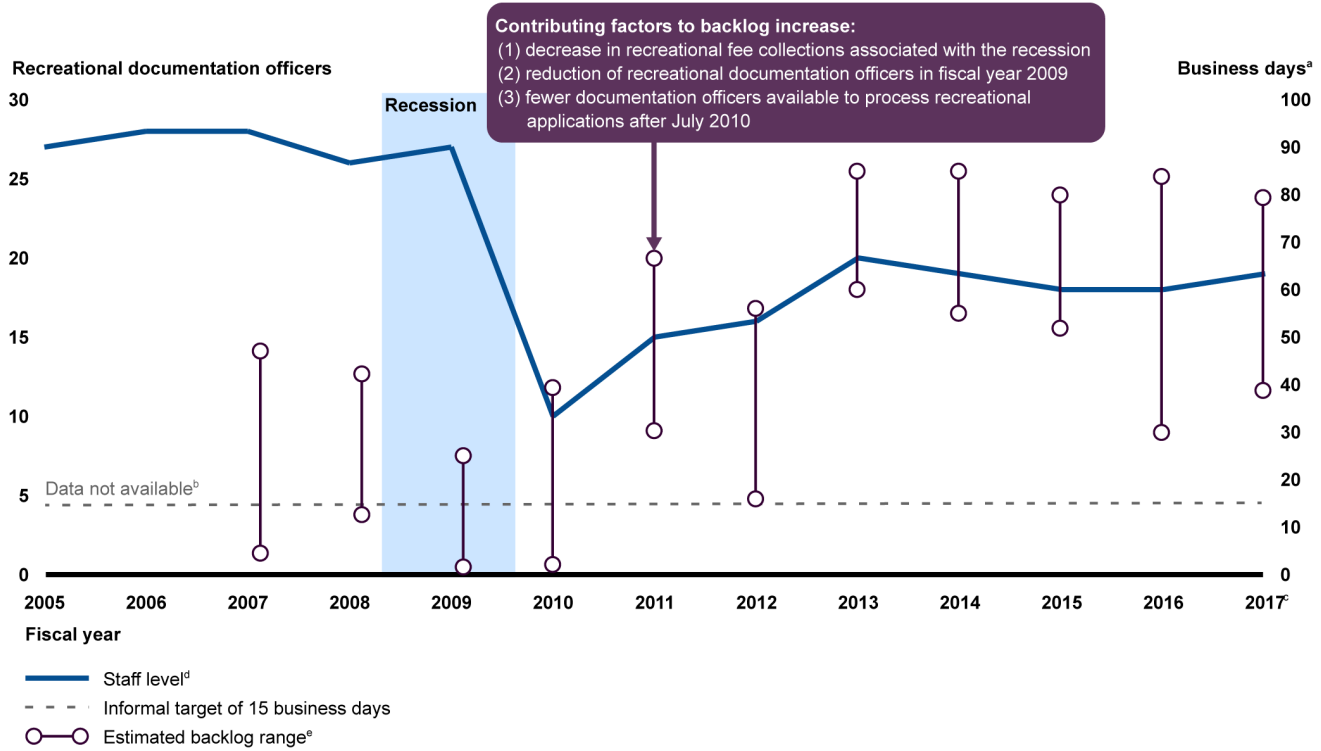
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<sup>16</sup>See, e.g., Pub. L. No. 114-113, 129 Stat. 2242, 2500 (2015).

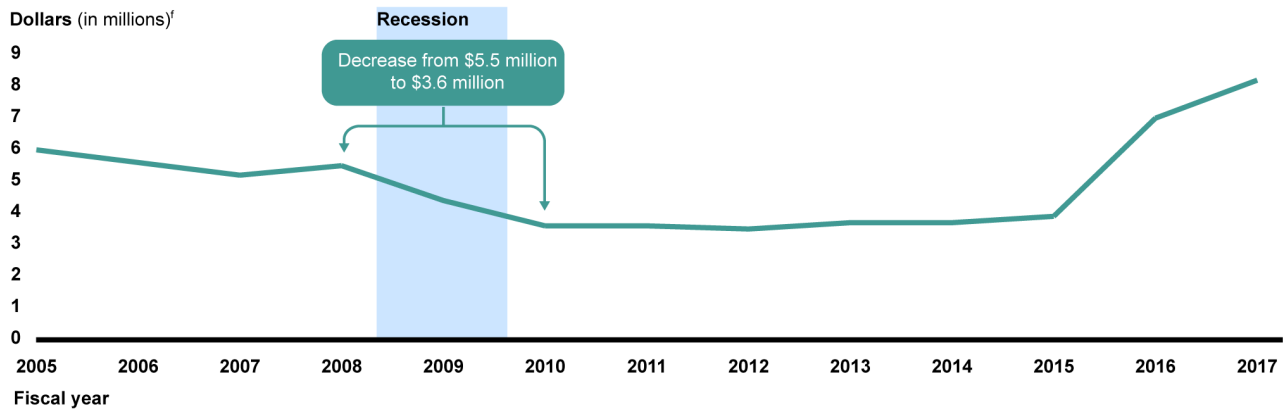
<sup>17</sup>The number of applications in the queue fluctuates significantly. For instance, in fiscal year 2012 the number of applications in the queue ranged from about 1,700 in January to about 5,500 in September, and in fiscal year 2015 the number of applications in the queue ranged from about 6,300 in March to about 12,300 in July.

**Figure 4: Timeline Showing Factors that Contributed to the Increase of the Backlog for Processing Applications for Recreational Initial and Reissue Certificates of Documentation in 2011, and the Estimated Backlog (Fiscal Years 2005 through 2017)**

**Recreational documentation officers and backlog**



**Recreational fee collections**



Source: GAO analysis of National Vessel Documentation Center data and information. | GAO-17-629

<sup>a</sup>Business days reflect the number of work days between the date when NVDC receives applications and the date when staff begin reviewing applications. According to an NVDC analysis, it takes NVDC

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staff an average of 40 to 50 minutes to review most applications associated with the backlog once removed from the queue.

<sup>b</sup>NVDC provided time-in-queue data beginning in fiscal year 2007, the first full fiscal year for which data were available.

<sup>c</sup>Only partial data is available for fiscal year 2017 (October through June). According to NVDC officials, the busiest time of year is May through October.

<sup>d</sup>Staff levels reflect the number of staff at the end of the previous fiscal year.

<sup>e</sup>The backlog range approximates the minimum and maximum during a given fiscal year, based on data provided by NVDC. Specifically, on Friday of each week, NVDC determined the difference in business days between the date of receipt and the date of processing for the next application in the queue to be processed. We obtained this data from NVDC for the last Friday of each month (except for June 2017 where it was the first Friday of the month). NVDC provided separate numbers (business days) for initial and reissue applications. However, the numbers were often the same and were never more than 7 days apart—except for a 7 month stretch spanning fiscal years 2007 and 2008—so we combined the presentation of initial and reissue applications and, where numbers differed, we used the lowest number (for the minimum) and the highest number (for the maximum).

<sup>f</sup>Dollars (in millions) represent fee collections at the end of the previous fiscal year.

Figure 4 also shows that fee collections remained relatively flat from fiscal year 2010 through the end of fiscal year 2014. As a result, NVDC was unable to restore the number of recreational documentation officers to pre-recession levels during this time because, according to Coast Guard officials, doing so might have caused recreational costs to exceed recreational fee collections. Furthermore, without these additional recreational documentation officers or sufficient fee collections to support the use of overtime, NVDC was unable to reduce the backlog.

In November 2014, NVDC implemented a new annual certificate renewal application fee that resulted in fee collections doubling from about \$4 million in fiscal year 2014 to about \$8 million in fiscal year 2016.<sup>18</sup> However, despite this increase, as of June 2017, NVDC had not restored the number of recreational documentation officers to pre-recession levels. Coast Guard headquarters and NVDC officials cited, among other things, concerns about a change to the NVDC fee structure that may result from the Coast Guard Authorization Act of 2015. Specifically, the Act requires the Secretary of Homeland Security to issue a regulation to extend the

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<sup>18</sup>Due to collections from this renewal fee, NVDC generated surpluses in recreational revenue of \$3 million and \$3.8 million in fiscal years 2015 and 2016, respectively. Since March 2015, DHS appropriations acts have stipulated that if recreational fee collections are insufficient to pay costs associated with recreational vessel documentation, and there is a backlog of recreational applications, then commercial documentation officers may help process recreational applications. However, NVDC and Coast Guard headquarters officials said that due to the implementation of the renewal fee in November 2014, NVDC has had sufficient recreational fee collections and so this stipulation has not been applicable.

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time recreational certificates are valid from 1 to 5 years.<sup>19</sup> NVDC relies heavily on recreational fee collections from the current annual certificate renewal fee to fund recreational operations, and Coast Guard headquarters officials reported concerns that any change in this fee amount or the timing of collections as a result of implementing this law could affect recreational staffing levels. As of June 2017, the regulation required to implement this mandate had not been fully developed within the Coast Guard or gone through the rulemaking process, so the mandated requirement to make recreational certificates valid for 5 years has not been implemented.<sup>20</sup>

Coast Guard officials continue to be concerned about the adequacy of future recreational fee collections. In order to alleviate concerns about the new renewal fee that may result from the Coast Guard Authorization Act of 2015, NVDC provided Coast Guard headquarters with estimated recreational fee collections in future years in May 2017. These projections are based on a joint NVDC/Coast Guard headquarters draft fee study that includes a proposed dollar amount for a 5-year renewal fee and a phased approach for implementation. According to the estimated projections provided by NVDC, the results show that the proposed fee change and

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<sup>19</sup>Pub. L. No. 114-120, § 311, 130 Stat. 27, 57-58.

<sup>20</sup>According to NVDC and Coast Guard headquarters officials, they are in the process of developing this regulation, which will include a 5-year certificate renewal fee instead of a 1-year fee. Coast Guard officials did not provide an estimated timeframe for when the regulation will take effect but said the process can take several years. By comparison, Coast Guard identified the need for the last similar regulation in September 2008, issued a notice of proposed rulemaking in March 2013, and issued the final rule in August 2014, effective in November 2014. See 78 Fed. Reg. 14,053 (March 4, 2013); 79 Fed. Reg. 47,015 (Aug. 12, 2014).



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extending the renewal period from 1 to 5 years using a phased approach will allow adequate annual recreational fee collections in future years.<sup>21</sup>

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<sup>21</sup>Legislation was introduced in May 2017 in both the House and the Senate that could have implications for future recreational fee collections. Specifically, H.R. 2518, as approved by the House Committee on Transportation and Infrastructure, includes language that would require recreational certificates to be valid for 5 years before renewal. This draft legislation also provides that fees for issuance or renewal of recreational certificates must be equivalent to similar fees for commercial certificates with fishery endorsements. If this were to be enacted, NVDC's annual \$26 renewal fee—which currently applies to both commercial and recreational certificates—would remain in place but would be assessed once every 5 years for recreational certificates. Further, the bill provides that the collected fees may remain available until expended. The bill also includes a provision that would codify language included in recent appropriations acts authorizing staff performing nonrecreational vessel documentation to perform recreational vessel documentation in certain circumstances. H.R. 2518, 115<sup>th</sup> Cong. §§ 409, 410 (2017). S.1129, as approved by the Senate Committee on Commerce, Science, and Transportation, includes language that would authorize Coast Guard to issue certificates valid for 1, 2, 3, 4, or 5 years, implementing a phased in issuance approach, with a prorated user fee of \$26 per year that the issuance is valid. It would also provide that fees collected for the issuance of certificates of documentation would be available until expended. S. 1129, 115<sup>th</sup> Cong. § 312 (2017).

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## NVDC Has Actions Under Way to Address the Backlog and Broader Workforce Challenges

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### NVDC Has Filled Some Vacant Recreational Documentation Officer Positions and Plans to Fill More

NVDC filled four of its nine vacant recreational documentation officer positions with permanent employees in June 2017.<sup>22</sup> NVDC also submitted a request to Coast Guard headquarters in May 2017 for approval to fill three of the remaining five vacant positions with permanent employees. However, Coast Guard headquarters did not approve this request due to concerns about the adequacy of future recreational fee collections, as described above. Lastly, NVDC officials said that given other hiring needs, they do not plan to submit a similar request to Coast Guard headquarters for the last two of the remaining five vacant positions until fiscal year 2018.<sup>23</sup>

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<sup>22</sup>NVDC management has chosen to seek approval to hire permanent employees into recreational documentation officer positions as a matter of practice for all vacant recreational documentation officer positions since, according to officials, hiring temporary employees into these positions is not an efficient use of resources. Specifically, officials said it takes 2 years or longer to train recreational documentation officers before they can work autonomously, and temporary positions cannot be converted into permanent positions after initial hiring. Office of Personnel Management regulations only allow conversions of personnel hired under a temporary appointment to a permanent appointment in specific cases. According to Coast Guard officials, personnel hired to fill NVDC's reimbursable positions generally would not meet those conditions. 5 C.F.R. Part 316, Subpart D.

<sup>23</sup>Regarding other hiring needs, NVDC officials stated in April 2017 that NVDC had a total of 21 vacant positions (both commercial and recreational) they were attempting to fill—most of which are not recreational documentation officer positions. Coast Guard headquarters and NVDC officials said they do not have plans to pursue hiring contractors or reemployed annuitants to help process recreational certificates, but may be open to doing so if they are unable to fill vacant recreational documentation officer positions with federal civilian employees.

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## NVDC Is Using Overtime in the Short-term to Address the Backlog

NVDC used overtime in 2016 and continues to use it in 2017 as a temporary solution to reduce the backlog. According to the NVDC Director, NVDC began using overtime in February 2016 and had reduced the backlog from about 80 business days to about 30 business days by May 2016.<sup>24</sup> According to backlog data from NVDC, after this reduction the backlog steadily grew to about 80 business days as of December 2016. NVDC officials said this growth was due to (1) a surge in demand in the late spring and early summer months, (2) the departure of three recreational documentation officers, and (3) stopping the use of overtime in September 2016. NVDC officials said they implemented overtime again in February 2017 and had reduced the backlog to about 40 business days as of the first Friday in June 2017.

NVDC officials said they plan to continue using overtime as long as sufficient fees are collected and the backlog is longer than NVDC's informal goal of reviewing applications within 15 business days of receipt. Based on annual surpluses of recreational fee collections since 2014, NVDC can pay for any overtime as needed.<sup>25</sup> Nevertheless, NVDC officials acknowledge that seasonal surges in demand, staff vacation time, and staff burnout limit the effectiveness of overtime as a long-term solution to manage the backlog.

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## NVDC Plans to Restructure Its Workforce over the Long-Term

As a result of the recreational application backlog, the Coast Guard Deputy Commandant for Operations directed that an independent study be completed to determine the optimum workforce structure to support NVDC across both commercial and recreational operations. According to NVDC and Coast Guard headquarters officials, the study—completed by a contractor in September 2016—confirmed that the overall number of positions NVDC has authorized was sufficient to meet total workload demands across both commercial and recreational operations. As of June 2017, NVDC had 72 of 95 authorized positions filled, according to the

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<sup>24</sup>As discussed previously, business days reflect the number of work days between the date when NVDC receives applications and the date when staff begin reviewing applications. According to an NVDC analysis, it takes NVDC staff an average of 40 to 50 minutes to review most applications associated with the backlog once removed from the queue.

<sup>25</sup>As noted previously, NVDC is required to deposit surplus fee collections to the Treasury at the end of each fiscal year. Thus, only surpluses during the current fiscal year can be used to fund overtime.

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director of NVDC. The study found that to meet workload demands, NVDC needed between 81 and 111 positions filled.<sup>26</sup>

The study also estimated the breakdown of work performed associated with individual commercial and recreational tasks, information that can be used to inform staffing allocation decisions. As of June 2017, of all positions filled at NVDC, 51 percent were filled with commercial staff and 49 percent were filled with recreational staff.<sup>27</sup> NVDC and Coast Guard headquarters officials stated that it has always been their intention to bring the ratio of NVDC commercial and recreational staff in alignment with commercial and recreational workload. Based on data associated with individual tasks in the study, we found that, overall, about 32 percent of the work NVDC performed was associated with commercial vessels and 68 percent with recreational vessels.<sup>28</sup>

NVDC and Coast Guard headquarters officials stated that the estimated 32-percent commercial to 68-percent recreational workload ratio can be used as a starting point for NVDC to consider as it begins to restructure its workforce. According to the study, the contractor estimated individual commercial and recreational task workload based on production data and interviews with NVDC personnel. While the data used in the study may not have taken into account the additional time it takes to process some commercial initial and reissue applications, NVDC and Coast Guard headquarters officials said that the 32-percent commercial to 68-percent

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<sup>26</sup>The specific number of positions between 81 and 111 depends primarily on the level of position “utilization,” which is a measure of the extent to which work required for a position is achievable given the time available to perform it. For instance, the study suggests that NVDC needs 81 to 86 positions at “maximum utilization,” which is the range at which the work required is estimated to take between 95 and 110 percent of the available time to perform it. The study suggests that NVDC needs 96 to 111 positions at “optimal utilization,” which is the range at which the work required is estimated to take between 85 and 95 percent of the available time to perform it.

<sup>27</sup>As of June 2017, NVDC had 37 of 45 commercial positions filled and 35 of 50 recreational positions filled, according to the director of NVDC.

<sup>28</sup>The study categorized tasks as either: commercial, recreational, both, neither, and support. We calculated the 32 percent commercial to 68 percent recreational workload breakdown by assuming that tasks categorized as both, neither, and support should reflect the same distribution as the tasks that are specifically labeled as commercial and recreational.

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workload estimation is generally in alignment with their experience and expectations.<sup>29</sup>

NVDC officials said they are drafting a plan to restructure their workforce to be in closer alignment with workload, but it will likely take years to implement. Specifically, NVDC reported that any changes to the alignment of commercial and recreational positions at NVDC are secondary to hiring and training personnel to fill currently vacant recreational positions that will enable them to better address the backlog. Additionally, Coast Guard headquarters and NVDC officials stated that they plan to wait until the mandated change from a 1-year to a 5-year recreational certificate goes into effect before pursuing changes to NVDC's authorized staffing structure. Specifically, these officials said that after NVDC transitions to a five-year recreational certificate renewal period, they will have more clarity on how this change will affect recreational fee collections, workload, and staffing. Once they have this information, officials said, they plan to pursue changes to their workforce structure.

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## Agency Comments and Our Evaluation

We provided a draft of this product to DHS for comment. We received technical comments which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Homeland Security, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.


If you or your staff have any questions about this report, please contact me at (202) 512-7141 or [groverj@gao.gov](mailto:groverj@gao.gov). Contact points for our Offices

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<sup>29</sup>According to NVDC officials, processing some commercial initial and reissue applications takes longer than processing similar recreational applications due to (1) having to process more fleet applications (applications for two or more vessels with the same owner), which may include having to review more complex mortgages; and (2) having to research owner citizenship more thoroughly since commercial vessels are more likely to have complex ownership structures. For instance, corporations, partnerships, and other entities capable of holding legal title may be deemed citizens for documentation purposes. Data provided by the Coast Guard did not show whether the contractor took this into account in calculating commercial workload and NVDC and Coast Guard Headquarters officials did not know specifics about the methodology used by the contractor.

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of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix I.

A handwritten signature in black ink that reads "Jennifer Grover". The signature is written in a cursive style with a large initial "J".

Jennifer Grover  
Director, Homeland Security and Justice Issues

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# Appendix I: GAO Contact and Staff Acknowledgments

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## GAO Contact

Jennifer Grover, (202) 512-7141 or [groverj@gao.gov](mailto:groverj@gao.gov)

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## Staff Acknowledgments

In addition to the contact name above, Ellen Wolfe (Assistant Director), Chuck Bausell, Michele Fejfar, Thomas Gilbert, Eric Hauswirth, Jeff Jensen, Tracey King, Susan Murphy, Hugh Paquette, Christopher Spain, and Adam Vogt made significant contributions to this report.

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