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COAST GUARD

Improvements Needed in
Management of
Programs and Activities

Statement of
Kenneth M. Mead, Director,
Transportation Issues
Resources, Community, and Economic
Development Division



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Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to testify on the management of the Coast Guard as part of these budget hearings. The Coast Guard, like many other federal agencies, has entered an era where the budget resources available for its missions may become more scarce while demands for its services remain strong. Complicating these factors for the Coast Guard are its wide-ranging missions and its need to respond quickly to emergencies, by, for example, aiding victims of Hurricane Andrew or interdicting migrants from Haiti. In this budgetary and operating environment, it is imperative for the Coast Guard to operate as efficiently and effectively as possible and to allocate its resources judiciously.

Over the last several years, we have reviewed a wide variety of Coast Guard programs and activities.¹ We have examined the Coast Guard's plans to spend hundreds of millions of dollars on acquisitions for use on land and sea. We also have evaluated how well the Coast Guard has performed its day-to-day activities. The Coast Guard faces and meets many difficult challenges in providing its varied and often invaluable services, including the saving of over 4,000 lives in 1992. Our testimony today is intended to help the Coast Guard build on its achievements and identifies targets of opportunity for strengthening the efficiency and effectiveness of its operations and use of budgetary resources. Our testimony, which is based on the reviews we have done, focuses on three main points:

- First, the Coast Guard is in the enviable position of having experienced a 50 percent increase in its budget between fiscal years 1983 and 1993. This is a higher rate of growth than most Department of Transportation agencies have experienced. The Coast Guard is requesting \$3.8 billion in spending authority for fiscal year 1994, an increase of \$150 million over the nearly \$3.7 billion it was granted in fiscal year 1993. The Coast Guard has also, in response to changing demands for its services, shifted its resources among its many missions; increasing funding for some while decreasing funding for others. Nevertheless, the Coast Guard, like most other federal agencies, is facing an era in which available resources for its programs are likely to be tighter and it needs to manage its resources as effectively and efficiently as possible.
- Second, in our previous work, which focused mainly on the Coast Guard's acquisition, construction, and improvement (AC&I) and operating expense (OE) activities, we identified numerous instances in which the Coast Guard could have more

¹See appendix I for a listing of GAO reports and testimonies related to the Coast Guard.

effectively managed its resources and, as a result, the performance of its missions was adversely affected. Shortfalls have occurred in a range of missions, for example, from the proposed acquisition of new patrol boats to inspections for preventing pipeline pollution. The shortfalls stemmed from weaknesses in its acquisition process, an insufficient base of information about the agency's programs and activities, and an inability to measure the results of programs and activities.

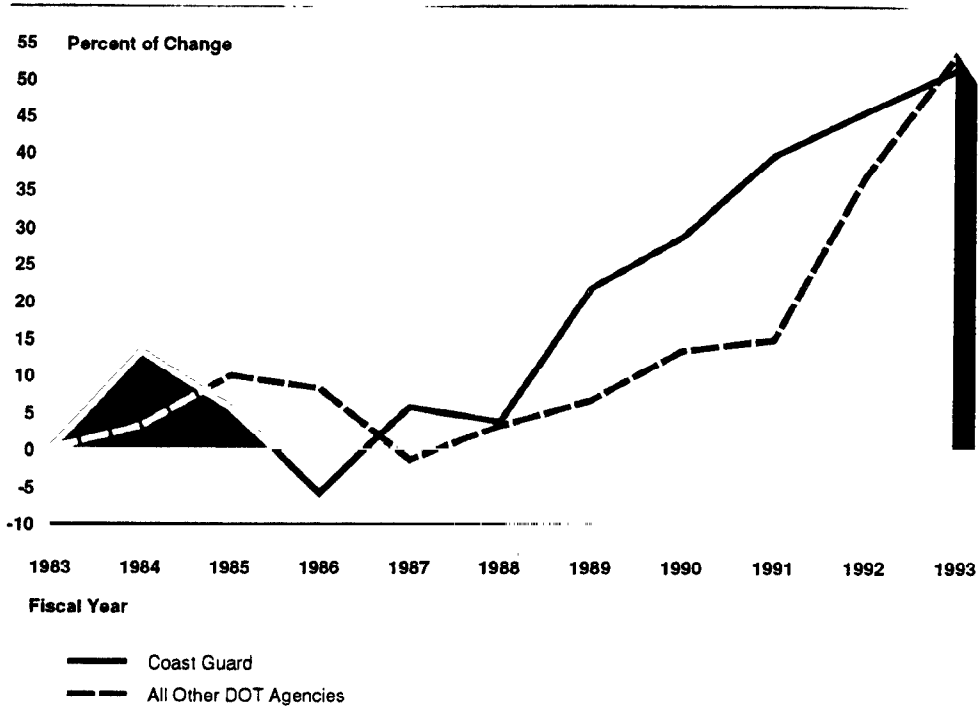
- Finally, because we found these or similar weaknesses in a wide variety of Coast Guard programs, it is clear they are not isolated occurrences and may be systemic in nature. The Coast Guard has taken action, for the most part, to address the weaknesses we found in specific programs and made recommended improvements. It also recognizes that these management weaknesses may go beyond the programs we reviewed and has begun to address them on an agency-wide basis. To help in this effort, we believe that the Coast Guard needs to reinforce in expectations set for its senior staff the importance of (1) adhering to a rigorous acquisition process and (2) developing a stronger base of information on its programs. This would provide a solid foundation from which the Coast Guard can develop measures of effectiveness to improve its ability to evaluate its programs. Such measures will enable the Coast Guard and the Congress to determine more accurately how well the Coast Guard is meeting its responsibilities, how well it is using its resources, and where available resources should be deployed.

THE COAST GUARD'S BUDGET AND WIDE-RANGING RESPONSIBILITIES

Coast Guard leaders and supporters have, for many years, been concerned with the adequacy of the Coast Guard's funding, particularly in light of the agency's broad responsibilities. We found, however, that despite intensified competition for federal resources, the Coast Guard's spending authority increased from \$2.5 billion in fiscal year 1983 to nearly \$3.7 billion in fiscal year 1993.² Only the Federal Aviation Administration has experienced a significantly greater increase in its budget in the same time period. As figure 1 shows, the Coast Guard has generally done better than other Department of Transportation (DOT) agencies.

²The fiscal year 1993 figure includes about \$300 million received from the Department of Defense (DOD).

Figure 1: Comparison of the Rate of Change in Spending Authority for the Coast Guard and the Department of Transportation, Fiscal Years 1983-1993



Note: Percent of change was calculated by comparing the spending authority for each year with the spending authority for 1983. 1993 figures are estimates.

Source: GAO analysis of Department of Transportation data.

Traditionally, the Coast Guard has received almost all of its funding through two appropriation accounts--AC&I and OE. The AC&I account generally funds major acquisitions, such as the building of vessels, aircraft, and shore facilities. Its OE account is used to pay for staff and activities not funded through specific accounts. In fiscal year 1983, it received \$400 million for AC&I activities and \$1.6 billion for OE activities. In comparison, in fiscal year 1993, it received \$364 million and \$2.6 billion in total funding, respectively, for these activities.

In response to changing responsibilities, work load, and national priorities, the Coast Guard has shifted its resources about, increasing funding for some programs and activities and decreasing its funding for others. Figure 2 shows, for example, that since 1983, the Coast Guard has reduced funding for its Search and Rescue and Aids to Navigation missions. In fiscal 1983, these

missions accounted for 27 percent and 24 percent, respectively, of the Coast Guard's operating expenses. For fiscal year 1993, the Coast Guard estimates that these programs will account for 16 percent and 21 percent of its operating expenses. Since 1983, the Coast Guard has also increased funding for its five remaining missions--Enforcement of Laws and Treaties, Marine Safety, Marine Environmental Protection, Defense Readiness and Ice Operations.

Figure 2: Shift in Emphasis Among Coast Guard Missions, Fiscal Years 1983 and 1993

Mission	Percent of Operating Expense Budget		Percent Change FY 1983-FY 1993
	FY 1983	FY 1993	
Enforcement of Laws and Treaties	28.4	33.2	4.8
Aids to Navigation	23.7	21.0	(2.7)
Search and Rescue	26.8	15.7	(11.1)
Marine Safety	7.6	11.6	4.0
Marine Environmental Protection	7.3	8.8	1.5
Defense Readiness	4.5	5.9	1.4
Ice Operations	1.8	3.7	1.9

Note: Columns may not add to 100 percent because of rounding.

Source: GAO analysis of Coast Guard data.

Let me briefly explain why the Coast Guard has shifted resources among these missions. Regarding the Enforcement of Laws and Treaties mission, the Anti-Drug Abuse Act of 1988 mandated additional maritime air surveillance to help enforce drug laws. In 1989, the Coast Guard increased its Defense Readiness mission through an agreement with DOD to include the defense of harbors and shipping lanes along our coasts in the event of war. In Marine Safety, the Coast Guard has been assigned to protect commercial fisherman from injury by ensuring the safety of commercial fishing vessels.

More recently, the Coast Guard has acquired extensive additional responsibilities for environmental protection. Key among these were those mandated by the Oil Pollution Act of 1990. For example, the act requires the Coast Guard to help direct responses to oil spills that pose a "substantial threat to public health or welfare," and allows it to help direct responses to other, less severe spills. The act also requires that the Coast Guard review and approve thousands of response plans for worst-case discharges of oil and hazardous substances. Additionally, after the issuance of our 1992 report on pollution caused by abandoned vessels, legislation was passed giving the Coast Guard authority to remove abandoned barges. This increased authority will allow the Coast Guard to take action on over 1300 vessels abandoned in our waterways.

In addition to meeting day-to-day responsibilities, the Coast Guard is also periodically faced with demands, like those created by Hurricane Andrew in 1992, which required it to dramatically increase its search and rescue efforts. Most recently, the Coast Guard increased its cutter vessel patrols to prevent over 40,000 Haitian migrants from landing illegally on U.S. shores.

STRONGER MANAGEMENT NEEDED FOR COAST GUARD PROGRAMS AND ACTIVITIES

Our reviews have covered a wide range of Coast Guard activities--from the collection of reimbursable federal costs from Exxon after the Exxon Valdez oil spill to the proposed procurements of major acquisitions such as the Heritage Class patrol boats. Although the programs have differed, we have found the same management weaknesses have recurred that handicap the Coast Guard's ability to effectively manage its resources--(1) weaknesses in its acquisition process, (2) an insufficient base of information about programs and activities, and (3) an inability to measure the results of programs and activities.

Following Acquisition Process Could Save Taxpayers Millions

Acquisitions of large, complex systems are costly and usually critical to agencies' missions. The Office of Management and Budget (OMB), through its circular A-109, has developed a rigorous process to help agencies avoid problems commonly experienced in acquiring major systems, such as unnecessary costs and excessive delays. We testified before this subcommittee in 1991 on the critical need for top management in DOT to follow this acquisition process. The Coast Guard recognized it had weaknesses in its acquisition process and has taken steps to improve it. For example, in 1988 it established an Office of Acquisition to oversee the acquisition process and in 1992 implemented our recommendation to provide newly selected project managers with relevant training. Nevertheless, in our reviews of the Coast Guard's proposals for

four major acquisitions whose costs totaled nearly \$1 billion, we found that the Coast Guard had not followed the acquisition steps outlined in OMB's or its own guidelines and was, therefore, at risk of wasting taxpayers' money. For example:

- In its attempts to procure 47 Heritage Class patrol boats in 1990 that were estimated to cost \$329 million, the Coast Guard did not know what the proposed fleet's size, composition, and capabilities should be and had not evaluated suitable cost-effective alternatives.
- In its plan to acquire \$30 million in housing in 1990 through 1992, the Coast Guard did not determine whether housing shortages existed in the communities or consider whether all cost effective alternatives, such as leasing, were available. Furthermore, in some situations where alternatives were analyzed, the Coast Guard did not use complete or accurate data, such as including the price of land as part of the cost to build housing.
- In its attempt to procure an icebreaker in 1989 that was estimated to cost \$330 million, both the need for and the design of the icebreaker were questionable because the Coast Guard had neither adequately surveyed its users' needs nor determined whether less costly alternatives were available.
- In its plans to spend \$200 million between 1993 and 1997 to replace its fleet of coastal buoy tenders, the Coast Guard was not certain what functions these replacement vessels would need to perform and, therefore, whether their capabilities would meet the Coast Guard's needs.

A More Adequate Base of Information About Programs and Activities Is Needed

Proper management and decision-making includes developing clear and effective policies and procedures, collecting the right data, and communicating and coordinating plans and activities with the right people and organizations. In our reviews of Coast Guard operations, we often found that the agency lacked one or more of these elements. The Coast Guard recognizes the importance of having an adequate base of information about its programs and activities and is taking steps to improve it. For example, it is currently developing the Marine Safety Network, which will provide it information on its marine safety program. However, until it improves its base of information on all of its programs, we believe that the Coast Guard will continue to experience the types of problems we have previously identified. For example:

- In 1990, we reported that the federal government lost millions of dollars because the Coast Guard did not provide

clear and definitive directions to other federal agencies for recouping the costs that they incurred in responding to the Exxon Valdez oil spill.

- In 1991, we reported that the Coast Guard did not inspect portions of waterfront facilities because it did not tell its field units that they were responsible for inspecting them.
- In 1990, we reported that the Coast Guard could not close search and rescue stations that it considered unnecessary because it did not have the cost and benefit information needed to support its decision.
- In 1991, we reported that the Coast Guard, while responsible for responding to spills from pipelines, could not ensure timely response to spills because it did not know the specific location or operators of the pipelines.
- In 1991, we reported that the Coast Guard sought to acquire oil spill response equipment. However, because it did not determine what equipment private industry planned to purchase and where this equipment would be placed, it risked duplicating purchase of oil spill response equipment.
- In 1992, we reported that the Coast Guard's Morale, Welfare, and Recreation Program activities and facilities were not fully utilized because the Coast Guard did not systematically survey its users to determine their interests.
- In 1992, we reported that the Coast Guard used a study by the Research and Special Projects Administration to determine that it was cost-beneficial to reopen the vessel traffic service system in New Orleans. This system was closed in 1988 without sufficient information on which to base the closing.

The Coast Guard Needs to Measure the Results of Its Programs

In 1987 and 1990, we reported that, in general, the Coast Guard did not have adequate systems in place to measure the efficiency and effectiveness of its programs. Such systems would help the Coast Guard manage its activities and allocate its resources effectively. For example, in fiscal year 1992, the Coast Guard spent \$243 million in OE funds for its Marine Safety mission. However, it does not have performance measures to determine what impact its safety activities have in reducing or preventing accidents and, consequently, whether its resources are used effectively. Performance measurement systems would also assist

both the Coast Guard and others--notably the Congress--in accurately assessing the Coast Guard's resource needs.

To give you an example of what we have in mind when we talk about performance measures, let me refer to a report that we issued in June 1991 on the inspection of waterfront facilities. We reported that the Coast Guard could not ensure that its inspection strategy was making the best use of available resources because it did not have a system to measure the effectiveness of its efforts. We pointed out that to implement such a system, the Coast Guard needed to collect data on the types, severity, and frequency of deficiencies found by its inspectors and cross-reference these data with information on the causes of oil spills. The agency could then determine which deficiencies were causing the greatest number of severe oil spills and direct its resources accordingly. The Coast Guard could then evaluate the effectiveness of its efforts by establishing goals, such as a specified reduction in the number of spills caused by certain deficiencies, and measuring its progress towards achieving these goals. Thus, it would have measures to evaluate the impact of its inspections. The Coast Guard's Marine Safety Network System, currently under development, should improve the Coast Guard's ability to link inspection results, facility history, deficiencies, regulation violations, and pollution case incidents and assist it toward developing performance measures.

We have recommended to the Coast Guard several times that it develop goals and objectives and measure its progress toward achieving those goals. The Coast Guard has agreed with our recommendations, but its progress in implementing them has been slow. It has stated that establishing such measures is very difficult and does not expect them to be in place for years. Until these measures are developed, though, it will be difficult to determine how well the Coast Guard is managing its resources and making budgetary decisions, including decisions that require the shift of resources from one mission to another.

SHORT- AND LONG-TERM STRATEGIES TO ADDRESS MANAGEMENT WEAKNESSES

Although we have not performed an overall management review of the Coast Guard, we can offer some general observations that are based on what we have found over the last several years. The Coast Guard, in general, has been responsive to our specific recommendations and has corrected or is in the process of taking steps to correct most of the specific problems that we have identified. It has also begun to address the problems on an agency-wide basis. However, we continue to find instances of the same types of weaknesses in its acquisition process and day-to-day activities. In the short term, we believe, it needs to emphasize to its managers the importance of looking for and addressing these management weaknesses throughout the agency. This step will put the Coast Guard in a position to develop more useful measures of

effectiveness. In the long term, the Coast Guard should continue its planned implementation of systems to measure the effectiveness of its programs. The Comptroller General, in testifying before the Senate Committee on Governmental Affairs in March of this year, spoke on the need for federal agencies to improve the management of their programs.³ He said that there needs to be a fundamental change in the way government works and that this requires a change in the incentives that drive managers. Incentives can be changed by holding agencies accountable for their programs' results. This, in turn, can be done by developing systems to measure the efficiency and effectiveness of the programs. Although the Comptroller General's comments were directed at the federal government as a whole, we believe that his comments also apply to the Coast Guard specifically--measures of effectiveness would provide its managers with the incentives to be accountable for making improvements in the management of its programs.

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This concludes my prepared remarks, Mr. Chairman. We will be pleased to answer any questions you or other members of the Subcommittee may have at this time.

³Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993).

U.S. GENERAL ACCOUNTING OFFICE PRODUCTS ON
COAST GUARD PROGRAMS AND ACTIVITIES

ACQUISITIONS

Drug Control: Oversight Needed to Prevent Acquisition of Unnecessary Equipment (GAO/NSIAD-92-260, July 30, 1992).

Coast Guard: Coastal Buoy Tender Acquisition Project Did Not Follow Federal Guidelines (GAO/RCED-92-156, May 20, 1992).

Coast Guard: Housing Acquisition Needs Have Not Been Adequately Justified (GAO/RCED-92-159, May 19, 1992).

Coast Guard: Adequacy of the Justification for Heritage Patrol Boats (GAO/RCED-91-188, July 12, 1991).

Coast Guard Acquisitions: Formal Criteria Needed to Ensure Project Manager Qualifications (GAO/RCED-90-178, June 19, 1990).

Coast Guard Icebreaker Requirements (GAO/T-RCED-89-24, Apr. 12, 1989).

MARINE ENVIRONMENTAL PROTECTION

Coast Guard: Abandoned Vessels Pollute Waterways and Cost Millions to Clean Up and Remove (GAO/RCED-92-235, July 21, 1992).

Coast Guard: Coordination and Planning for National Oil Spill Response (GAO/RCED-91-212, Sept. 25, 1991).

Coast Guard: Oil Spills Continue Despite Waterfront Facility Inspection Program (GAO/RCED-91-161, June 17, 1991).

Coast Guard: Millions in Federal Costs May Not Be Recovered From Exxon Valdez Oil Spill (GAO/RCED-91-68, Mar. 5, 1991).

Pollution from Pipelines: DOT Lacks Prevention Program and Information for Timely Response (GAO/RCED-91-60, Jan. 28, 1991).

Coast Guard: Additional Efforts Needed to Clean Up Hazardous Waste Sites (GAO/RCED-90-164, July 6, 1990).

Coast Guard: Adequacy of Preparation and Response to Exxon Valdez Oil Spill (GAO/RCED-90-44, Oct. 30, 1989).

MARINE SAFETY, CERTIFICATION, AND INSPECTION

Coast Guard: Additional Actions Needed to Improve Cruise Ship Safety (GAO/RCED-93-103, Mar. 31, 1993).

Coast Guard: Selection of Ports for Establishing or Improving Vessel Traffic Service Systems (GAO/RCED-93-110, Mar. 19, 1993).

Coast Guard: Inspection Program Improvements Are Under Way to Help Detect Unsafe Tankers (GAO/RCED-92-23, Oct. 8, 1991).

Coast Guard: Magnitude of Alcohol Problems and Related Maritime Accidents Unknown (GAO/RCED-90-150, May 24, 1990).

MANAGEMENT AND PERSONNEL MATTERS

Transportation Issues (Transition Series) (GAO/OCG-93-14TR, Dec. 1992).

Coast Guard: Progress in the Marine Safety Network, but Many Uncertainties Remain (GAO/RCED-92-206, Aug. 28, 1992).

Coast Guard: Use of Appropriated Funds for the Morale, Welfare, and Recreation Program (GAO/RCED-92-158, May 18, 1992).

Coast Guard: Reorganization Unlikely to Increase Resources or Overall Effectiveness (GAO/RCED-90-132, July 12, 1990).

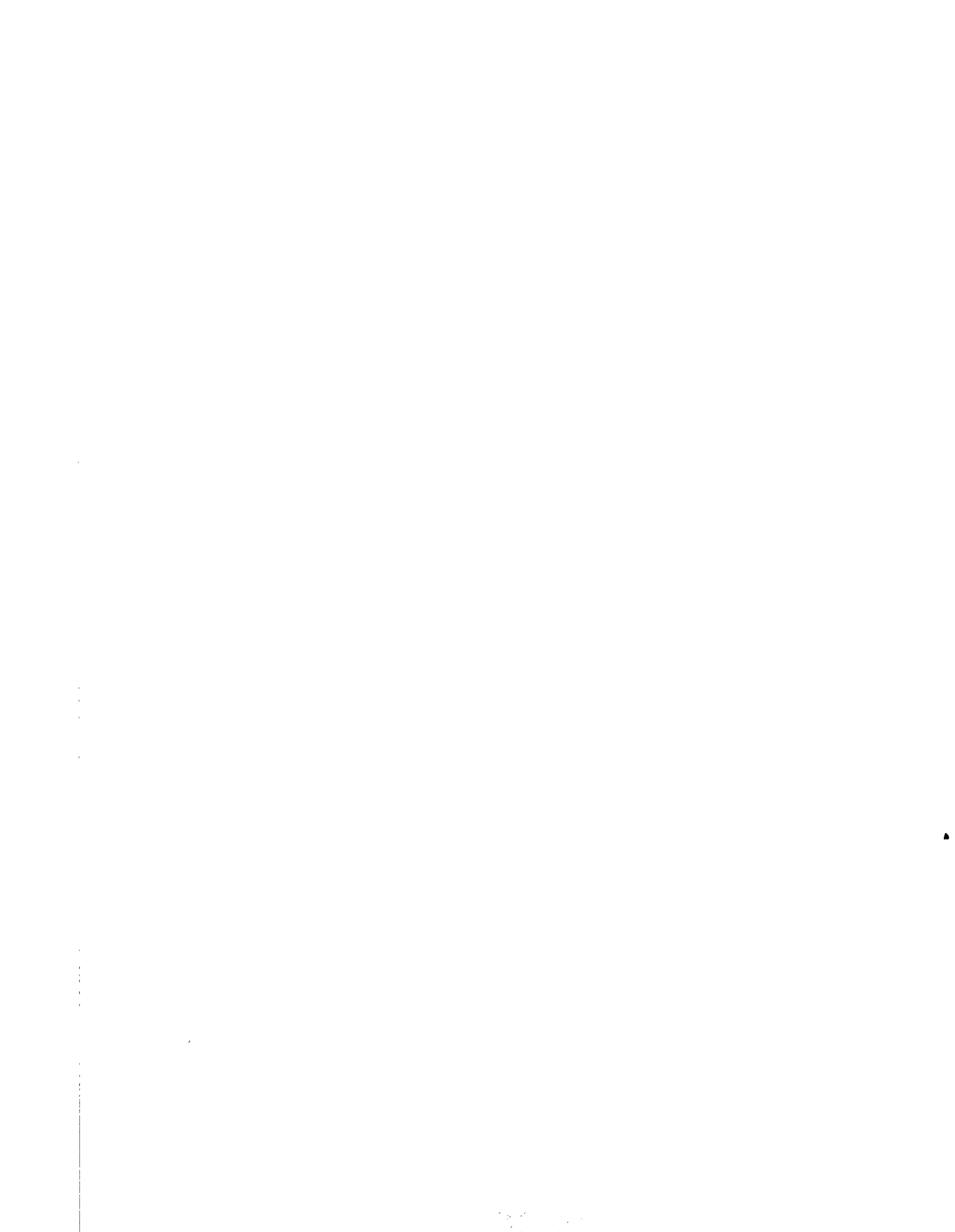
Coast Guard: Strategic Focus Needed to Improve Information Resources Management (GAO/IMTEC-90-32, Apr. 24, 1990).

Coast Guard: Better Process Needed to Justify Closing Search and Rescue Stations (GAO/RCED-90-98, Mar. 6, 1990).

Coast Guard: Better Information Needed Before Deciding on Facility Closings (GAO/RCED-89-48, Nov. 29, 1988).

Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management (GAO/RCED-87-3, Apr. 13, 1987).

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