

GAO

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Infrastructure, U.S. House of  
Representatives

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## COAST GUARD

# Observations on the Requested Fiscal Year 2011 Budget, Past Performance, and Current Challenges

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



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Highlights of [GAO-10-411T](#), a report to Subcommittee on Coast Guard and Maritime Transportation and Infrastructure Committee, U.S. House of Representatives

## 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. In an effort to enhance performance the Coast Guard continues to implement its Deepwater program—the acquisition program to replace or upgrade its vessels and aircraft—while also carrying out a reorganization program to update its command structure, among other things. This testimony discusses the Coast Guard's (1) budget request for fiscal year 2011 and key performance indicators for fiscal year 2009; and (2) key management challenges confronting the Coast Guard. This testimony is based on GAO products issued in 2009 and 2010 (including GAO-09-682, GAO-09-810T, and GAO-10-268R); other GAO products issued over the past 11 years—with selected updates in February 2010; and preliminary observations from ongoing GAO work on the Deployable Operations Group. GAO analyzed budget and performance documents, such as DHS's fiscal year 2011 budget justification, and interviewed Coast Guard officials.

## What GAO Recommends

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

View [GAO-10-411T](#) 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 Requested Fiscal Year 2011 Budget, Past Performance, and Current Challenges

## What GAO Found

The Coast Guard's budget request for fiscal year 2011 is slightly lower than the agency's 2010 enacted budget and year-to-year mission performance trends are mixed. The Coast Guard's fiscal year 2011 budget request of \$9.87 billion is approximately \$35.8 million (or 0.4 percent) less than the service's enacted budget for fiscal year 2010. The slight reduction is largely attributable to a decrease in funds requested for (1) acquisition, construction, and improvement and (2) research, development, test, and evaluation. The reductions in these and other appropriation accounts are balanced by increases in funds requested for operating expenses and retired pay. One of the key themes of the fiscal year 2011 budget is the trade off between current operational capacity and continued investment in future capability through capital investment. Specifically, the Coast Guard is reducing funds for current assets and missions to increase funds for its top budget priority—long-term recapitalization of vessels and aircraft. The Coast Guard acknowledges that the proposed emphasis on recapitalization of aging assets may lead to a short term decline in mission performance. With regard to fiscal year 2009 performance, Coast Guard met its performance goals for 6 of 11 statutory mission areas but year-to-year performance trends are mixed. For example, the Coast Guard reported an improvement in reducing the maritime terrorism risk but reported a decline in the percentage of time that Coast Guard assets met designated combat readiness levels. Specifically, the Coast Guard reported that, for fiscal year 2009, agency assets met designated combat readiness levels 44 percent of the time, well below its goal of 100 percent. The Coast Guard attributes this decline in performance to reduced High Endurance Cutter readiness and personnel and training shortfalls for port security unit reserve forces.

The Coast Guard continues to face several management challenges. Our prior work has identified continuing problems in Deepwater costs, management and oversight that have led to some delivery delays and operational challenges for some Coast Guard assets. Additionally, the Coast Guard is in the process of a major reorganization effort to establish a new command structure. While the Coast Guard reported completing all interim key actions for the reorganization program on schedule with some aspects of the transition—such as the deployable operations group—resulting in operational improvements, the agency desires additional statutory authorities to fully establish the new command structure and senior leadership positions. The Coast Guard has submitted a legislative proposal to request the statutory authority needed to make such changes. Lastly, the Coast Guard has a history of workforce management challenges which they have worked to address by developing plans and tools to better identify appropriate personnel for their assigned positions and allocate personnel resources. However, it is too soon to assess these efforts' impact. Moreover, as the Coast Guard faces a change in leadership in May 2010, it will be increasingly important to sustain its efforts to address the challenges that it faces.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Coast Guard's fiscal year 2011 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 work to help provide perspective as appropriate. The Coast Guard, an Armed Service of the United States housed within the Department of Homeland Security, is the principle federal agency responsible for maritime safety, security, and environmental stewardship through multimission resources, authorities, and capabilities. The Coast Guard has faced various management challenges over the years, many of which we have identified in previous reports.<sup>1</sup>

As you know, the Coast Guard has grown considerably since 2002 to meet new homeland security requirements while continuing to carry out its traditional missions such as marine safety and search and rescue operations. See appendix I for a description of the Coast Guard's 11 statutory missions. To help fulfill all of its missions, the Coast Guard is currently implementing several major initiatives, including the multi-billion dollar Deepwater acquisition program,<sup>2</sup> while continuing efforts to improve its command structure and mission-support processes.

This statement will discuss:

- the Coast Guard's budget request for fiscal year 2011 and the extent to which it met key performance indicators for fiscal year 2009; and
- key management challenges confronting the Coast Guard.

In assessing the Coast Guard's budget request for fiscal year 2011 and performance results in fiscal year 2009, we reviewed the President's budget request, related Coast Guard documents—including the U.S. Coast Guard Posture Statement, issued in February 2010—and the agency's fiscal

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

<sup>2</sup>The Deepwater program is the largest acquisition program in Coast Guard history and is intended to replace or modernize the Coast Guard's aging vessels, aircraft, and some communications systems.

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year 2009 performance report.<sup>3</sup> The scope of our review did not include evaluating whether the proposed funding levels were appropriate for the Coast Guard's stated needs. In identifying and discussing various management challenges confronting the Coast Guard, we focused on the information presented in our past and recently issued products including, among others, the service's large-scale Deepwater acquisition program, command realignment,<sup>4</sup> and the workforce planning report we are publicly releasing today.<sup>5</sup> The scope of our prior work included reviews of program documents, such as the Coast Guard's Major Systems Acquisition Manual (MSAM); analysis of applicable program databases; and interviews with Coast Guard officials at headquarters and field units in domestic and international locations. Our prior work was conducted in accordance with generally accepted standards and our previously published reports contain additional details on the scope and methodology for those reviews. This statement also provides preliminary observations from our ongoing work on the Deployable Operations Group for the Senate and House Appropriations' Committee's Subcommittees on Homeland Security.

We conducted selected updates for this statement from July 2009 through February 2010 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>3</sup>U.S. Coast Guard, *U.S. Coast Guard Posture Statement with 2011 Budget in Brief* (February 2010) and U.S. Coast Guard, *U.S. Coast Guard Fiscal Year 2009 Performance Report* (February 2010).

<sup>4</sup>The Coast Guard also refers to its command realignment effort as the modernization program.

<sup>5</sup>Today we are releasing our report on the Coast Guard's personnel programs: *Coast Guard: Service Has Taken Steps to Address Historic Personnel Problems, but It Is too Soon to Assess the Impact of These Efforts*, [GAO-10-268R](#) (Washington, D.C.: Jan. 29, 2010). For examples of our prior Coast Guard work, see: GAO, *Coast Guard: Better Logistics Planning Needed to Aid Operational Decisions Related to the Deployment of the National Security Cutter and Its Support Assets*, [GAO-09-947](#) (Washington, D.C.: July 17, 2009); GAO, *Coast Guard: As Deepwater Systems Integrator, Coast Guard is Reassessing Costs and Capabilities but Lags in Applying its Disciplined Acquisition Approach*, [GAO-09-682](#) (Washington, D.C.: July 14, 2009); *Coast Guard: Observations on the Genesis and Progress of the Service's Modernization Program*, [GAO-09-530R](#) (Washington, D.C.: June 24, 2009).

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## Summary

The Coast Guard's budget request for fiscal year 2011 is slightly lower than the agency's 2010 enacted budget and year-to-year mission performance trends are mixed. The Coast Guard's fiscal year 2011 budget request totals \$9.87 billion and is approximately 0.4 percent lower than its fiscal year 2010 enacted budget.<sup>6</sup> The slight reduction is largely attributable to a decrease in funds requested for acquisition, construction, and improvement and research, development, test, and evaluation. The reductions in these and other appropriation accounts are balanced by increases in funds requested for operating expenses and retired pay. While the Coast Guard's fiscal year 2011 request for operating expenses is higher than last year's enacted budget, the year-to-year percentage increase in this appropriation account is down from last year. Specifically, last year the agency requested a 5.8 percent increase for this account and this year it is requesting a 1.3 percent increase. According to Coast Guard documents, key initiatives for fiscal year 2011 include recapitalization of surface assets including production of Coast Guard cutters, recapitalization of air assets including the production of additional Maritime Patrol Aircraft and upgrades to several classes of aircraft, and continuing development and upgrades to key equipment and services such as communications systems and shore side infrastructure. The Coast Guard acknowledges that due to resource tradeoffs, the proposed emphasis on recapitalization of aging assets will come at the expense of current operations and may lead to an immediate decline in mission performance. With respect to the agency's performance, Coast Guard met its performance goals for 6 of 11 mission areas for fiscal year 2009 but year-to-year performance trends are mixed. For example, the Coast Guard reported an improvement over last year in reducing the maritime terrorism risk but reported a decline in the percentage of time that Coast Guard assets met designated combat readiness levels. Specifically, the Coast Guard reported that, for fiscal year 2009, key agency assets met designated combat readiness levels 44 percent of the time, well below their goal of 100 percent. The Coast Guard attributes this decline in performance to reduced High Endurance Cutter readiness and personnel and training shortfalls.

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<sup>6</sup>When supplemental funding and funds transferred from the National Science Foundation for Polar Operations are taken into account and added to the fiscal year 2010 enacted budget, the calculations reflect a decrease of about 3 percent from fiscal year 2010 to fiscal year 2011. These figures include the Coast Guard's biggest mandatory appropriation account—retired pay—but do not include three smaller mandatory appropriation accounts—boating safety, oil spill liability trust fund, or gift fund.

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The Coast Guard faces management challenges in a number of areas, many of which we have identified in our prior work. Our work on the Deepwater acquisition program identified problems in costs, management and oversight that have led to delivery delays and other operational challenges for certain assets and missions, but it also recognized several steps the Coast Guard has taken to improve Deepwater management. Another management challenge is the Coast Guard's ongoing major reorganization effort to update its command structure, support systems, and business practices.<sup>7</sup> The Coast Guard reported completing all interim key actions for the reorganization program on schedule. Additionally, some facets of the transition—such as the new deployable operations group—are already resulting in operational improvements. The Coast Guard has requested but has not yet received additional statutory authorities to fully establish its desired new command structure and associated senior leadership positions. Finally, the Coast Guard has a well-documented history of workforce challenges, including problems identifying its workforce needs. For example, the agency has had difficulty determining critical skills and defining appropriate staffing levels to achieve its missions. The report we are issuing today suggests that the agency has responded to these workforce challenges by developing plans and tools to better identify appropriate personnel for their assigned positions and allocate personnel resources, but it is too soon to assess the impact of these efforts.<sup>8</sup> While Coast Guard has efforts underway to address many of the key challenges confronting the agency, sustaining these efforts will be a challenge for the new Coast Guard leadership team.

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<sup>7</sup>[GAO-09-530R](#).

<sup>8</sup>[GAO-10-268R](#).

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## Coast Guard Budget Request for Fiscal Year 2011 Is Slightly Lower than the Previous Year's Enacted Budget; Year-to-Year Mission Performance Trends are Mixed

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### Coast Guard's Fiscal Year 2011 Budget Request Is Lower

The Coast Guard's budget request for fiscal year 2011, at \$9.87 billion, is approximately \$35.8 million (or 0.4 percent) less than the service's enacted budget for fiscal year 2010 (see table 1).<sup>9</sup> This slight reduction is largely driven by a \$155 million (10 percent) decrease in funds requested for acquisition, construction, and improvement (AC&I) and a \$4.7 million (19 percent) decrease in funds requested for research, development, test, and evaluation. The Coast Guard's budget justification shows that the proposed reduction in AC&I funds is largely due to decreases in funding for the response boat-medium; the Maritime Patrol and HH-65 Aircraft, among others; and Rescue 21.<sup>10</sup> The reductions in these and other appropriation accounts were balanced by requested increases including

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<sup>9</sup>GAO's analysis of the Coast Guard's budget request is presented in nominal terms. These calculations do not include either the \$241.5 million in supplemental funding that the Coast Guard received for overseas contingency operations in fiscal year 2010 or the \$54 million transferred from the National Science Foundation for Polar Operations. When these funds are taken into account and added to the fiscal year 2010 enacted budget, the calculations reflect a decrease of about 3 percent from fiscal year 2010 to fiscal year 2011. Our calculations also do not include any of the \$240 million in Recovery Act funding allocated to the Coast Guard in fiscal year 2009, some of which will be spent in fiscal years 2011 and 2012. Finally, these figures include the Coast Guard's biggest mandatory appropriation account—retired pay—but do not include three smaller mandatory appropriation accounts—boating safety, oil spill liability trust fund, or gift fund.

<sup>10</sup>The HH-65 is the Coast Guard's main helicopter, serving such missions as search and rescue, drug and migrant interdiction, and homeland security. Rescue 21 is a Coast Guard program to modernize a 30-year-old search and rescue communications system used for missions 20 miles or less from shore, referred to as the National Distress and Response System. Among other things, it is to increase communications coverage area, allow electronic tracking of department vessels and other mobile assets, and enable secure communication with other federal and state entities.

approximately an additional \$87 million (1.3 percent increase) requested for operating expenses and \$39.5 million more (about a 3 percent increase) for retired pay, a mandatory appropriation account. While the Coast Guard's fiscal year 2011 request for operating expenses is higher than last year's enacted budget, the year-to-year percentage increase in this appropriation account is down from last year. Specifically, last year the agency requested a 5.8 percent increase for this account and this year it is requesting a 1.3 percent increase.

**Table 1: Comparison of Coast Guard's Budget Request for Fiscal Year 2011 and the Enacted Budget for Fiscal Year 2010**

| Appropriations Account <sup>a</sup>                        | Enacted budget for<br>FY 2010 (in<br>millions) | Requested budget<br>for FY 2011 (in<br>millions) | Difference between FY 2011 requested<br>budget and FY 2010 enacted budget |                   |
|------------------------------------------------------------|------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------|-------------------|
|                                                            |                                                |                                                  | Amount (in<br>millions)                                                   | Percentage change |
| Operating expenses                                         | \$6,563.9                                      | \$6,651.0                                        | \$ 87.1                                                                   | 1.3               |
| Acquisition, construction, and<br>improvements             | 1,536.3                                        | 1,381.2                                          | -155.1                                                                    | -10.1             |
| Retired pay                                                | 1,361.2                                        | 1,400.7                                          | 39.5                                                                      | 2.9               |
| Medicare Eligible Retiree Health Care Fund<br>Contribution | 266.0                                          | 265.3                                            | -0.7                                                                      | -0.3              |
| Reserve training                                           | 133.6                                          | 135.7                                            | 2.0                                                                       | 1.5               |
| Research, development, test and<br>evaluation              | 24.7                                           | 20.0                                             | -4.7                                                                      | -19.0             |
| Alteration of bridges                                      | 4.0                                            | 0.0                                              | -4.0                                                                      | -100.0            |
| Environmental compliance and restoration                   | 13.2                                           | 13.3                                             | 0.1                                                                       | 1.0               |
| <b>Total (see note <sup>b</sup>)</b>                       | <b>\$9,903.0</b>                               | <b>\$9,867.2</b>                                 | <b>-\$35.8</b>                                                            | <b>-0.4</b>       |

Source: GAO analysis of Coast Guard data.

<sup>a</sup> Table above does not include transfers, supplementals or mandatory funding for boating safety, oil spill liability trust fund, or gift fund.

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

Of the \$9.87 billion requested for fiscal year 2011, about \$6.7 billion, or approximately 67 percent, is for operating expenses (OE). The OE account is the primary appropriation that finances Coast Guard's activities, including operating and maintaining multipurpose vessels, aircraft, and shore units. The remaining part of the request consists primarily of funds

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for AC&I and retired pay, each representing around \$1.4 billion, or 14 percent of the total.<sup>11</sup>

One of the key themes of the fiscal year 2011 budget is the trade off between current operational capacity and continued investment in future capability through capital investment because of fiscal constraints. Specifically, the Coast Guard is reducing funds for current assets and missions to increase funds for its “top budget priority” of long-term recapitalization of vessels and aircraft. According to the Commandant, this trade off reflects “hard choices” by the Coast Guard to manage current operations (as funded at lower levels) to sustain its recapitalization program.

The reductions in current operational capacity include retirement of 5 major cutters (4 High Endurance Cutters and 1 Medium Endurance Cutter) and 9 aircraft (4 HU-25 falcon jets, and 5 HH-65 helicopters as part of a larger realignment of helicopters).<sup>12</sup> The Coast Guard will also reduce the number of Maritime Security and Safety Teams (MSST) from 12 to 7.<sup>13</sup> The Coast Guard expects that these changes in capacity will reduce the overall level of service it provides the nation and that performance will be diminished in a variety of areas. For example, retirement of these vessels and aircraft will reduce performance across several of its missions—including illegal drug interdiction, undocumented migrant interdiction, defense readiness, living marine resources, and other law enforcement to prevent illegal fishing. Similarly, reducing the number of MSSTs will

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<sup>11</sup>The AC&I appropriation account finances the acquisition of new capital assets, construction of new facilities, and physical improvements to existing facilities and assets. The Retired Pay appropriation account provides payments as identified under the Retired Serviceman’s Family Protection and Survivor Benefits Plans, as well as other personnel entitlements such as medical care of retired personnel and their dependents.

<sup>12</sup>The 378-foot High Endurance Cutter class are the largest cutters ever built for the Coast Guard. Equipped with a helicopter flight deck, retractable hangar, and the facilities to support helicopter deployment, the High Endurance Cutter is versatile and capable of performing a variety of missions, and operates throughout the world’s oceans. Medium Endurance Cutters are helicopter-capable medium-range, medium-endurance platforms. Their missions include enforcement of laws and treaties, fisheries, migrant interdiction, counter-drug activities, safety inspections, search and rescue, and homeland security. The HU-25 is a medium-range surveillance fixed-wing aircraft. There are three variants of the HU-25; the primary difference is in the installed sensor package.

<sup>13</sup>The Coast Guard’s MSSTs constitute a domestic force for mitigating or responding to terrorist threats or incidents. Teams have deployed, for example, to national special security events such as the Presidential Inauguration, the Olympics, and the Super Bowl.

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decrease operational capacity and performance in the ports, waterways, and coastal security mission, according to the Coast Guard. While some of this lost operational capacity will ultimately be restored through ongoing recapitalization (e.g., new National Security Cutters will eventually replace the decommissioned High Endurance Cutters), some capacity reductions will have long-term implications (i.e., the five HH-65 helicopters and five MSSTs will not be replaced).

The Coast Guard intends to take the funds saved by these measures and use them to continue recapitalization of key vessels, aircraft, and shore infrastructure. Deepwater aircraft include the Maritime Patrol Aircraft and continued upgrades to existing aircraft (e.g., the HC-130).<sup>14</sup> In addition, continued funding is planned for the maintenance of legacy cutters until the new Deepwater assets are acquired and become operational.<sup>15</sup> Management of the Deepwater program is discussed later in this testimony. The Coast Guard has allocated funds for recapitalization of other assets outside the Deepwater program including response boats, communications systems, and aids-to-navigation. The Coast Guard expects that recapitalization of these assets will restore and sustain performance across a variety of missions in the long term.

As with the last year's enacted budget, the Coast Guard's fiscal year 2011 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.<sup>16</sup> That said, there were several notable year-to-year changes within mission areas. Appendix II compares the Coast Guard's fiscal year 2010 enacted budget and requested fiscal year 2011 funding levels by statutory mission. According to Coast Guard officials, the most significant changes are a result of changes to project funding levels within the AC&I appropriation. For example, proposed funding to support the Ports, Waterways, and Coastal Security

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<sup>14</sup>The HC-130 Hercules is a long-range surveillance and transport, fixed-wing aircraft that is used to perform a wide variety of missions.

<sup>15</sup>The Coast Guard budget includes funding for Deepwater assets, including the National Security Cutter, the Fast Response Cutter, and design funding for the Offshore Patrol Cutter.

<sup>16</sup>As a multi-mission agency, the Coast Guard notes that it may conduct multiple mission activities simultaneously. As a result, it is difficult to accurately detail the level of resources dedicated to each mission. The Coast Guard uses an activity-based cost model that averages past expenditures and models future investments to approximate future spending by mission.

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mission decreased by about \$101 million or 6 percent.<sup>17</sup> This reduction is in part the result of a reduction in capital funding for the Response Boat-Medium which the Coast Guard anticipates will substantially contribute to this mission. This reduction is also the result of plans to decommission 5 of 12 MSSTs. The Coast Guard estimates that these decommissionings will result in \$18.2 million in savings but they may also decrease operational capacity and performance. To manage this risk, the agency plans to implement a regionalized deployable force construct for the remaining 7 MSSTs, with resources apportioned to operational commanders based on the highest prevailing risk in the nation's ports. In another example, the proposed funding for Search and Rescue is about \$49.6 million or 5 percent lower than last year's enacted budget.<sup>18</sup> Coast Guard officials explained that the planned decommissioning of 5 High Endurance Cutters will result in some reduction in search and rescue capacity but, overall, the proposed budget preserves basic search and rescue requirements. Further, the Coast Guard reports that it has enhanced its ability to detect and locate persons in distress through technology improvements such as Rescue 21 and the installation of advanced equipment on response assets.

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Performance goals for 6 of 11 missions were met, but year-to-year trends are mixed

The Coast Guard's overall performance for fiscal year 2009 is generally consistent with recent years but trends among some missions have been mixed. The Coast Guard assessed its fiscal year 2009 performance on 27 measures covering all of its statutory mission areas. The Coast Guard found that it met 19 of 27 performance measures and met all performance goals for 6 of 11 missions.<sup>19</sup> Similarly, in fiscal year 2008 Coast Guard reported meeting all performance goals in 5 mission areas. See table 2 for Coast Guard's mission performance results and see Appendix III for a

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<sup>17</sup>The goal of the Ports, Waterways, and Coastal Security program is to reduce the risk of maritime terrorism by improving maritime domain awareness, conducting maritime security and response operations, and developing maritime security regimes.

<sup>18</sup>This reduction is also reflective of reductions in investments in Rescue 21 and the Response Boat-Medium. The key functions of the Coast Guard's Search and Rescue program are to operate multimission stations and a national distress and response communication system and conduct search and rescue operations for mariners in distress.

<sup>19</sup>A goal (also known as a strategic goal or objective) constitutes a specific set of policy, programmatic, and management objectives for the programs and operations covered in the strategic plan, and serves as a framework from which the annual objectives and activities are derived. Performance measures are particular values or characteristics used to measure output or outcome of activities, objectives, and goals.

detailed list of Coast Guard’s performance results for fiscal years 2004 through 2009.

**Table 2: Coast Guard Mission Performance Results for Fiscal Year 2009**

| Coast Guard mission                                         | Number of performance targets | Number of performance targets met |
|-------------------------------------------------------------|-------------------------------|-----------------------------------|
| <b>Missions meeting 2009 performance targets:</b>           |                               |                                   |
| • Search and Rescue                                         | 1                             | 1                                 |
| • Ports, waterways, and coastal security                    | 2                             | 2                                 |
| • Marine safety                                             | 6                             | 6                                 |
| • Marine environmental protection                           | 4                             | 4                                 |
| • Other law enforcement                                     | 2                             | 2                                 |
| • Ice operations                                            | 1                             | 1                                 |
| <b>Missions partially meeting 2009 performance targets:</b> |                               |                                   |
| • Aids to navigation                                        | 2                             | 1                                 |
| • Illegal drug interdiction                                 | 2                             | 1                                 |
| • Migrant interdiction                                      | 2                             | 1                                 |
| <b>Missions that did not meet 2009 performance targets:</b> |                               |                                   |
| • Defense readiness                                         | 4                             | 0                                 |
| • Living marine resources                                   | 1                             | 0                                 |
| <b>Total</b>                                                | <b>27</b>                     | <b>19</b>                         |

Source: GAO analysis of Coast Guard data (see table 5 in app. III).

As table 2 shows, the Coast Guard reported meeting all performance targets for 6 of the 11 statutory missions—search and rescue; ports, waterways, and coastal security; marine safety; marine environmental protection; other law enforcement; and ice operations.<sup>20</sup> Regarding the Ports, Waterways, and Coastal Security mission, for example, one of the Coast Guard’s fiscal year goals was to reduce maritime terrorism risk by 21 percent. The Coast Guard exceeded this target by ten percent. For another 3 of the 11 statutory missions—aid to navigation, migrant interdiction, and illegal drug interdiction—the Coast Guard met 1 of 2 performance targets in each mission area. For illegal drug interdiction, the Coast Guard narrowly missed its goal of removing 15.7 percent of cocaine from non-commercial vessels in maritime transit zones (actual was 15

<sup>20</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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percent) but exceeded its goal of removing 134 tons of cocaine (actual was about 160 tons).<sup>21</sup> As in fiscal year 2008, the Coast Guard did not meet any of the related performance measures for the remaining two missions—defense readiness and living marine resources. For the defense readiness mission, the Coast Guard reported that, for fiscal year 2009, agency assets met designated combat readiness levels 44 percent of the time, well below the goal of 100 percent.<sup>22</sup> The Coast Guard has historically lagged in this mission area and this year's performance results are the lowest since 2004. The Coast Guard attributes this decline in performance primarily to the declining material condition and readiness of aging High Endurance Cutters and training shortfalls for High Endurance Cutter and port security unit reserve forces. The planned retirement of multiple High Endurance Cutters—the agency's primary deployable surface assets for combatant commander support—may continue to put achievement of these defense readiness objectives at risk.

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<sup>21</sup>Starting in fiscal year 2009, the Coast Guard revised its methodology for measuring drug interdiction performance by adopting the Consolidated Counter-Drug Database as its source for tracking cocaine movement estimates. This change in methodology makes it difficult to compare the fiscal year 2009 performance to prior year's performance so we have not reported prior year results in table 5 of appendix III.

<sup>22</sup>Coast Guard reports that its defense readiness performance measures will be retired in fiscal year 2010. The measures will be replaced with other measures that employ different methodology to better reflect readiness of the Port Security Units and the entire fleet of patrol boats and High Endurance Cutters.

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## Management Challenges and Competing Priorities Continue to Present Challenges to Coast Guard Leadership

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### The Deepwater Program Continues to Present Budget and Management Challenges

Over the years, our testimonies on the Coast Guard's budget and performance have included details on the Deepwater acquisition program—the service's top recapitalization budget priority—related to affordability, management, and operations.<sup>23</sup> Given the size of Deepwater funding requirements, the Coast Guard faces a long-term challenge in funding the program within its overall and AC&I budgets. The Deepwater program, at \$1.11 billion, accounts for approximately 11 percent of the Coast Guard's overall \$9.87 billion budget request and 80 percent of the agency's \$1.38 billion AC&I request for fiscal year 2011 capital spending. The Deepwater acquisition program also continues to represent a significant source of unobligated balances—money appropriated that is available but not yet committed for projects included in previous years' budgets.<sup>24</sup> For example, as of November 2009, approximately \$472 million remained unobligated for the Deepwater's aircraft program. Continuing into future budgets, Deepwater affordability is likely to continue to be a

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<sup>23</sup>To help carry out its missions, the Coast Guard has a large-scale acquisition program, called Deepwater, under way to replace or upgrade its fleet of vessels or aircraft. Our reports and testimonies over the past 12 years have included details on the Deepwater program. See, for example, [GAO-09-682](#); *Coast Guard: Update on Deepwater Program Management, Cost, and Acquisition Workforce*, [GAO-09-620T](#) (Washington, D.C.: April 22, 2009); *Coast Guard: Change in Course Improves Deepwater Management and Oversight, but Outcome Still Uncertain*, [GAO-08-745](#) (Washington, D.C.: June 24, 2008); *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).

<sup>24</sup>See GAO, *Coast Guard: Observations on the Fiscal Year 2008 Budget, Performance, Reorganization, and Related Challenges*, [GAO-07-489T](#) (Washington, D.C.: April 18, 2007); [GAO-08-494T](#); and GAO, *Coast Guard: Observations on the Fiscal Year 2010 Budget and Related Performance and Management Challenges*, [GAO-09-810T](#) (Washington, D.C.: Jul. 7, 2009).

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major challenge for the Coast Guard given other demands on the agency for both capital and operations spending.<sup>25</sup>

In addition to fiscal constraints, the Coast Guard has also had several acquisition management challenges throughout the history of this program and some of those challenges remain. To address some of these past acquisition management challenges, in April 2007, the Coast Guard assumed the role of systems integrator for the Deepwater Program, reduced the scope of the work by the former systems integrator (or prime contractor), Integrated Coast Guard Systems (ICGS), and assigned these functions to Coast Guard stakeholders.<sup>26</sup> Additionally, the Coast Guard has improved and begun to apply the disciplined management process contained in its Major Systems Acquisition Manual (MSAM) for individual assets, although it did not meet its goal of adhering to this process for all Deepwater assets by March 2009. In addition, we reported in July 2009 that the MSAM does not appear to be consistent with DHS policy that requires entities responsible for operational testing to be independent of the system's users.<sup>27</sup> The Coast Guard concurred with our recommendation to consult with DHS on policies regarding the independent operational test authority.

The Coast Guard has also made other improvements to its oversight and management of the Deepwater program. Due in part to the Coast Guard's increased insight into its purchases, the anticipated cost, schedules, and capabilities of many Deepwater assets have changed since the \$24.2 billion baseline was established in 2007. Coast Guard officials have stated that this baseline reflected not a traditional cost estimate, but rather the anticipated contract costs as determined by ICGS. As the Coast Guard developed its own cost baselines for some assets, as of July 2009, it has become apparent that some of the assets it is procuring will likely cost up

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<sup>25</sup> Additionally, while a lot of attention has been given to the recent fiscal deterioration, the federal government faces even larger fiscal challenges that will persist long after the return of financial stability and economic growth. See GAO, *The Federal Government's Long-Term Fiscal Outlook, Fall 2009 Update*, [GAO-10-137SP](#) (Washington, D.C.: Oct. 15, 2009).

<sup>26</sup> To carry out this acquisition, the Coast Guard awarded the competitive contract to a systems integrator, which for the Deepwater program, was a contractor composed of two major companies acting as a joint venture, responsible for designing, constructing, deploying, supporting, and integrating the various assets to meet projected Deepwater operational requirements at the lowest possible costs, either directly or through subcontractors.

<sup>27</sup> [GAO-09-682](#).

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to \$2.7 billion more than anticipated. This represents about a 39 percent cost growth for the assets under the revised cost estimates.<sup>28</sup> According to Coast Guard, as more cost baselines are developed and approved, further cost growth is likely. Updated baselines also indicate that schedules have slipped for delivery of several of the assets.

Problems in Deepwater management and oversight have led to delivery delays and other operational challenges for certain assets, as our prior work has identified, particularly (1) patrol boats and their anticipated replacements, the Fast Response Cutters<sup>29</sup> and (2) the National Security Cutter. Specifically, we reported in June 2008 that conversion of the first eight 110-foot patrol boats was unsuccessful, and subsequently, the Coast Guard decided to remove these vessels from service and accelerate the design and delivery of the replacement Fast Response Cutters.<sup>30</sup> The removal from service of the eight converted patrol boats in November 2006 created operational challenges by reducing potential patrol boat availability by 16 percent or 20,000 annual operational hours.<sup>31</sup> To mitigate the loss of these eight patrol boats and the associated 2,500 operational hours per patrol boat 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 so that these assets could operate for longer duration, yet still met crew rest requirements. To help fill the longer-term patrol boat operational gap, Coast Guard officials continue to pursue the acquisition of a commercially available Fast Response Cutter. The Coast Guard reports that the first of these cutters, the Sentinel, will commence operations in Miami, Florida in fiscal year 2011. While the contract is for the design and production of up to 34 cutters, the Coast Guard intends to acquire a total of 12 by fiscal year

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<sup>28</sup>As part of our ongoing work, we are updating the Coast Guard cost estimates of Deepwater assets and expect to report on this work by mid-2010.

<sup>29</sup>The Fast Response Cutter is slated to replace the 110' and 123' patrol boats under the Coast Guard's Deepwater system and is projected to provide greater speed, endurance, and operational hours than current patrol boats.

<sup>30</sup>See 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>31</sup>Under the original 2002 Deepwater implementation plan, the Coast Guard intended to convert all 49 of its aging and deteriorating 110-foot patrol boats into 123-foot patrol boats with increased capabilities. This conversion was to serve as a bridging strategy until a replacement vessel, the Fast Response Cutter, became operational.

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2011 to assess the capabilities of these first 12 before exercising options for additional cutters. Coast Guard officials noted that they plan to assess the capabilities of the new cutter through operational test and evaluation before exercising options for additional cutters.

Regarding the National Security Cutters, delays in the delivery of National Security Cutters and the support assets of unmanned aircraft and small boats have created operational gaps for the Coast Guard that include the projected loss of thousands of days in National Security Cutter availability for conducting missions until 2018, as we reported in July 2009.<sup>32</sup> The first vessel (USCGC Bertholf, see figure 1) was initially projected for delivery in 2006 but was not delivered to the Coast Guard until May 2008. We reported in July 2009 that this first vessel was undergoing final trials as the Coast Guard prepared it for full operational service in the fourth quarter of fiscal year 2010. The Coast Guard deployed this first National Security Cutter without its planned support assets.<sup>33</sup> Given the delivery delays, the Coast Guard must continue to rely on High Endurance Cutters that are becoming increasingly unreliable. Coast Guard officials said that the first National Security Cutter capabilities will be greater than those of a High Endurance Cutter; however, the Coast Guard cannot determine the extent to which the National Security Cutters' capabilities will exceed those of the High Endurance Cutter until the National Security Cutters' support assets are operational, which will take several years. To mitigate these operational gaps, the Coast Guard is considering extending the service life of some of its High Endurance Cutters and is using existing aircraft and small boats until unmanned aircraft and new small boats are operational. However, because the High Endurance Cutters are increasingly unreliable, the Coast Guard planned to perform a series of upgrades and maintenance procedures on selected vessels. Before this work could begin, the Coast Guard conducted an analysis on the condition of the High Endurance Cutters and this resulted in the plan to decommission 4 High Endurance Cutters by fiscal year 2011, which could further negatively impact the Coast Guard's ability to more effectively conduct missions.

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<sup>32</sup>[GAO-09-497](#).

<sup>33</sup>The Bertholf was outfitted with cutter interceptor boats and an H-65 helicopter during its first operational patrol.

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**Figure 1: The Coast Guard's First National Security Cutter, The Bertholf**



Source: U.S. Coast Guard.

Looking forward, Coast Guard officials stated that they must review and continuously re-validate whether assumptions used to determine the original fleet mix (i.e., types and number of vessels and aircraft) of Deepwater assets are still reflective of mission demands and operational requirements. For example, the Coast Guard is conducting an updated review to determine whether it will continue with the contractor's original 2001 baseline mix of 8 National Security Cutters, 25 Offshore Patrol Cutters, and 58 Fast Response Cutters. From 2005 to 2006, the Coast Guard worked to rebaseline the Deepwater program to reflect its post-September 11 mission. In April 2006, we reported on this baseline, looking at key changes in asset numbers and capabilities between the original (2001) and revised (2005 and 2006) Deepwater baseline implementation plans.<sup>34</sup> At that time, we found that the Coast Guard's analytical methods were appropriate for determining if the revised asset mix would provide greater mission performance and whether the mix was appropriate for meeting Deepwater missions. In May 2007, the DHS approved the Deepwater Acquisition Program Baseline, which reflects the revised 2005 to 2006 implementations plans. Since that time, as the Coast Guard has taken over the acquisition and management responsibilities for the Deepwater program from the contractor, it has realized that its knowledge of how the various proposed assets would work together to help meet mission needs were limited because the contractor, in certain cases, had

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<sup>34</sup>See GAO, *Coast Guard: Changes to Deepwater Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring Is Warranted*, [GAO-06-546](#) (Washington, D.C.: April 28, 2006).

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developed the plans for these assets without using all of the input from the Coast Guard.<sup>35</sup> Coast Guard officials stated that as part of the on-going process to review the original work completed by the contractor, and in light of technology advances, the Department's maturation, program oversight, and new assets coming online, the Coast Guard has initiated an analysis of the capabilities, number, and mix of assets it needs to fulfill its Deepwater missions by undertaking a new fleet mix analysis.<sup>36</sup> The Coast Guard expects that this fleet mix analysis will assist in determining capability-capacity-performance sensitivities and serve as one tool, among many, in making future capability requirements determinations, including future fleet mix decisions. The results of this study were originally expected in the summer of 2009, but U.S. Coast Guard officials told us that, as of February 2010, the finalization of this study is not expected for a few more months, at which time Coast Guard leadership is to assess the results and plan for future asset procurement decisions. According to Coast Guard officials, the Coast Guard plans to update this fleet mix analysis every 4 years and use it as a basis to update the numbers and types of assets needed for the Deepwater program. At this time, it is too soon to determine the extent to which the fleet mix analysis will inform the Coast Guard's future Deepwater investment decisions.

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### Coast Guard has Efforts Underway to Address Key Reorganization Challenges

The Coast Guard is also continuing its command reorganization, but has not received requested statutory authorities designed to establish its new command structure.<sup>37</sup> This reorganization is intended to better position the service to fulfill not only traditional missions—such as ensuring the safety and security of commercial shipping, safeguarding U.S. fisheries, interdicting illicit drugs, and conducting search and the rescue operations—but also homeland security responsibilities that expanded after the September 11 terrorist attacks. The reorganization is specifically focused on modifying the Coast Guard's command and control

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<sup>35</sup>In 2001, the contractor completed a study documenting the capabilities, types, and mix of assets the Coast Guard needed to fulfill its Deepwater missions, referred to as the Fleet Mix Study.

<sup>36</sup>On October 24, 2008, a Coast Guard charter established a study group to conduct the Coast Guard fleet mix analysis. The group's purpose is to analyze, validate and make recommendations regarding capability requirements necessary to execute Coast Guard missions in the Deepwater operating environment.

<sup>37</sup>See [GAO-09-530R](#). As we reported, the U.S. Coast Guard is undertaking a major effort to update its command structure, support systems, and business practices.

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structure<sup>38</sup>—including the establishment of four new organizational entities—as well as updating mission support systems, such as maintenance, logistics, financial management, human resources, acquisitions, and information technology.

While the Coast Guard reported completing all interim key actions for the reorganization program on schedule, it has not received requested statutory authorities designed to fully establish the new command structure and associated senior leadership positions. Specifically, the Coast Guard submitted a legislative change proposal to, in general, amend Title 14 of the U.S. Code, changing the Vice Commandant's grade from that of a vice admiral to an admiral, and enabling the Coast Guard to appoint four vice admirals rather than two.<sup>39</sup> Lacking these legislative authorities, the Coast Guard is not able to fully implement its envisioned command structure realignment leaving the Coast Guard with its existing geographically-divided command structure—Pacific Area and Atlantic Area. As a result, the Coast Guard has reported that some role ambiguity currently exists due to the combination of both old and new organizational components operating concurrently. For example, many personnel designated to the new Force Readiness Command are continuing to focus almost exclusively on Pacific Area responsibilities. According to the Coast Guard, the staff is currently able to shift resources internally to meet changing demands and priorities; however, the situation is not sustainable. That is, without the legislative changes, personnel will not be able to fully carry out their duties as envisioned by the new command structure. However, as we previously reported, even if the proposed command realignment is fully implemented through enactment of legislative changes, development of relevant performance metrics also remains critically important to ensure that the purported organizational benefits of reorganization are realized. The Coast Guard has taken steps to identify applicable business metrics, which are intended to be used to evaluate the performance and effectiveness of modernized Coast Guard processes and facilitate continued improvement

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<sup>38</sup>Within the Coast Guard, command and control refers to the exercise of authority and direction by a properly designated commander over assigned forces in the accomplishment of the mission. Command and control functions are performed through an arrangement of personnel, equipment, communications, facilities, and procedures.

<sup>39</sup>While several current bills (e.g., H.R. 2650, H.R. 3619, and S. 1194) contain the Coast Guard's legislative change proposal provisions, as of February 15, 2010, such bills were still pending.

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Establishment of the Deployable Operations Group is one example of Coast Guard reorganization that appears to be achieving organizational benefits, although selected management challenges also exist. Established in July 2007, the Deployable Operations Group aligns all of the Coast Guard's deployable specialized forces under a single unified command with national, rather than regional focus. To date, the Deployable Operations Group has largely achieved many of the organizational benefits that it intended as a result of establishing a single command entity to manage and oversee all of its deployable specialized forces. For example, the Deployable Operations Group has (1) standardized tactics, techniques, and procedures; (2) streamlined the process used to request and allocate deployable resources; and (3) implemented an employment schedule that provides dedicated training periods for deployable units, among other improvements. As the Deployable Operations Group continues to mature, however, the command faces challenges to ensure that deployable units are adequately prepared and have the necessary resources to carry out both routine operations and respond to national events and emergencies. For example, the Deployable Operations Group faces human resource challenges associated with a reduction in number of personnel allotted to perform key duties. Specifically, the Deployable Operations Group is operating with 113 staff although initial planning estimates called for 147. Other challenges involve achieving and maintaining qualifications for capabilities that are critical for maritime interdiction missions, such as vertical insertion from a helicopter onto the deck of a target vessel. Although three different types of deployable units are designated to be capable of performing this action, a limited number of required helicopters and trained pilots are available to meet the ongoing training demand. Coast Guard officials stated that they expect that the proposed elimination of dedicated helicopter support to the Maritime Security Response Team (MSRT) will likely exacerbate this challenge.<sup>40</sup> In addition, while the Deployable Operations Group was created to leverage existing resources—potentially doing more with the same resources—its enhanced oversight has also identified new resource requirements. For example, the Deployable Operations Group has identified areas of increasing demand and potential resource gaps that may require difficult decisions about

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<sup>40</sup> The Maritime Security Response Team (MSRT) is a highly specialized resource with advanced counterterrorism skills and tactics. The MSRT is trained to be a first responder to potential terrorist situations; deny terrorist acts; perform security actions against non-compliant actors; perform tactical facility entry and enforcement; participate in port level counterterrorism exercises; and educate other forces on Coast Guard counterterrorism procedures.

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Deployable Specialized Forces roles', required capacity, and their resulting impact on the Coast Guard's overall budget. These challenges may be further exacerbated by having fewer Coast Guard personnel available to meet the increasing demand. We are continuing to assess the Coast Guard's Deployable Operations Group and will report on the results of our review this by spring of this year.

However, the Coast Guard has not made progress in all of its efforts to improve mission support challenges, such as financial management. According to the DHS-OIG's report on the fiscal year 2009 financial statement and internal controls, the Coast Guard did make some progress in fiscal year 2009.<sup>41</sup> In response to reporting from previous years on several internal control deficiencies that led to a material weakness in financial reporting, the Coast Guard developed its *Financial Strategy for Transformation and Audit Readiness*, which is a comprehensive plan to identify and correct conditions that are causing control deficiencies. However, the DHS-Office of Inspector General's (DHS-OIG) report also found that the Coast Guard was unable to provide documentation of key processes, risk assessments, or evidence supporting the existence of internal controls. Coast Guard management acknowledged that pervasive material weaknesses exist in key financial processes, and therefore the agency is unable to make an assertion on the effectiveness of internal control over financial reporting. In addition, the Coast Guard was unable to provide evidence to support transactions and account balances that are material to DHS's financial statements. In addition, the Deputy Inspector General testified before Congress on financial management challenges at the Department and noted that the Coast Guard was one of three components primarily responsible for material weaknesses in the department's internal controls.<sup>42</sup> In addition, the Coast Guard also contributed to the Transportation Security Administration's (TSA's) financial systems security material weakness due to TSA's reliance on the Coast Guard's financial systems. According to the Commandant, the financial audit is a top Coast Guard responsibility, and the solution ultimately lies in the transition to a new financial accounting system that is

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<sup>41</sup>Department of Homeland Security, Office of Inspector General, *Independent Auditor's Report on DHS' FY2009 Financial Statements and Internal Control Over Financial Reporting*, OIG-10-11 (Washington, D.C., November 13, 2009).

<sup>42</sup>Taylor, James L., Deputy Inspector General. Department of Homeland Security, Office of Inspector General. Testimony Before the House of Representatives, Committee on Homeland Security, Subcommittee on Management, Investigations, and Oversight. October 29, 2009.

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being developed by DHS. In addition, Coast Guard officials stated that the Coast Guard must also correct deficiencies which are not dependent upon the system, as well as work to have policies, processes, and data ready to successfully migrate and operate under a new financial system. As we reported in December 2009, DHS has developed certain elements for its financial management strategy—the Transformation and Systems Consolidation (TASC) program—and a plan for moving forward with its financial system integration efforts, but it faces significant challenges in completing and implementing its strategy.<sup>43</sup> Although we made seven recommendations and reaffirmed six prior recommendations to mitigate DHS’s risk in acquiring and implementing the TASC, none were specific to the Coast Guard.<sup>44</sup> We will, however, continue to closely monitor the progress of this new financial management systems strategy, which will ultimately affect all components, including the Coast Guard.

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## Coast Guard Also Facing Workforce Challenges

In addition to having efforts underway to address key reorganization challenges, the Coast Guard is also working to address workforce challenges. We reported in January 2010 that the Coast Guard has efforts underway to address some long-standing workforce challenges, but it is too soon to determine the impact of these efforts.<sup>45</sup> The Coast Guard has a well-documented history of workforce problems, identified by Congress, GAO, and marine safety industry stakeholders, among others. For example, the Coast Guard faces continuing problems in balancing homeland security and more traditional missions, such as law enforcement and marine safety, in the wake of the September 11 terrorist attacks. In 2002 and 2003, we reported that the Coast Guard did not have a long-term strategy that outlined how it sees its resources—including personnel—distributed across its various missions. Furthermore, we reported that although the Coast Guard used a variety of mission performance measures, it lacked a useful reporting mechanism to synthesize and convey data to Congress about its non-homeland security mission

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<sup>43</sup>See GAO, *Financial Management Systems: DHS Faces Challenges to Successfully Consolidating Its Existing Disparate Systems*, [GAO-10-76](#) (Washington, D.C.: Dec. 4, 2009).

<sup>44</sup>See, [GAO-10-76](#). For further information on our prior work and recommendations in this area, see GAO, *Homeland Security: Departmentwide Integrated Financial Management Systems Remain a Challenge*, [GAO-07-536](#) (Washington, D.C.: June 21, 2007); and, GAO, *Financial Management Systems: DHS Has An Opportunity to Incorporate Best Practices in Modernization Efforts*, [GAO-06-553](#) (Washington, D.C.: Mar. 29, 2006).

<sup>45</sup>[GAO-10-268R](#).

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resource levels. Thus, we recommended in 2004 that the Coast Guard implement a system to accurately account for resources expended in each of its mission areas.<sup>46</sup> Although the Coast Guard generally agreed with this recommendation, the agency took no formal position. The agency explained that it believed that its multimission nature posed a higher degree of difficulty for the agency to implement the recommendations. The Coast Guard has reported improvements in the transparency and accuracy of its financial systems and data, though concerns remain, as reported by the DHS-OIG. Further, in 2008, we reported that the Coast Guard's execution of a security-related program was at risk because it lacked a strategic workforce plan that (1) defined appropriate staffing levels, (2) identified the critical skills needed to achieve the mission, and (3) eliminated workforce gaps to prepare for future needs. As a result, we recommended that Coast Guard fully develop a workforce plan for this program. DHS partially concurred with our recommendation, saying current workforce needs had been analyzed, but acknowledged the need to do more if new authorities were provided to expand the program's capacity-building activities. However, we found that those actions fell short of the planning called for by the human capital management guidance and that further development of a workforce plan was still appropriate.<sup>47</sup>

The Coast Guard has made efforts to address these workforce challenges through the development of servicewide mission-support and mission-specific plans, as well as the creation or expansion of data-driven management tools. However, most of these efforts are either in early stages of implementation or expansion or the data are not yet available to assess them. One of the four plans we reviewed did not fully conform to congressional direction. For example, one servicewide effort, the Workforce Action Plan, was developed in response to appropriations committee report direction, whose members had expressed concern that the size of the Coast Guard's workforce had not kept pace with its

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<sup>46</sup>See, GAO, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer*, [GAO-04-432](#) (Washington, D.C.: Mar. 22, 2004).

<sup>47</sup>GAO, *Maritime Security: Coast Guard International Port Security Program Has Made Progress, but Additional Workforce Planning Is Needed*, [GAO-08-335SU](#) (Washington, D.C.: Apr. 4, 2008).

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increased mission requirements.<sup>48</sup> The Workforce Action Plan did not provide a gap analysis of the mission areas and personnel needed, and thus also did not provide a strategy with proposed funding, milestones, and a timeline for addressing these workforce gaps for each employee, consistent with congressional direction. The remaining three plans generally conformed to best practices.<sup>49</sup>

Furthermore, as the Coast Guard continues to develop and implement these workforce-related efforts, it faces challenges due to resource constraints, data reliability problems, and coordination. The Coast Guard acknowledged that it faces two types of resource challenges—first, dedicating the necessary resources to implement and monitor its planning and data-tool workforce initiatives, and second, having the resources to meet its workforce and mission requirements once they are established. Coast Guard officials also acknowledged challenges with obtaining reliable, verifiable, and repeatable data that may affect the data-driven tools created by the Coast Guard. Along with resource and data reliability challenges, the Coast Guard faces potential challenges in coordinating its various workforce-related plans and tools. Specifically, in the midst of the large organizational transformation that is under way involving numerous changes to the Coast Guard’s command structure, enterprisewide support systems, and business practices, it may prove difficult for the Coast Guard to coordinate more narrowly defined workforce management efforts, such as plans and tools that span a range of specific functions and encompass a variety of Coast Guard activities. The Coast Guard has established an office to coordinate the modernization effort and other broad organizational change initiatives; however, it is not clear whether its span of control or influence will extend to the specific workforce-related plans and tools.

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<sup>48</sup>The Senate Report (S. Rep. No. 110-396 at 80 (2008)) accompanying the Department of Homeland Security Appropriations Act, 2009 (Pub. L. No. 110-329, 122 Stat. 3574, 3652 (2008)) required the Commandant of the United States Coast Guard to address specific elements in the development of a workforce action plan. The Explanatory Statement accompanying the Department of Homeland Security Appropriations Act, 2009, directed the Coast Guard to comply with the Senate report direction regarding a workforce action plan (H.Comm. on Appropriations, 110th Cong., Committee Print on H.R. 2638/Public Law 110-329 at 646 (2008)).

<sup>49</sup>For detailed information on each of these plans and tools including the issue they are intended to address, purpose, responsible command, time frames, and status, see pp. 23-44 of GAO 10-268R.

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## Leadership Is Key to Sustaining the Coast Guard's Efforts to Address Challenges

Leadership is critical as the Coast Guard faces large scale changes and resource decisions in the near term. While the Coast Guard has efforts underway to address many of the key challenges confronting the agency, sustaining these efforts will be a challenge for the new Coast Guard leadership team.<sup>50</sup> As we have previously reported, at the center of any serious change management initiative—such as the reorganization plan—are the people.<sup>51</sup> Thus, the key to a successful merger and transformation is to recognize the “people” element and implement strategies to help individuals maximize their full potential in the new organization, while simultaneously managing the risk of reduced productivity and effectiveness that often occurs as a result of the changes. One key practice in this effort is ensuring that the organization’s top leadership drives the change initiative and defines and articulates a succinct and compelling reason for the change. For example, in 2003 we reported that because a merger or transformation entails fundamental and often radical change, strong and inspirational leadership is indispensable, and that top leadership that is clearly and personally involved in the merger or transformation represents stability and provides an identifiable source for employees to rally around during tumultuous times. The agency’s leadership must set the direction, pace, and tone for the transformation. For all of these ongoing efforts and changes to achieve their intended benefits, it is important that Coast Guard leadership maintains attention to these challenges.

Mr. Chairman and members of this Subcommittee, this concludes my prepared statement. I would 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

For information about this statement, please contact Stephen L. Caldwell, Director, Homeland Security and Justice Issues, at (202) 512-9610, or [caldwells@gao.gov](mailto:caldwells@gao.gov). Contact points for our Office of Congressional Relations and Office of Public Affairs may be found on the last page of this statement. Other individuals making key contributions to this testimony include Sylvia Bascopé, Claudia Becker, Dawn Hoff, John Hutton, Lara

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<sup>50</sup>The current Coast Guard Commandant’s 4-year term ends in May 2010. At such time, he will be replaced by a new Commandant and Coast Guard leadership team.

<sup>51</sup>GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-369](#) (Washington, D.C.: July 2, 2003).

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Kaskie, J. Kristopher Keener, Dan Klabunde, Ryan Lambert, and Michele Mackin.

# Appendix I: The Coast Guard’s Statutory Missions

This appendix outlines the Coast Guard’s mission, activities and functions. 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. 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 in table 3.

| Table 3: Coast Guard Homeland Security and Non-Homeland Security Missions |                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Statutory missions <sup>a</sup>                                           | Primary activities and functions of each Coast Guard mission                                                                                                                                                                                                                                |
| Homeland security missions                                                |                                                                                                                                                                                                                                                                                             |
| 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>                                                                                                                |
| Non-homeland security missions                                            |                                                                                                                                                                                                                                                                                             |
| 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 multi-mission 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>                                                                                                                                                  |
| 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>                        |

| Statutory missions <sup>a</sup>                  | Primary activities and functions of each Coast Guard mission                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.

# Appendix II: Coast Guard's Budget Request, by statutory mission

This appendix compares the Coast Guard's proposed budget for fiscal year 2011 against the agency's enacted budget for the previous year, by mission. Table 4 highlights those mission areas in which the Coast Guard proposes change—either an increase or decrease in investment from year to year. The last two columns of the table give a sense of the magnitude of the proposed change, both as a dollar figure and as a percentage change. Figure 2 graphically illustrates these year-to-year changes, by mission.

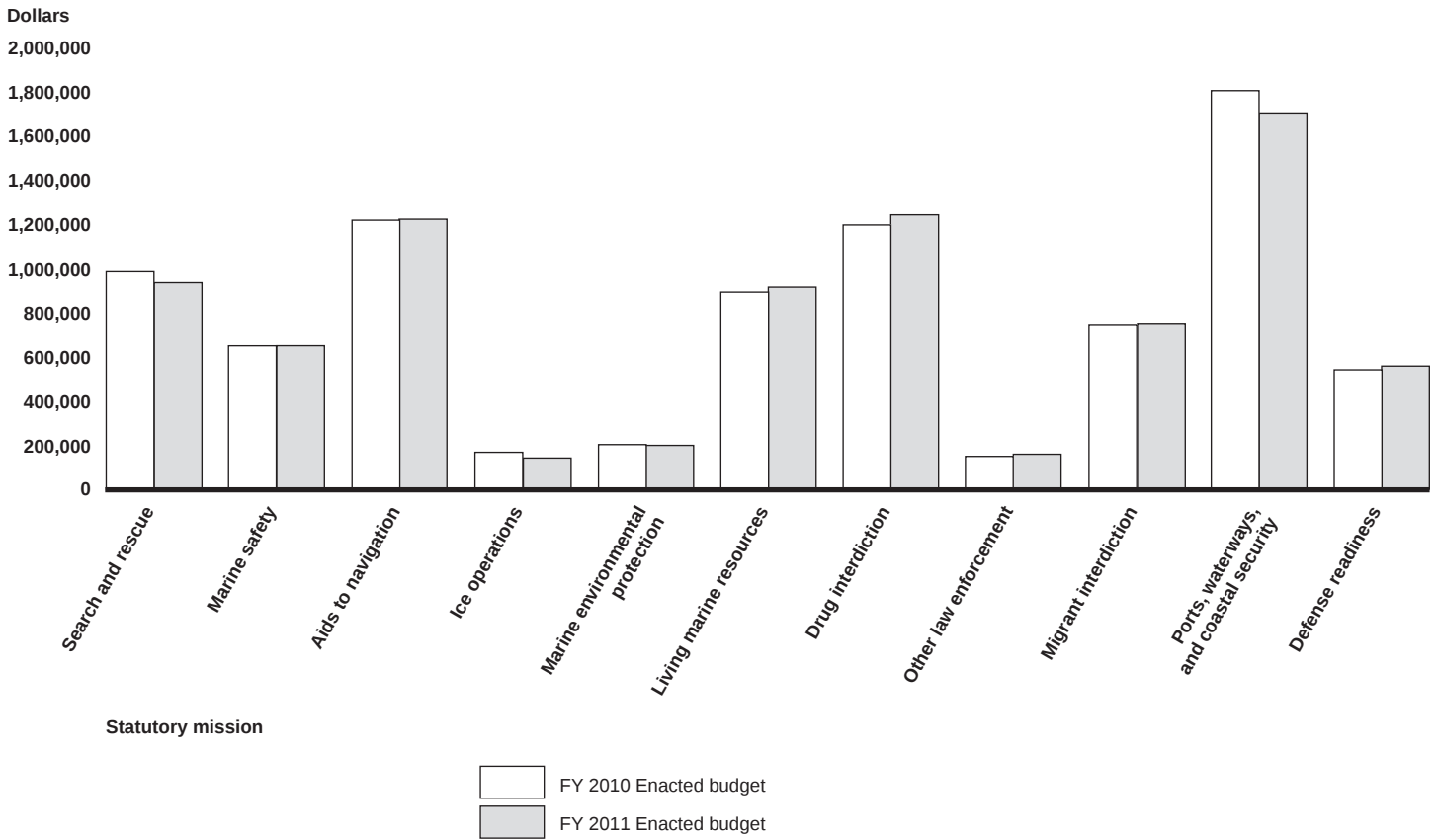
**Table 4: Coast Guard Fiscal year 2011 Budget Request by Statutory Mission**

| Statutory Mission <sup>a</sup>         | FY 2010<br>Enacted | FY 2011<br>Requested | Change           | Percentage<br>Change |
|----------------------------------------|--------------------|----------------------|------------------|----------------------|
| Search and rescue                      | \$985,991          | \$936,370            | -\$49,621        | -5                   |
| Marine safety                          | 649,711            | 650,054              | 343              | 0                    |
| Aids to navigation                     | 1,215,310          | 1,219,873            | 4,563            | 0                    |
| Ice operations                         | 167,397            | 141,297              | -26,100          | -16                  |
| Marine environmental protection        | 202,241            | 198,711              | -3,530           | -2                   |
| Living marine resources                | 893,391            | 915,947              | 22,556           | 3                    |
| Drug interdiction                      | 1,193,726          | 1,239,658            | 45,932           | 4                    |
| Other law enforcement                  | 148,840            | 158,581              | 9,741            | 7                    |
| Migrant interdiction                   | 742,322            | 747,425              | 5,103            | 1                    |
| Ports, waterways, and coastal security | 1,802,134          | 1,700,995            | -101,139         | -6                   |
| Defense readiness                      | 540,686            | 557,626              | 16,940           | 3                    |
| <b>Total Discretionary Funding</b>     | <b>8,541,749</b>   | <b>\$8,466,537</b>   | <b>-\$75,212</b> | <b>-1</b>            |

Source: GAO analysis of Coast Guard data.

<sup>a</sup>The Coast Guard budgets by statutory appropriations account categories rather than statutory mission program categories. In order to display budget allocated by mission program, the agency uses an activity-based cost model that averages past expenditures to forecast future spending.

**Figure 2: Coast Guard Fiscal Year 2010 Enacted Budget and FY 2011 Budget Request, by Statutory Mission**



Source: GAO analysis of Coast Guard data.

# Appendix III: Performance Results by Mission for 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 2009 (see table 5). In some cases, noted by n/a, performance measures have changed and do not allow for direct comparison with the fiscal year 2009 measure. The table is broken into three sections—missions meeting all of their 2009 performance targets, missions partially meeting their performance targets, and missions meeting none of their performance targets.

**Table 5: Coast Guard Performance Results by Mission from Fiscal Year 2004 through Fiscal Year 2009**

|                                           |                                                                                                 | Performance results |       |       |       |       |       |                             |
|-------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------|-------|-------|-------|-------|-------|-----------------------------|
| Coast Guard mission                       | Mission performance measures                                                                    | 2004                | 2005  | 2006  | 2007  | 2008  | 2009  | Performance target for 2009 |
| Missions meeting 2009 performance targets |                                                                                                 |                     |       |       |       |       |       |                             |
| Search and rescue                         | Percentage of people saved from imminent danger in the maritime environment <sup>a</sup>        | 76.7%               | 77.1% | 76.0% | 76.6% | 76.8% | 77.3% | ≥76.0%                      |
| Ports, waterways, and coastal security    | Percent reduction in maritime terrorism risk over which the Coast Guard has influence           | n/a                 | 14%   | 18%   | 15%   | 20%   | 31%   | ≥21%                        |
|                                           | MTSA annual required facility inspection rate                                                   | n/a                 | 100%  | 100%  | 78%   | 100%  | 100%  | 100%                        |
| Marine safety                             | 5-year average commercial mariner deaths and injuries                                           | 483                 | 473   | 502   | 527   | 494   | 475   | ≤529                        |
|                                           | Annual commercial mariner deaths and injuries                                                   | 460                 | 522   | 617   | 480   | 388   | 369   | ≤496                        |
|                                           | 5-year average commercial passenger deaths and injuries                                         | 170                 | 171   | 215   | 238   | 250   | 228   | ≤251                        |
|                                           | Annual commercial passenger deaths and injuries                                                 | 259                 | 188   | 334   | 254   | 215   | 149   | ≤236                        |
|                                           | 5-year average recreational boating deaths and injuries                                         | 4,703               | 4,503 | 4,367 | 4,249 | 4,147 | 4,038 | ≤4,248                      |
|                                           | Annual recreational boating deaths and injuries                                                 | 4,081               | 4,120 | 4,197 | 4,285 | 4,052 | 3,534 | ≤4,184                      |
| Marine environmental protection           | 5-year average number of oil spills greater than 100 gallons per 100 million short tons shipped | 17.6                | 16.0  | 14.3  | 14.0  | 13.2  | 11.8  | ≤13.0                       |
|                                           | Annual number of oil spills greater than 100 gallons                                            | 162                 | 149   | 168   | 140   | 122   | 98    | ≤150                        |

|                                                            |                                                                                                                                       | Performance results |       |       |       |       |       | Performance target for 2009 |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------|-------|-------|-------|-------|-----------------------------|
| Coast Guard mission                                        | Mission performance measures                                                                                                          | 2004                | 2005  | 2006  | 2007  | 2008  | 2009  |                             |
|                                                            | 5-year average number of chemical discharge incidents per 100 million short tons shipped                                              | 42.5                | 31.9  | 27.9  | 24.7  | 19.8  | 17.8  | ≤25.9                       |
|                                                            | Annual number of chemical discharge incidents greater than 100 gallons                                                                | 39                  | 31    | 46    | 39    | 21    | 22    | ≤50                         |
| Other law enforcement (foreign fishing enforcement)        | Number of incursions into U.S. exclusive economic zone                                                                                | 247                 | 171   | 164   | 126   | 81    | 112   | ≤195                        |
|                                                            | Interdiction rate of foreign vessels detected violating U.S. exclusive economic zone                                                  | n/a                 | n/a   | n/a   | 23.0% | 16.0% | 14.3% | ≥9%                         |
| Ice operations                                             | Number of days critical waterways are closed due to ice                                                                               | 4                   | 0     | 0     | 0     | 0     | 0     | ≤2/8 <sup>b</sup>           |
| <b>Missions partially meeting 2009 performance targets</b> |                                                                                                                                       |                     |       |       |       |       |       |                             |
| Aids to navigation                                         | 5-year average number of collisions, allisions, and groundings <sup>c</sup>                                                           | 1,928               | 1,875 | 1,818 | 1,823 | 1,857 | 1,878 | ≤1871                       |
|                                                            | Availability of federal short-range aids to navigation                                                                                | 97.5%               | 97.1% | 97.0% | 97.9% | 98.3% | 98.0% | ≥97.5%                      |
| Migrant interdiction                                       | Percentage of undocumented migrants attempting to enter the United States via maritime routes that are interdicted                    | n/a                 | n/a   | n/a   | 65.2% | 62.7% | 84.4% | ≥69.9%                      |
|                                                            | Percentage of undocumented migrants attempting to enter the United States via maritime routes that are interdicted by the Coast Guard | n/a                 | n/a   | n/a   | 42.1% | 46.9% | 37.5% | ≥50%                        |
| Illegal Drug interdiction                                  | Removal rate for cocaine shipped via non-commercial maritime means <sup>d</sup>                                                       | n/a                 | n/a   | n/a   | n/a   | n/a   | 15%   | ≥15.7%                      |
|                                                            | Metric tons of cocaine removed                                                                                                        | 133.4               | 153.2 | 130.2 | 161.7 | 166.9 | 160.1 | ≥134                        |
| <b>Missions that did not meet 2009 performance targets</b> |                                                                                                                                       |                     |       |       |       |       |       |                             |
| Defense readiness <sup>e</sup>                             | Percentage of time that Coast Guard assets meet designated combat readiness level                                                     | 76%                 | 67%   | 62%   | 51%   | 56%   | 44%   | 100%                        |
|                                                            | Defense Readiness of High Endurance Cutters                                                                                           | 98.5%               | 99.5% | 84.2% | 47.0% | 47.0% | 20.7% | 100%                        |
|                                                            | Defense Readiness of Patrol Boats                                                                                                     | n/a                 | n/a   | 100%  | 100%  | 95.0% | 94.0% | 100%                        |
|                                                            | Defense Readiness of Port Security Units                                                                                              | 29.0%               | 1.5%  | 1.0%  | 4.5%  | 24.5% | 19.8% | 100%                        |
| 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% | 96.7% | ≥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 2009 targets.

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<sup>a</sup>This measure calculates the number of lives saved divided by the number of lives in distress, excluding cases involving 11 or more persons. Starting in fiscal year 2009, "lives in distress" now includes "lives unaccounted for"—persons still missing when search and rescue operations cease.

<sup>b</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>c</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>d</sup>In fiscal year 2009, the Coast Guard revised its methodology for measuring drug interdiction performance by using the Consolidated Counter Drug Database (CCDB) as its source for tracking cocaine movement. Coast Guard states that the CCDB quarterly, event-based estimates are historically more than 60 percent higher than the annual production- and consumption- based estimates which had previously been used. This could make it appear as though Coast Guard performance dropped from fiscal year 2008. Therefore, no comparable prior year figures are available.

<sup>e</sup>The Coast Guard reports that the defense readiness performance measures reported in fiscal year 2009 will be retired in fiscal year 2010. The measures are being replaced with similar Status of Resources Training System based readiness measures that employ different methodology to better reflect readiness of all the Port Security Units and the entire fleet of patrol boats and High Endurance Cutters.

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