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**COAST GUARD**

**Key Management and  
Budget Challenges for  
Fiscal Year 2005 and  
Beyond**

Statement of Margaret T. Wrightson, Director  
Homeland Security and Justice Issues





Highlights of [GAO-04-636T](#), a report to the Subcommittee on Oceans, Fisheries, and Coast Guard, Committee on Commerce, Science, and Transportation, U.S. Senate

## Why GAO Did This Study

As the lead federal agency for maritime homeland security within the Department of Homeland Security, the Coast Guard is facing extraordinary, heightened responsibilities to protect America's ports, waterways, and waterside facilities from terrorist attacks. At the same time, the Coast Guard remains responsible for many other programs important to the nation's interests, such as conducting search and rescue and protecting important fishing grounds. Its expanded responsibilities come at a time when budget resources are increasingly constrained, making prioritization among competing agencies and programs an even more critical factor in congressional decision-making. This testimony specifically addresses (1) the most recent trends in both resource usage and performance results for the Coast Guard's homeland security and non-homeland security programs; (2) challenges the agency faces as it proceeds with its Deepwater acquisition program to replace or modernize its key legacy cutters and aircraft; and (3) an overview of the President's fiscal year 2005 budget request for the Coast Guard, focusing on several areas of particular congressional interest.

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To view the full product, including the scope and methodology, click on the link above. For more information, contact Margaret Wrightson at (415) 904-2200 or [wrightsonm@gao.gov](mailto:wrightsonm@gao.gov).

## COAST GUARD

# Key Management and Budget Challenges for Fiscal Year 2004 and Beyond

## What GAO Found

Resource usage for Coast Guard assets—its cutters, boats, and aircraft—was up almost 40 percent from the pre-September 11th baseline. Homeland security programs, such as the ports, waterways, and coastal security program, have been more likely to see increases in usage, while non-homeland security programs, such as living marine resources, remain below pre-September 11th levels. Although resource usage changed substantially for many of these programs, performance results generally improved or remained largely the same. The stable or improved performance results were attributed mainly to operational efficiencies (e.g., improved technology, improved tactics, stronger partnerships, and improved intelligence). However, the Coast Guard has limited data and no systematic approach to explain or account for the effects of these factors. Without such an approach and supporting data to link its resources and performance results, the agency may be missing further opportunities to increase productivity and efficiency to ensure best use of its funds.

Some of the Coast Guard's legacy Deepwater cutters, patrol boats, and aircraft are increasingly unreliable and costly to maintain, and timely and effective implementation of the agency's ongoing Deepwater acquisition program to modernize these assets is crucial in order to reverse this trend. However, the Coast Guard faces serious challenges to keep the Deepwater program on schedule and within planned budget estimates. We estimate that to return the program to its original 20-year completion schedule will cost about \$2.2 billion more than the Coast Guard estimated when the program was implemented in 2002. Also, available program funding, which has been less than the Coast Guard planned, may have to be used, in part, to address critical maintenance needs of the legacy assets, diverting funds otherwise intended for future Deepwater replacements and upgrades. Moreover, recent GAO work raised serious concerns about the management and oversight of the program, including the quality of the Coast Guard's assessment of the program contractor's performance and the uncertainty as to whether the Coast Guard would be able to effectively control costs.

The President's fiscal year 2005 budget request of about \$7.5 billion for the Coast Guard represents about an 8 percent increase over last year. It includes \$5.2 billion in operating expenses and \$943 million for its capital acquisition budget. Most of the new initiatives outlined in its operating expense budget are targeted for homeland security initiatives, including \$102 million for implementation of the Maritime Transportation Security Act of 2002. Aside from the new initiatives, two other efforts in the budget request may require further attention. The Coast Guard's multi-mission stations are still experiencing a heavy workload for station personnel because of increased homeland security responsibilities. Also, the Coast Guard's Rescue 21 program, which will replace the Coast Guard's current antiquated communication system, faces possible delays because of software system development problems.

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Madame Chair and Members of the Subcommittee:

I am pleased to be here today to discuss the President's fiscal year 2005 budget request for the Coast Guard and key management and operational challenges the agency faces in this and future budgets. As the lead federal agency for maritime homeland security within the Department of Homeland Security (DHS), the Coast Guard is facing extraordinary, heightened responsibilities to protect America's ports, waterways, and waterside facilities from terrorist attacks and from becoming an avenue for terrorists to bring weapons of mass destruction into the country. The Coast Guard also remains responsible for many other programs important to the nation's interests, such as helping stem the flow of illegal drugs and illegal migration, protecting important fishing grounds, and responding to marine pollution. These expanded responsibilities come at a time when budget resources are increasingly constrained, making prioritization among competing agencies and programs an even more critical factor in congressional decision-making.

To help meet its increased homeland security responsibilities and restore activity levels for its traditional programs, the Coast Guard received substantial budget increases from fiscal years 2001 to 2004. This trend continued with the President's fiscal year 2005 budget request for the Coast Guard of about \$7.5 billion, an 8 percent increase over the previous year. Still, despite the large budget increases since September 11, there is much congressional concern about whether the Coast Guard can continue to meet all of its responsibilities, given both the increased emphasis on and additional resources required for homeland security, and the agency's heavy reliance on its fleet of larger ships and mainstay aircraft, many of which are now aged and technologically obsolete. In addition, our past work<sup>1</sup> has shown that notwithstanding substantial increases in the Coast Guard's budget to accommodate its increased responsibilities, the Coast Guard's emphasis on homeland security reduced the level of resources devoted to non-homeland security programs.

My testimony today, which is based on recently completed work, addresses three topics: (1) the most recent trends in both resource usage and performance results for the Coast Guard's homeland security and non-

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<sup>1</sup>U.S. General Accounting Office, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to be Clearer*, (GAO-04-432, Washington, D.C.: Mar. 22, 2004); *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, (GAO-03-155, Washington, D.C.: Nov. 12, 2002).

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homeland security programs; (2) challenges the agency faces as it proceeds with its Deepwater acquisition program to replace or modernize its key legacy cutters and aircraft; and (3) an overview of the President's fiscal year 2005 budget request for the Coast Guard, focusing on several areas of particular congressional interest. We conducted our work from March 2004 to April 2004 in accordance with generally accepted government auditing standards.

In summary, our work shows the following:

- Resource usage—as measured by the number of hours the Coast Guard's cutters, boats, and aircraft were used to perform its missions—were up almost 40 percent from the pre-September 11 baseline. Resource hours for homeland security programs benefited most, while hours for non-homeland security programs generally declined. In contrast, performance results for both homeland and non-homeland security programs generally improved or remained largely unchanged. The Coast Guard believes that the lack of a clear relationship between resource use and performance results is attributable to both internally and externally driven factors. According to the Coast Guard, the use of new technologies, better operational tactics, improved intelligence, and stronger partnering efforts have contributed to stable or improving performance results despite declines in resource hours used for some programs. The Coast Guard also pointed to external factors beyond the agency's control, such as a surge of undocumented migrants attempting to enter the United States by maritime routes, as affecting the results. Although our work lends some support to these explanations, the Coast Guard has limited data and no systematic approach to explain or account for the effects of these factors. Without such an approach and supporting data to link its resources and performance results, the agency may be missing further opportunities to increase productivity and efficiency to ensure the best use of its funds.
- The most significant challenge the Coast Guard faces as it moves forward with its Deepwater program is keeping the program on schedule and within planned budget estimates through a well-managed and adequately funded effort. Adding to the challenge is the fact that key legacy assets are becoming increasingly unreliable and costly to maintain. This could put the Coast Guard at risk of expending funds to repair deteriorating legacy assets that otherwise had been planned for Deepwater modernization initiatives. This action could potentially further delay the program and increase total program costs. For example, the Coast Guard is using Deepwater funds to address recent engine system problems on mainstay helicopters used for search and

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rescue, and law enforcement. More attention to contract management and oversight, and stable funding will be needed if the Coast Guard is to successfully manage these risks. During the first 2 years of the Deepwater program, after the contract was signed, the Coast Guard did not get the funding originally planned, and now the program is behind schedule. The Coast Guard estimates that a sustained funding level of \$795 million over the remaining years of the program will be necessary to get the program back onto its original 20-year schedule. In nominal dollars, this amount represents about a \$2.2 billion escalation in costs over the earlier \$15 billion estimate. Aside from funding issues and problems with legacy assets, our recent work has also raised concerns about the Coast Guard's management of the program. Among the issues we identified were problems with the quality of the Coast Guard's assessment of the contractor's performance and the uncertainty as to whether the Coast Guard would be able to effectively control costs.

- The President's fiscal year budget request for the Coast Guard represents an 8 percent increase over last year, and new initiatives continue to focus on the Coast Guard's homeland security programs. Of the new initiatives outlined in its operating expense budget, for example, about 90 percent of the funding was for homeland security initiatives. The largest, totaling almost \$102 million, is targeted for the cost of implementing the Maritime Transportation Security Act of 2002. This money would add about 500 new personnel (full-time-equivalent) to approve vessel and facility security plans, ensure plans are being followed, and perform various other inspection and intelligence activities. Aside from the new initiatives, two other efforts may require special attention in the budget request. One of these areas, the readiness of its multi-mission stations, has been a congressional concern in recent years. Since 2002, the Congress has earmarked additional funding to provide more personnel, equipment, and training for multi-mission stations. While personnel have increased by about 1,100 between fiscal years 2001 and 2003, the workload of these stations is still a major concern. For example, station personnel are currently averaging an 83-hour workweek, which is virtually unchanged from 2001, and well beyond the Coast Guard's standard of 68 hours per week. Rescue 21, the Coast Guard's second largest procurement effort, will replace the Coast Guard's current antiquated communication system that is key to carrying out its search and rescue functions. This program, which is estimated to cost \$953 million, has encountered delays related to software integration problems. Currently, Coast Guard officials are unsure whether Rescue 21 will be completed on

time at the end of fiscal year 2006, but they do not anticipate any cost escalation in the program.

## Background

Now a part of DHS, the Coast Guard has experienced substantial budget growth since the terrorist attacks of September 11. The agency's operating budget in fiscal year 2004 was \$4.7 billion—an increase of 31 percent in nominal dollars over its fiscal year 2001 operating budget. The Coast Guard spends the bulk of this money on 11 programs—5 related to its homeland security mission and 6 related to its non-homeland security mission. (See table 1.)

**Table 1: Homeland Security and Non-Homeland Security Programs by Mission Area (as of March 2004)**

<b>Missions and programs</b>	<b>Activities and functions of each program</b>
<b>Homeland security mission</b>	
Ports, waterways, and coastal security	Conducting harbor patrols, vulnerability assessments, intelligence gathering and analysis, and other activities to prevent terrorist attacks and minimize the damage from attacks that occur.
Illegal drug interdiction	Deploying cutters and aircraft in high drug trafficking areas and gathering intelligence to reduce the flow of illegal drugs through maritime transit routes.
Undocumented migrant interdiction	Deploying cutters and aircraft to reduce the flow of undocumented migrants entering the United States by maritime routes.
Defense readiness	Participating with the Department of Defense (DOD) in global military operations, deploying cutters and other boats in and around harbors to protect DOD force mobilization operations.
Other law enforcement (foreign fish enforcement) <sup>a</sup>	Protecting U.S. fishing grounds by ensuring that foreign fishermen do not illegally harvest United States fish stocks.
<b>Non-homeland security mission</b>	
Search and rescue	Operating multi-mission stations, and a national distress and response communication system, conducting search and rescue operations for mariners in distress.
Living marine resources	Enforcing domestic fishing laws and regulations through inspections and fishery patrols.
Aids to navigation	Managing U.S. waterways and providing a safe, efficient, and navigable marine transportation system; maintaining the extensive system of navigation aids; monitoring marine traffic through vessel traffic service centers
Ice operations	Conducting polar operations to facilitate the movement of critical goods and personnel in support of scientific and national security activity and conducting domestic and international icebreaking operations to facilitate year-round commerce.
Marine environmental protection	Preventing and responding to marine oil and chemical spills; preventing the illegal dumping of plastics and garbage in U.S. waters and preventing biological invasions by aquatic nuisance species.
Marine safety	Setting standards and conducting vessel inspections to better ensure the safety of passengers and crew aboard commercial vessels, cruise ships, ferries, and other passenger vessels and partnering with states and boating safety organizations to reduce recreational boating deaths.

Source: Coast Guard.

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<sup>1</sup>Foreign fish enforcement is a key subset of the Coast Guard's other law enforcement program. For this report, we consider only the resource hours and performance results associated with the foreign fish aspect of the other law enforcement program. We subsequently refer to this program as foreign fish enforcement.

To carry out these responsibilities, , the Coast Guard had almost 44,500 full-time military and civilian positions at the end of fiscal year 2003—about 9 percent more than it had in fiscal year 2001.<sup>2</sup> Also, the Coast Guard operates a fleet of more than 200 cutters and patrol boats, about 1,600 smaller boats, and almost 200 aircraft—mainly helicopters. Several efforts are under way to replace, modernize, or add to these assets. The major one, the Deepwater program, was begun in 1996, to replace or modernize the Coast Guard's existing ships and aircraft, as well as make use of innovative technology such as satellites and improved detection capabilities to carry out its varied mission responsibilities. Deepwater involves the modernization and replacement of over 90 ships and 200 aircraft used for missions that generally occur beyond 50 miles from shore.

The Deepwater program has been in development for a number of years. Between 1998 and 2001, three industry teams competed to identify and provide Deepwater assets needed to transform the Coast Guard. In June 2002, the Coast Guard awarded a contract to Integrated Coast Guard Systems (ICGS) as the system integrator for the Deepwater program to develop and deliver an improved, integrated system of ships, aircraft, unmanned aerial vehicles, command, control, communications, computer, intelligence, surveillance, and reconnaissance, and supporting logistics. During the first 3 years of the program (fiscal years 2002-2004), the Congress appropriated about \$1.5 billion for the program.

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<sup>2</sup>These numbers include about 38,000 military and 6,200 civilian personnel. In addition, the Coast Guard has about 7,900 reservists, as well as about 36,000 volunteer auxiliary personnel who help with activities ranging from search and rescue to boating safety education.

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Resource Hours Have Changed Substantially for Many Programs, While Performance Results Have Largely Remained Stable

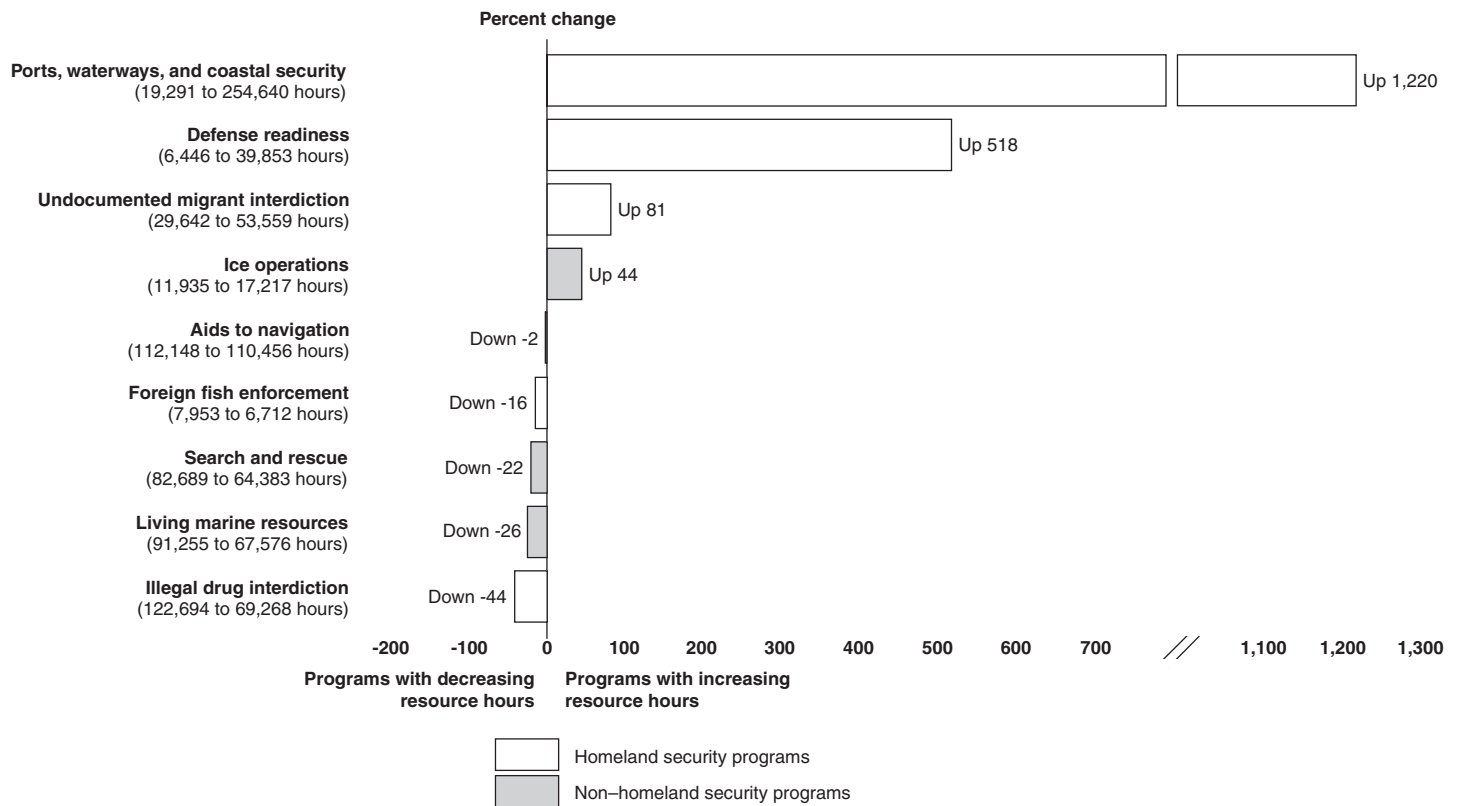
Total Coast Guard resource hours devoted to its various programs have increased by 39 percent since the September 11 terrorist attacks.<sup>3</sup> Among the various Coast Guard programs, however, there is a marked difference in the degree to which resource levels rose or declined. Of the various programs, the ports, waterways, and coastal security program saw by far the largest increase—more than 1,200 percent. Before the September 11 attacks, this program was a small component of the Coast Guard, accounting for less than 4 percent of total resource hours. By the end of fiscal year 2003, the program accounted for 34 percent. As figure 1 shows, resource hours were up in 4 programs and down in 5. Homeland security programs have been more likely to see increases in hours, while non-homeland security programs have been more likely to see decreases.

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<sup>3</sup>Resource hours, which are the number of hours that Coast Guard ships, boats, and aircraft are used in each Coast Guard program, provide a basis for assessing levels of effort in 9 of the Coast Guard's 11 programs. We used resource hours for cutters, boats, and aircraft as an activity measure because the Coast Guard does not have a system that tracks how its personnel spend their time by program. The Coast Guard calculated a resource hour baseline from which the change in resource hours since the September 11 attacks can be estimated. This baseline is an average of the eight fiscal year quarters preceding September 11, 2001 multiplied by four to put it in terms of a full fiscal year. For the purposes of this report, we refer to this calculation as the pre-September 11 baseline or as pre-September 11 levels. According to Coast Guard officials, there is no special significance to this baseline period, other than it represents the historical mission activity of the Coast Guard at that period in time. Although the Coast Guard tracks resource hours for all 11 of its programs, 2 of the 11 are carried out substantially without the use of cutters, boats, and aircraft. These two are marine safety (such as conducting ship inspections in port) and marine environmental protection (such as responding to oil or chemical spills).



**Figure 1: Percentage Change in Resource Hours, by Program, Pre-September 11 Baseline to Fiscal Year 2003**



Source: GAO analysis of Coast Guard resource hour data.

While resource hours changed substantially for many of these programs, their corresponding performance results did not necessarily reflect the direction of these changes. Most Coast Guard programs have key indicators—such as the percentage of distressed mariners’ lives saved—that the Coast Guard uses to report program performance. Seven of the 9 programs we reviewed had information on these indicators over the 3-year period.<sup>4</sup> Of these, only 1—defense readiness—showed a consistent relationship between resources and performance results. (See table 2.) For that program, resources increased and performance results improved. For

<sup>4</sup>The Coast Guard had not yet established performance measures for the ports, waterways, and coastal security program, and fiscal year 2003 measures for the illegal drug interdiction program were not yet available at the time of our review.

the others, performance either remained stable despite changes in resources, or they actually improved even though resources decreased.<sup>5</sup>

**Table 2: Comparison of Trends in Resource Hours and Performance Results, by Program**

<b>Program<sup>a</sup></b>	<b>Increase or decrease in resource hours, pre-September 11 baseline to fiscal year 2003</b>	<b>General trend in performance results, comparing fiscal year 2001 with fiscal year 2003<sup>b</sup></b>
<b>Programs with an inconsistent relationship between resources and performance results</b>		
Undocumented migrant interdiction	Increase	Stable
Ice operations	Increase	Stable
Search and rescue	Decrease	Stable
Living marine resources	Decrease	Stable
Foreign fish enforcement	Decrease	Improved
Aids to navigation	Stable	Improved
<b>Program with a consistent relationship between resources and performance results</b>		
Defense readiness	Increase	Improved
<b>Programs with incomplete information on trends</b>		
Illegal drug interdiction	Decrease	Data not yet available for 2003

Source: GAO analysis of Coast Guard resource hour and performance data.

<sup>a</sup>Coast Guard has not yet established performance measures for the ports, waterways, and coastal security program. Consequently, it is not included in this table.

<sup>b</sup>For this report, we were most interested in comparing performance results for fiscal year 2001 with the most currently available results—from fiscal year 2003. As a result, we defined programs as “stable” or “improved” based on the known results for these 2 years. All programs defined as “stable” showed a differential of less than 4 percentage points when comparing fiscal year 2001 and fiscal year 2003 results.

Another way that the Coast Guard assesses its performance is by determining whether programs have achieved their performance targets each year. These targets—which represent the goals that the programs aim to achieve each year—were met in fiscal year 2003 by 5 of the 8 programs we reviewed.<sup>6</sup> (See app. III for a detailed summary of performance targets.)

<sup>5</sup>For specific program indicators, as well as for results by fiscal year, see app. II.

<sup>6</sup>The ports, waterways, and coastal security program does not yet have established performance targets. In addition, the marine environmental protection program also met its performance target in fiscal year 2003 but was not included in our analysis. Since the marine safety program does not yet have performance results for fiscal year 2003, discussing its target is not relevant here.

Coast Guard officials acknowledged the apparent disconnect between resource hours expended and performance results achieved and offered two explanations for it. The first involved operational efficiencies—Coast Guard-driven strategies that essentially allowed the agency to accomplish the same or greater results with fewer resources. These efficiencies were of four main types—improved technology, improved tactics, stronger partnerships, and improved intelligence. Table 3 contains an example of each type.

**Table 3: Selected Examples of Operational Efficiencies Cited by Coast Guard Officials**

<b>Improved technology</b>	New ships. The recapitalization of the buoy tender fleet offers a number of improvements, including greater transit speed, reducing travel time, and allowing more work to be done in a day; a larger buoy deck allowing the completion of more work during a single deployment and fewer trips back to base; and improved navigation systems, enabling safer navigation with fewer people.
<b>Improved tactics</b>	Use of armed helicopters. The Coast Guard reported that the Helicopter Interdiction Tactical Squadron (HITRON) provides personnel, training, and resources necessary to employ armed helicopters in support of counter drug operations. Prior to November 2002, the Coast Guard used two armed helicopters simultaneously with two cutters when responding to drug interdiction operations. The Coast Guard has since changed its tactics to use one HITRON with one cutter per operation and has seen no degradation in the effectiveness of this drug interdiction tactic.
<b>Stronger partnerships</b>	Interagency flight schedules. In Miami, the Coast Guard and another DHS agency, the Immigration and Customs Enforcement Office, have developed a combined flight schedule to integrate patrol schedules and assets, which has led to less overlap in response efforts, saving time and resources for both agencies.
<b>Improved intelligence</b>	Intelligence-sharing arrangements. In 2001, the Coast Guard joined the U.S. Intelligence Community (IC), a federation of executive branch agencies and organizations that work separately and together in intelligence-gathering activities. According to Coast Guard officials, this step greatly enhances the agency's access to information.

Source: Coast Guard.

The Coast Guard's second explanation involved external events or developments that were largely beyond the Coast Guard's control but had an influence on the amount of work the Coast Guard had to confront. In fiscal year 2003, these events and developments included such things as "surge" demands related to the Iraq War, a large increase in the number of undocumented migrants attempting to enter the United States by maritime routes, and poor weather conditions that, for example, increased icebreaking needs. According to Coast Guard officials, these externalities had a negative effect on performance results—that is, they made it more difficult for the Coast Guard to meet its goals, even when more resources were added. For example, according to Coast Guard officials, while the percentage of migrants interdicted showed an overall increase from fiscal years 2002 to 2003, a large increase in illegal immigrants seeking to enter

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the United States by sea during fiscal year 2003 reduced the performance results percentage from fiscal year 2002 levels.

While the factors cited by the Coast Guard likely have an effect on mission performance, the extent of that effect is largely unknown. The Coast Guard does not have a mechanism in place to systematically determine the extent to which these factors affect performance. For instance, the Coast Guard does not have data on search and rescue cases handled by local responders; as a result, it cannot determine the extent to which this assistance has reduced the Coast Guard's own search and rescue workload.

Coast Guard officials agree on the value of taking a more systematic approach to assessing performance, including better understanding of the effects of internal and external factors that affect their performance, and they have begun a number of steps directed at improving various aspects of performance assessment. For example, they are developing a procedure for capturing operating costs on a program-by-program basis, as well as a system for assessing the agency's ability to respond to mission requirements. These steps are still in their early stages, and while they represent a good beginning, it is not yet clear when they will be completed and whether they will tie together to address the weaknesses we have identified. Without a clear understanding of this linkage or a timeframe to ensure that it gets completed, the agency is at risk of misdirecting resources and missing further opportunities to increase productivity and efficiency to ensure the best use of its funds. A clear understanding is also needed to better allow the Congress to make informed budget decisions for the Coast Guard.

In discussions with us, the Coast Guard has not clearly articulated a strategy for how these various efforts will weave together. However, Coast Guard officials told us that more information regarding these efforts will be included in the agency's strategic blueprint, which has yet to be finalized.

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**Reliability and Cost Issues  
Associated with Key  
Deepwater Assets  
Heighten Program Funding  
and Management  
Challenges**

Under the Deepwater program, the Coast Guard's legacy assets are expected to remain in service until they are replaced or modernized through the Deepwater acquisition program. The maintenance costs to keep many of these assets operational have been more than the amounts the Coast Guard budgeted for these repairs, and the gap between these two is widening.

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Coast Guard Reports  
Increasing Problems and Rising  
Costs with Assets

As early as the mid-1990s, the Coast Guard identified problems with its aging fleet and cited the need to upgrade or replace many of its cutters and aircraft. The deteriorating condition of some of its deepwater assets has resulted in increasing operational problems and limitations, escalating maintenance needs and downtime of assets, and increasing maintenance costs over the past few years.

**Increased Operational Problems and Limitations for Some  
Deepwater Legacy Assets**

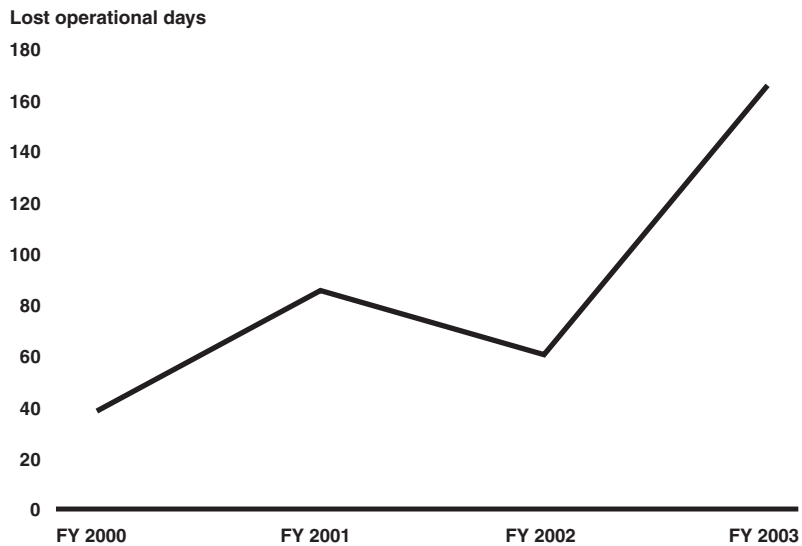
One key indicator of the deterioration of the Coast Guard's legacy assets is the increasing lost operational days—that is, days in which Coast Guard cutters could not conduct their normal mission activities. Although the Coast Guard was unable to provide complete historical data for this trend among all of its deepwater assets, it could provide data for some of its major deepwater cutters operating in the Atlantic region.<sup>7</sup> As figure 2 shows, between fiscal year 2000 and fiscal year 2003, there is an increase in lost operational days—from 60 to 165 lost days—between fiscal year 2002 and fiscal year 2003 for these key deepwater assets.<sup>8</sup>

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<sup>7</sup>Only limited data were available for Pacific region deepwater assets. The data that were provided indicated that there were 118 lost cutter days in fiscal year 2003 for the same deepwater assets as identified in the Atlantic region data. In fiscal year 2004, there have been 137 lost cutter days as of April 2004.

<sup>8</sup>It is important to note, however, that 46 of these days were the result of delays at the Coast Guard yard.

**Figure 2: Lost Operational Days for Atlantic Region Cutters by Fiscal Year**



Source: GAO analysis of Coast Guard data on Atlantic Area lost operational days.

The Coast Guard provided the following examples of these problems and restrictions:

- An increasing number of in-flight safety-related incidents for the HH-65 helicopter.<sup>9</sup> These incidents have resulted in the Coast Guard placing increased restrictions on the HH-65's operations, including a reduced flight range and a reduced passenger/crew level to help reduce safety risks for these assets and the personnel flying them.
- A large number of hull incidents on a class of key Coast Guard patrol boats. To date, 20 of the Coast Guard's 110-foot patrol boats have experienced significant levels of deterioration that have resulted in hull breaches requiring emergency repairs. To repair these hull breaches, each of these vessels were removed from service for an average of 3 months.
- An increasing need to implement special safety response measures aboard the fleet of 378-foot high endurance cutters. These ships—the largest of the Coast Guard's offshore cutters—have had to regularly

<sup>9</sup>A total of 32 incidents were reported in fiscal 2003; for the first 5 months of fiscal year 2004, almost 70 incidents have been reported.

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implement fire team response procedures when on patrol due to numerous fuel or lube oil leaks. These procedures entail having the crew perform critical safety and fire response actions, such as evacuating the engineering space, donning firefighting gear, and investigating the cause of the engineering casualty, while the ship's systems are shut down and the cutter is "dead in the water"—for a period of time.

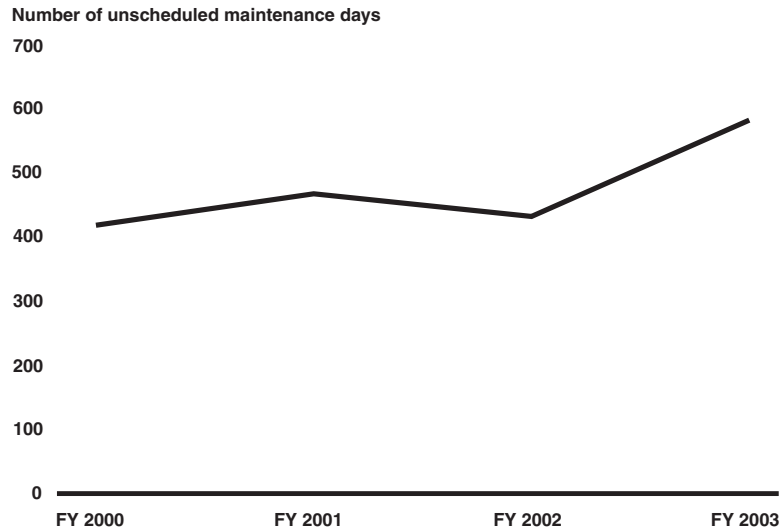
### **Concerns about Unscheduled Maintenance**

In addition to lost operational days, unscheduled maintenance days are also a concern. That is, when a cutter is undergoing unscheduled maintenance, it is also likely to be out of operation as well. However, Coast Guard officials noted that unscheduled maintenance days do not always result in lost operational days because they are sometimes able to schedule additional operational days for another cutter to make up for lost days from the cutter undergoing unscheduled maintenance. As figure 3 shows, the cumulative number of unscheduled maintenance days for the Coast Guard's mainstay cutters and a key patrol boat (the 210-foot, 270-foot, and 378-foot cutters and the 110-foot patrol boat)—have increased since fiscal year 2002.<sup>10</sup>

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<sup>10</sup>The increase in overall unscheduled maintenance days is being driven by unscheduled maintenance days for the 110-foot patrol boats.

**Figure 3: Unscheduled Maintenance Days for Selected Coast Guard Cutter Assets, Fiscal Years 2000-2003**



Source: GAO analysis of Coast Guard data on unscheduled maintenance days.

The Coast Guard provided us with examples of some of the more significant unscheduled maintenance events that its legacy cutters have experienced in recent years that resulted in lost operational days for the affected cutters. Because these cutters are typically scheduled to operate on average about 175 to 185 days per year, a loss of 20 or more days in a year can be significant. These examples included:

- Twenty-eight lost operational days in fiscal year 2003 for the 36-year old high endurance cutter, Chase, due to main engine and boiler casualties; 84 lost operational days so far in fiscal year 2004 due to additional mechanical problems.
- Twenty-four lost operational days in fiscal year 2003 for the 36-year old high endurance cutter, Gallatin, due to a shaft coupling failure.

### **Increasing Maintenance Costs for Cutters and Patrol Boats**

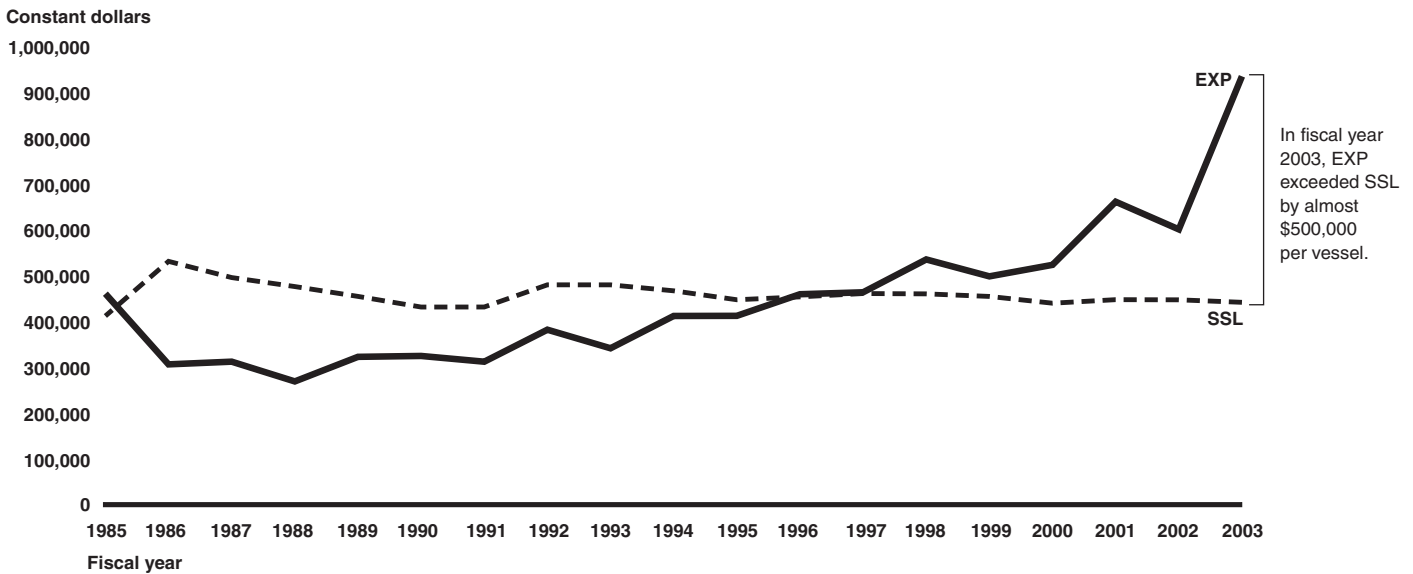
Unscheduled maintenance costs have also increased significantly over the past few years. According to our analysis of Coast Guard data on some of its major cutters and patrol boats, these maintenance expenditures have increased 79 percent—from about \$522,000 to almost \$934,000 per vessel—between fiscal year 2000 and fiscal year 2003. As a result, the



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Coast Guard is finding that in recent years it has spent much more on maintaining its aging assets, than it had planned. To determine how much to budget for asset maintenance, the Coast Guard determines what is known as the “standard support level” (SSL) for each of its vessels when they are commissioned. This budgetary estimate is equal to the amount of funding provided each year for vessel casualty support and maintenance needs, according to a Coast Guard official. The estimate is increased each year based on certain cost of living adjustments, and the support level can vary according to the estimated operating days for the class of the vessel. According to the Coast Guard, when maintenance expenditures exceed the SSL for a class of vessels, a budget deficit is created that must be filled with funds from other vessels, or from outside sources. In fiscal year 2003, the gap between the Coast Guard’s planned and actual maintenance expenditures for key legacy assets was about almost \$500,000 per vessel. (See fig. 4.)

**Figure 4: Actual Maintenance Expenditures (EXP) over Budgeted Standard Support Level (SSL)**



Source: Coast Guard.

Note: This figure includes expenditures for four classes of cutters: the 378-foot high endurance cutters, the 270-foot medium endurance cutters; the 210-foot medium endurance cutters, and the 110-foot patrol boats.

Escalating maintenance costs and their effects are evident in the following examples:

- In fiscal year 2002, the Coast Guard removed from service two of its 210-foot medium endurance cutters because, according to Coast Guard officials, they had become too costly to maintain. According to a knowledgeable Coast Guard official, these two cutters were both over 35 years old, and the Coast Guard estimated that it would have cost about \$1 million per year, per vessel to keep them in service, if they had not been decommissioned.
- Returning from a 2-month patrol on a 20-year old 270-foot medium endurance cutter, the ship's commander reported that even after completing \$1 million in repairs and maintenance in the past year, the vessel still had a tremendous backlog of critical maintenance that continued to grow exponentially. In addition, the commander reported that during this particular patrol, the cutter had experienced numerous debilitating vessel maintenance problems—or casualties—resulting in 5 lost cutter days. He also noted that the cutter would require 30 or more days of repair upon its return. The commander further reported

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that he believed the vessel casualties encountered on this patrol foreshadowed the long-term impact that continued deferral of major maintenance actions would have on overall operational readiness.

The Coast Guard was unable to attribute specific mission performance deterioration to these types of incidents; however, reduced operating availability time and increasing maintenance downtime for these assets would likely adversely affect mission performance results in the future. Given these maintenance costs and reliability problems, it is unclear what the actual service life might be for some of these assets, particularly the cutters and the HU-25 fixed wing aircraft, according to Coast Guard officials. And certainly, decisions to overhaul or upgrade assets would affect their longevity as well. However, Coast Guard officials said that it is unclear at this time as to when these Deepwater assets will become so costly to maintain that the Coast Guard would have no other logical choice but to retire them. This type of analysis would be valuable to the Coast Guard and the Congress in determining the priority order for future asset replacements and upgrades.

### Coast Guard Is Facing Serious Challenges to Keep the Program on Schedule and within Budget Projections

The Coast Guard's Deepwater program—which uses a unique contracting approach requiring steady funding over 20 years—is facing serious challenges to keep the program on schedule and within budget estimates. Now, almost 2 years after the contract for the Deepwater program was awarded, cost estimates to complete the program have increased by about \$2.2 billion in nominal terms, and key components necessary to manage the program effectively have not been rigorously implemented. In addition, new homeland security requirements, which have not yet been defined or approved, and necessary major modifications to key legacy assets make keeping the program on track that much harder.

Under current funding plans, the Coast Guard continues to face potential cost increases in its \$17 billion Deepwater program. The Coast Guard chose a unique contracting approach that requires steady funding for the program over its 20-year life. Under this approach, the Coast Guard has started on a course potentially expensive to alter and one that carries some risks. In a 2001 report<sup>11</sup>, we expressed concern that the Coast Guard risked schedule slippages and cost escalation if project funding fell short

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<sup>11</sup>U.S. General Accounting Office, *Coast Guard: Progress Being Made on Deepwater Project, but Risks Remain* (GAO-01-564, May 2, 2001).

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of planned funding levels.<sup>12</sup> Now, very early in the program our concerns are being realized. Program funding in the first 2 years was less than the agency planned by about \$125 million. This resulted in delays in the scheduled delivery of key deepwater assets, such as the maritime patrol aircraft. The Congress appropriated more than the requested funding in fiscal year 2004, and if the agency receives the \$678 million funding level requested in the fiscal 2005 budget proposal, the Deepwater program will have cumulatively received \$46 million more than planned levels for the first 4 years. However, according to the Coast Guard, the program's acquisition schedule has been lengthened and higher funding levels, (\$795 million per year over the remaining years of the program), will be needed to restore this schedule to its original 20-year completion pace.

Currently, Coast Guard officials believe that a continuing stream of funding at \$795 million (adjusted for inflation) would put the project back onto its original 20-year time schedule. However, on this funding schedule, total costs for the Deepwater program, assuming no additional changes, would reach \$17 billion—in nominal terms—about \$2.2 billion more than the Coast Guard's earlier estimate.<sup>13</sup> Because of time constraints for completing work for this statement, we could not assess the reasons for the cost escalation. Coast Guard officials attributed the increased costs, so early in the program, to the following factors.

- Under-funding in the first 2 years put the program behind schedule and resulted in lost efficiency and flexibility that they believe would have been realized by acquiring multiple assets in a more coordinated way. They believe that this coordinated approach would have offered efficiencies. For example, they said that acquiring multiple assets simultaneously or in their planned sequence would allow for more efficient logistical support with respect to training, and infrastructure planning for such things as facility and pier space for personnel and assets. However, they believe that these efficiencies were lost when these assets could not be purchased simultaneously.
- The maintenance costs associated with sustaining legacy assets have increased more than anticipated as these assets deteriorated faster than expected. As a result, available future funding may have to be

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<sup>12</sup>This \$2.2 billion estimate assumes completion of the Deepwater contract in a total of 20 years.

<sup>13</sup>The earlier estimate called for completing the Deepwater program in 22 years with a continuing stream of funding at \$530 million (adjusted for inflation).

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used, in part, to address critical maintenance needs of the legacy Deepwater assets, diverting funds otherwise intended for future Deepwater replacements and upgrades. In addition, Coast Guard officials indicated that maintenance schedules for some vessels were perhaps not kept according to plan in anticipation of these assets being replaced or overhauled through the Deepwater program.

- Delays have resulted in increased costs due to normal price inflation. Because the contract for acquiring Deepwater assets has a price adjustment factor that allows asset prices to be adjusted for inflation, costs for these assets have increased over time.
- Due to revised homeland security requirements, some redesign of the national security cutter has occurred. These modifications, made to ensure the vessel would accommodate DHS needs included such things as lengthening the vessel to accommodate DHS aircraft, installing an onboard intelligence center, and making modifications to allow sustainability in an environment tainted by chemical, biological and radiological agents. According to Coast Guard officials, these modifications resulted in additional costs for the Deepwater program.

In recent discussions with Coast Guard officials about the Deepwater program, they were not able to explain in more detail the reasons for the escalation in the program costs and did not provide additional information to us before we completed our work. However, officials indicated that they would provide additional information in the future.

Increased Management and Oversight Attention Needed to Successfully Complete the Deepwater Program

While expeditiously completing the Deepwater program is important to the ability of the Coast Guard to effectively fulfill its responsibilities in the future, the agency must also be diligent in managing the contract, and ensuring necessary competition among contractors to prevent additional cost increases in the program. As we have recently reported we have concerns regarding the management and oversight of the project to date.<sup>14</sup> Almost 2 years after the contract was awarded for implementation of the Deepwater program, the key components needed to manage the program

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<sup>14</sup>U.S. General Accounting Office, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight* (GAO-04-380, Mar. 9, 2004).

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and oversee the system integrator's performance<sup>15</sup> have not been effectively implemented in the following areas:

- The effectiveness of the Integrated Project Teams—established as the main tool for managing the program and overseeing the contractor—has been weakened due to changing membership, understaffing, insufficient training, lack of authority for decision making, and inadequate communication among members.
- Although delivery of some of the first assets is imminent, the Coast Guard has not effectively communicated to its operational personnel decisions on how new and old assets will be integrated and how maintenance responsibilities will be divided between government and contractor personnel.
- The Coast Guard has not developed quantifiable metrics or adhered to effective procedures for holding the system integrator accountable for its ongoing performance, resulting in a process for assessing performance that lacked rigor.
- The Coast Guard has not yet begun to measure the system integrator's performance on the three overarching goals of the Deepwater program—operational effectiveness, minimizing total ownership cost, and customer satisfaction. This information will be essential to the Coast Guard's decision about whether to extend the system integrator's contract after the first 5 years.
- We have concerns about the Coast Guard's efforts to measure the extent of competition among the suppliers of Deepwater assets, or hold the system integrator accountable for doing so to achieve this competition. The Coast Guard's "hands-off" approach in this area raises questions about whether the government will be able to control costs in the Deepwater program. Concerns about the Coast Guard's ability to rely on competition as a means to control future costs contributed to our description of the Deepwater program in 2001 as "risky." Three years later, these concerns remain.

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<sup>15</sup>The prime contractor, known as the "system integrator," is responsible for overall program planning and management, asset integration, and overseeing the delivery of specific Deepwater assets.

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Unplanned Legacy Asset  
Modifications and Updated  
Deepwater Requirements Pose  
Potential Additional Challenges

In addition to funding and contract management concerns, there are other, as yet relatively unknown, but potentially significant factors that could affect the Coast Guard's Deepwater program. Recent discoveries about the condition of some legacy assets, and corresponding actions taken, combined with anticipated updates in the Coast Guard's mission requirements, may give the Coast Guard additional reasons to re-think its prioritization for obtaining or upgrading certain Deepwater assets.

In recent years, the Coast Guard has had to make major unplanned upgrades on some of its Deepwater assets. Most recently, the Coast Guard decided to replace its HH-65 helicopter engines because of serious safety and reliability issues with that aircraft. Modernization of this helicopter is planned as part of the Deepwater program beginning in 2007, but for safety and reliability reasons, the existing engine on this helicopter needed to be replaced much sooner.<sup>16</sup> The HH-65 is the Coast Guard's mainstay helicopter, serving such missions as search and rescue, drug and migrant interdiction, and homeland security. Problems with the current engine and related components have been occurring for a number of years, affecting the amount of power available for hovering, lifting, and other operations.

To address these problems, the Coast Guard plans to take action along two tracks. First, until the replacement engines are installed, they plan to upgrade the existing engines. Second, they plan to install new engines in the entire HH-65 fleet within 24 months. However, there are potential consequences for the Deepwater acquisition process associated with this early replacement decision. Funds to pay for the replacement engine are to be diverted from other Deepwater projects—a factor that could exacerbate further schedule delays. Also, the alignment between deepwater requirements—which have not yet been finalized—and those for the replacement engine cannot be determined. If the requirements are not in alignment, the Coast Guard faces significant cost and schedule risks because another engine replacement could be required to meet new mission requirements. Irrespective of these concerns, the Coast Guard's decision to re-engine these helicopters, in and of itself, provides reason for the agency to reassess its planned schedule for upgrading this asset under the Deepwater program.

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<sup>16</sup>U.S. General Accounting Office, *Coast Guard: Replacement of HH-65 Helicopter Engine* (GAO-04-595, Mar. 24, 2004).

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Coast Guard officials also anticipate that updated agency requirements—engendered by homeland security needs that were not known and, therefore, not factored into the original mission requirements developed prior to the September 11 attacks—also need to be considered. According to Coast Guard officials, they are currently in the process of re-examining the agency’s Deepwater mission requirements to ensure that they align with DHS’ strategic goals, and that the agency is able to meet increased mission demands and higher performance targets in a post September 11 environment. The Coast Guard’s review of its Deepwater mission needs statement is expected to be completed by April or May 2004 and submitted to DHS for approval at that time.

This continually evolving information flow challenges the Coast Guard even further to ensure that funds are wisely spent. As a result, as interim asset decisions, discoveries, and evolving mission priorities are identified, it becomes even more imperative that the Coast Guard continually updates its acquisition schedule and decision making to ensure that choices are made based on timely and accurate information.

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## Overview of Fiscal Year 2005 Budget and Funding for Several Areas of Particular Congressional Interest

The President’s fiscal year budget request for the Coast Guard of nearly \$7.5 billion represents an increase of about \$534 million, or about 8 percent in nominal dollars over the enacted budget for fiscal year 2004.<sup>17</sup> It includes almost \$5.2 billion in operating expenses and \$943 million for its capital acquisition budget. The majority of the increase covers pay increases for current and retired employees or continues certain programs already underway, such as follow-on funding for construction projects at Coast Guard shore-side facilities, the Great Lakes Icebreaker construction, and information technology projects. About \$115 million of the increase would fund new initiatives, about 90 percent of which relate to homeland security. The most significant new initiative at \$102 million would be used to implement the Maritime Transportation Security Act (MTSA) of 2002.<sup>18</sup>

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<sup>17</sup>This calculation does not include supplemental appropriations but does include the fiscal year 2004 rescissions.

<sup>18</sup>The Maritime Transportation Security Act is comprehensive legislation that implements security standards that would apply to all foreign vessels seeking to enter the United States.



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This funding would be used to add about 500 new personnel (full-time-equivalent) who will perform various security-related and other functions.<sup>19</sup> An additional \$2.2 million is being requested to fund a new initiative for increasing maritime domain awareness—another homeland security function.<sup>20</sup>

One area of particular interest to the Congress over the last several years is the readiness of its multi-mission stations. In September 2001, the Department of Transportation, Office of Inspector General, reported that readiness at multi-mission stations was deteriorating.<sup>21</sup> For example, staff shortages at most stations required crews to work an average of 84 hours per week, well above the standard (68 hours maximum) established to limit fatigue and stress among personnel. Subsequently, the Congress appropriated funding totaling about \$50 million for fiscal years 2002-2004 specifically to pay for increased staff, training, and equipment at stations and command centers. However, the degree that readiness has improved, if any, is unclear. For example, according to the Coast Guard, the average workweek at the multi-mission stations is still about 83 hours per week, even though about 1,100 personnel were added between fiscal years 2001 and 2003. According to a Coast Guard official, one main reason for this high work week, is that these stations have taken on a major homeland security role since September 11, resulting in a heavier workload for station personnel carrying out functions, such as vessel escorts and port security patrols.

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<sup>19</sup>Prior to fiscal year 2005, 480 Coast Guard reservists were handling MTSA implementation. The Coast Guard reported that authority to call up reservists will expire in fiscal year 2005; therefore it has requested almost 500 active duty personnel (full-time-equivalent) to take over these activities. Rather than approving implementation plans as was done by the reservists in fiscal year 2004, the new personnel in fiscal year 2005 will, for example, approve vessel and facility security plans, ensure operators are in compliance with their plans, and perform inspection activities on foreign vessels.

<sup>20</sup>According to the Coast Guard, Maritime Domain Awareness is an initiative that will provide visibility into events, conditions, and trends in the maritime domain to give national leaders, operational commanders, and maritime stakeholders the information and knowledge they need for both operational and policy decisions. Coast Guard information explains that this will help offset the physical impossibility of patrolling the entire U.S. maritime domain simultaneously or inspecting, certifying, and validating all travelers and cargoes.

<sup>21</sup>*Audit of the Small Boat Station Search and Rescue Program*. MH-2001-94 (Washington, D.C., Sept. 14, 2001).

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Of the \$943 million requested for capital projects, \$839 million, or 89 percent, would be dedicated to two projects—the Deepwater program (\$678 million) and Rescue 21 (\$161 million). Rescue 21, the Coast Guard’s second largest acquisition program, provides for the modernization of the command, control, and communication infrastructure of the National Distress and Response System. The current system suffers from aging equipment, limited spare parts, and limited interoperability with other agencies. Of particular concern to the Coast Guard and the maritime community are the current system’s coverage gaps, which can result in missed maritime distress calls. The Congress mandated the completion of the new system by the end of fiscal year 2006. The fiscal year 2005 request for \$161 million is aimed to keep the project progressing; however, technical problems with software development have delayed implementation of the first elements of the system that were scheduled for last summer, and it is unclear to agency officials whether these issues will prevent the agency from completing implementation of the program on time. In recent discussions with Coast Guard officials, they said that they do not yet know whether Rescue 21 will be completed on time at the end of fiscal year 2006, but they currently do not anticipate any cost escalation in the program, which is presently estimated to cost \$953 million.

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

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## Contacts and Acknowledgments

For information about this testimony, please contact Margaret Wrightson, Director, Homeland Security and Justice Issues, at (415) 904-2200, or [wrightsonm@gao.gov](mailto:wrightsonm@gao.gov). Other individuals making key contributions to this testimony include Dawn Hoff, Joseph Kile, Dawn Locke, Stan Stenersen, and Randall Williamson.

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# Appendix I: Scope and Methodology

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To determine the most recent trends in both resource usage and performance results for the Coast Guard's homeland security and non-homeland security programs and the implication of these trends for Coast Guard management and accountability, we summarized findings from a recent GAO report.<sup>1</sup>

To determine the challenges the agency faces as it proceeds with its program to modernize its Deepwater cutters and aircraft, we summarized briefings prepared in 2004 by the Coast Guard for the Congress and for internal use on the Deepwater program and the HH-65 helicopters. We also interviewed Coast Guard staff at headquarters to determine the potential impacts of deteriorating Deepwater assets. In addition, we used current maintenance expenditure data provided by the Coast Guard to perform an historical analysis of maintenance costs. To assess the reliability of these data, we interviewed knowledgeable Coast Guard officials and reviewed existing documentation about the data and the systems that produced them. We determined that the data were sufficiently reliable for the purposes of this report.

To give an overview of the President's fiscal year 2005 budget request for the Coast Guard, focusing on several areas of particular congressional interest, we obtained information on the average workweek of personnel at the Coast Guard's multi-mission stations and interviewed Coast Guard headquarters staff to determine how the fiscal year 2005 budget will address MTSA implementation, Rescue 21, and multi-mission stations. We also reviewed the Coast Guard's C-stage budget and other financial documentation provided by the Coast Guard.

This testimony is based on published reports and briefings as well as additional audit work that were conducted in accordance with generally accepted government auditing standards.

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<sup>1</sup>U.S General Accounting Office, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer* (GAO-04-432, Mar. 22, 2004).

# Appendix II: Coast Guard Performance Results, Fiscal Years 2001-2003

Table 4 shows a detailed list of performance results for the 8 programs for which we obtained data. In a recent report, we compared performance results for our baseline year—fiscal year 2001—with the most currently available results—fiscal year 2003.<sup>1</sup> As a result, we defined programs as “stable” or “improved” based on the known results for these 2 years. All programs defined as stable showed a differential of less than 4 percentage points when comparing fiscal year 2001 and fiscal year 2003 results.

**Table 4: Performance Results, by Program, from Fiscal Years 2001 through 2003**

Program	Performance measure	Performance results by fiscal year		
		2001	2002	2003
<b>Stable results</b>				
Undocumented migrant interdiction	Percentage of interdicted illegal migrants entering the United States through maritime means.	82.5%	88.3%	85.3%
Ice operations	Number of waterway closure days	7	7	7
Living marine resources	Percentage of fishermen found in compliance with regulations.	98.6%	97.3%	97.1%
Search and rescue	Percentage of mariners' lives saved.	84.2%	84.4%	87.7%
<b>Improving results</b>				
Foreign fish enforcement	Number of detected Exclusive Economic Zone (EEZ) <sup>a</sup> incursions by foreign fishing vessels.	219	250	153
Aids to navigation	Number of collisions, allisions, <sup>b</sup> and groundings.	1,677	1,936	1,523
Defense readiness	Percentage of time units meet combat readiness status at C-2 level. <sup>c</sup>	67%	70%	78%
<b>Pending results</b>				
Illegal drug interdiction	Percentage of cocaine seized out of total estimated cocaine entering the United States through maritime means. <sup>d</sup>	11.7%	10.6%	N/A <sup>e</sup>

Source: GAO analysis of Coast Guard performance data.

<sup>a</sup>The EEZ is defined by the 1976 Magnuson-Stevens Fishery Conservation and Management Act as an area within 200 miles of U.S. shores in which U.S. citizens have primary harvesting rights to fish stocks.

<sup>b</sup>The Coast Guard defines an “allision” as a vessel collision with a fixed object.

<sup>c</sup>According to Coast Guard information, the C-2 level is defined as the level at which each unit possesses the resources and is trained to undertake most of the wartime missions for which it is organized or designed.

<sup>1</sup>For complete information, see U.S. General Accounting Office, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer* (GAO-04-432, Mar. 22, 2004).

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<sup>d</sup>The illegal drug interdiction performance measure only includes cocaine as cocaine has an analyzed flow rate, and it constitutes the preponderance of illegal drugs entering the United States through maritime means (i.e., cocaine shipments are measured in tons while heroin, marijuana, and other illegal drugs are measured in pounds).

<sup>e</sup>The illegal drug interdiction performance result for fiscal year 2003 will not be calculated until the Interagency Assessment of Cocaine Movement (IACM) publishes its flow rate in spring of 2004.

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# Appendix III: Performance Targets for Fiscal Year 2003

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In a recent report, we showed that another way that the Coast Guard assesses its performance is by determining whether programs have achieved their performance targets each year.<sup>1</sup> These targets—which represent the goals that the programs aim to achieve each year—were met in fiscal year 2003 by 5 of the 8 programs we reviewed.<sup>2</sup> (See table 5.) Two of the programs that did not meet their performance targets were defense readiness and undocumented migrant interdiction. Coast Guard officials reported that the defense readiness program did not meet its target, in part, because of equipment problems associated with operating aging ships and unit training deficiencies, such as cutters not having sufficient training time to perform gunnery exercises.<sup>3</sup> As for the undocumented migrant interdiction program, Coast Guard officials reported that they consider their results to be a minimal decline, given the substantial increase in the number of migrants they successfully interdicted during the year.<sup>4</sup> For example, of the key migrant populations tracked by the Coast Guard, about 5,300 illegal migrants were interdicted in fiscal year 2003 compared with about 2,400 in fiscal year 2002, an increase of 120 percent.<sup>5</sup> We could not determine whether the remaining program, illegal drug interdiction, met its performance target because the performance results

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<sup>1</sup>For complete information, see U.S. General Accounting Office, *Coast Guard: Relationship between Resources Used and Results Achieved Needs to Be Clearer* (GAO-04-432, Mar. 22, 2004).

<sup>2</sup>The marine environmental protection program also met its performance target in fiscal year 2003 but was not included in our analysis. Also, since the marine safety program does not yet have performance results for fiscal year 2003, discussing its target is not relevant here.

<sup>3</sup>According to Coast Guard information, the C-2 level is defined as the level at which each unit possesses the resources and is trained to undertake most of the wartime missions for which it is organized or designed.

<sup>4</sup>The undocumented migrant interdiction performance measure indicates the percentage of migrants interdicted or deterred from entering the United States via maritime routes. Specifically, it is the number of interdicted migrants divided by the estimated flow of undocumented migrants (which includes the number of law enforcement interdictions, known successful migrant arrivals, and the estimated number of migrants deterred from leaving their countries of origin). This estimate is prepared annually by the Coast Guard's Intelligence Coordination Center.

<sup>5</sup>According to the Coast Guard, the 2002 and 2003 illegal migrant numbers stated here include only those counted in the undocumented migrant performance measure, which uses the following four migrant populations: Haiti, Cuba, the Dominican Republic, and the People's Republic of China. The total number of all migrants interdicted in fiscal years 2002 and 2003 were 4,104 and 6,054, respectively.

for fiscal year 2003 were not yet available at the time we conducted our work.

**Table 5: Performance Targets by Program for Fiscal Year 2003**

<b>Program</b>	<b>Fiscal year 2003 performance targets</b>	<b>Fiscal year 2003 result</b>	<b>Target met in fiscal year 2003?</b>
Undocumented migrant interdiction	Interdict or deter at least 87 percent of illegal migrants entering the United States through maritime means.	85.3%	No
Illegal drug interdiction	Seize 20.7 percent or more of cocaine entering the United States through maritime means.	To be determined <sup>a</sup>	To be determined <sup>a</sup>
Ice operations	Limit waterway closures to 8 days during severe winters.	7 days	Yes
Living marine resources	Raise percent of fishermen found in compliance with regulations to 97 percent or above.	97.1%	Yes
Search and rescue	Save at least 85 percent of all mariners in distress.	87.7%	Yes
Foreign fish enforcement	Reduce number of detected EEZ incursions by foreign fishing vessels to 202 or less.	153 incursions	Yes
Aids to navigation	Reduce 5-year average of collisions, allisions, and groundings (CAGs) to 2,010 or less.	1,523 CAGs	Yes
Defense readiness	Maintain an overall combat readiness status at C-2 level or better for 100 percent of assets.	78%	No

Source: GAO analysis of Coast Guard performance data.

<sup>a</sup>The illegal drug interdiction performance result for fiscal year 2003 will not be available until spring of 2004.

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