

**DEPARTMENT OF HOMELAND SECURITY**  
**Office of Inspector General**

**FY 2003 Mission Performance**  
**United States Coast Guard**



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**Homeland  
Security**

## Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, investigative, and special reports prepared by the OIG as part of its DHS oversight responsibility to identify and prevent fraud, waste, abuse, and mismanagement.

This report assesses the strengths and weaknesses of the program or operation under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that this report will result in more effective, efficient, and economical operations. I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "Clark Kent Ervin".

Clark Kent Ervin  
Inspector General



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## Abbreviations

AOPS	Abstract of Operations
CBP	U.S. Customs and Border Protection
Committee	Senate Committee on Appropriations
Coast Guard	United States Coast Guard
D.C.	District of Columbia
DHS	Department of Homeland Security
DOD	Department of Defense
DOT	Department of Transportation

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EPA	Environmental Protection Agency
EEZ	Exclusive Economic Zone
FL	State of Florida
FY	Fiscal Year
GAO	United States General Accounting Office
JRC	Joint Requirements Council
MA	Commonwealth of Massachusetts
MTSA	Maritime Transportation Security Act of 2002
OIG	Office of Inspector General
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool
PWCS	Port, Waterways, and Coastal Security
SAR	Search and Rescue
TACLET	Tactical Law Enforcement Team
U.S.	United States of America
VA	Commonwealth of Virginia
WA	State of Washington

# OIG

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## *Department of Homeland Security Office of Inspector General*

### **Introduction**

This report presents the results of the Office of Inspector General's (OIG) review of the United States Coast Guard's (Coast Guard) mission performance for fiscal year (FY) 2003. This report responds to the Homeland Security Act of 2002 mandate that the OIG assess annually the performance by the Coast Guard of all of its missions. The objectives of our review were to determine how the level of effort directed toward each mission has changed since September 11, 2001, and to identify the consequences resulting from the change in mission emphasis.

The Coast Guard is a multi-mission agency with a longstanding federal leadership role in protecting life and property at sea, such as directing search and rescue operations for mariners in distress and responding to major oil spills. The Coast Guard is responsible, too, for interdicting drugs and migrants. Furthermore, the Coast Guard is a military service responsible for protecting the U.S. maritime domain of ports, waterways, coastal zones, and the marine transportation system so that terrorist do not use or exploit it as a means to attack U.S. territory, population, and critical infrastructures. The Coast Guard increased emphasis on its ports, waterways, and coastal security (PWCS) mission after the September 11<sup>th</sup> terrorist attacks.

*The Homeland Security Act of 2002* provisions that drive our annual assessments focus on preserving the Coast Guard's mission performance.<sup>1</sup> Those provisions restrict the Department of Homeland Security (DHS) from reducing the Coast Guard's missions or its capabilities to perform them, while ensuring that the Coast Guard remains intact at the newly created department. Additionally, the provisions require the OIG to assess and examine non-homeland security missions, which are identified as: marine safety; search and rescue; aids to navigation; living marine resources (fisheries law enforcement); marine

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<sup>1</sup> *Homeland Security Act of 2002*, Public Law 107-296, Section 888, Preserving Coast Guard Mission Performance, November 25, 2002.

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environmental protection; and ice operations. These missions, and the homeland security missions such as, ports, waterways, and coastal security; drug interdiction; migrant interdiction; defense readiness; and other law enforcement are described in Appendix A of this report.

Four months prior to the enactment of the Homeland Security Act, the Senate Committee on Appropriations (Committee) noted that the Coast Guard acted with extraordinary professionalism and heroism following the terrorist attacks of September 11<sup>th</sup>.<sup>2</sup> The Committee noted that historically the Coast Guard has shifted its mission emphasis rapidly, but the extent of the shift to domestic homeland security that followed the events of September 11<sup>th</sup> was unprecedented in its history. However, at the same time, the Committee noted concerns about the Coast Guard's ability to achieve mission balance and adequately address its other critical missions, including search and rescue, drug and migrant interdiction, aids to navigation, and ensuring the safety and integrity of domestic fishing grounds. The Committee mentioned information provided by the Department of Transportation (DOT) OIG that showed a surge in port security efforts, along with reduced efforts in other missions compared to pre-September 11<sup>th</sup> levels.

We conducted the audit between April 2003 and February 2004 at the Coast Guard headquarters and selected field locations. Our review assessed the Coast Guard's level of effort and performance of homeland security missions, as well as non-homeland security missions, for the period covering October 1, 2000, through September 30, 2003. We also identified barriers to sustaining or improving the performance of those missions in future periods. See Appendix B for specific information on our audit scope and methodology.

In June 2003, the United States Government Accountability Office (GAO)<sup>3</sup> initiated a review of the Coast Guard's changed level of effort for its homeland security and non-homeland security missions and the effect this has had on mission performance. We coordinated with the GAO team. The GAO's conclusions are discussed on pages 8 and 9 of this report.

Since the GAO recently addressed how well the Coast Guard performed its missions in FY 2003 and whether the Coast Guard restored its non-homeland security missions to their pre-September 11<sup>th</sup> levels,<sup>4</sup> we focused our report on the barriers to improved or sustained mission performance in FY 2004 and beyond.

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<sup>2</sup> Senate Report 107-224, *Department Of Transportation and Related Agencies Appropriations Bill, 2003*, July 26, 2002.

<sup>3</sup> Effective July 7, 2004, the GAO changed its name from the General Accounting Office.

<sup>4</sup> GAO Report: *Relationship Between Resources Used and Results Achieved Needs to Be Clearer*; report number GAO-04-432, March 22, 2004, and GAO Testimony: *Key Management and Budget Challenges for Fiscal Year 2005 and Beyond*, report number GAO-04-636T, April 7, 2004.



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## Results in Brief

The Coast Guard faces three major barriers to improving or sustaining its mission performance in FY 2004 and beyond:

1. The lack of a comprehensive and fully defined performance management system.
2. The growing workload and demand for experienced and trained Coast Guard personnel.
3. The deteriorating readiness condition of its aged cutter and aircraft fleet.

The lack of a comprehensive and fully defined performance management system impedes the Coast Guard's ability to gauge its performance, allocate resources effectively, and target areas for improved performance. The Coast Guard has yet to define comprehensively a management system that includes the inputs, outputs, and outcomes of its missions, which are needed to gauge and improve performance. For example, for search and rescue, the number of mariners in distress saved is a good indicator of outcome; however, resource hours under-represent the effort put into this mission by omitting the many hours of watch standing at stations. Without more complete information, the Coast Guard has limited ability to identify and target cost effective improvements to mission performance.

The workload demands on the Coast Guard will continue to increase as it implements the Maritime Transportation Security Act of 2002 (MTSA). Under MTSA, the Coast Guard must conduct risk assessments of all vessels and facilities on or near the water; develop national and area maritime transportation security plans; and approve port, facility, and vessel security plans. This complex work requires experienced and trained personnel, presenting a major challenge for the Coast Guard, which has in recent years suffered from declining experience levels among its personnel. Insofar as the Coast Guard relies on experienced senior personnel to coach and train junior personnel and new recruits on the job, mission performance is at risk.

In addition to implementing MTSA, growing homeland security demands, such as added PWCS patrols, result in a continued high operating tempo. Sustaining this high operating tempo will be a major challenge for Coast Guard personnel and will tax its infrastructure, especially its aged cutter and aircraft fleet. The Coast Guard reported that mission sustainment is at risk due to cutters and aircraft that

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are aging, technologically obsolete, and require replacement and modernization. Currently, the Coast Guard is experiencing serious cracking in the hulls of the 110 foot cutters and engine power loss on the HH-65 Dolphin helicopters, resulting in operating restrictions. These problems adversely affect the Coast Guard's mission readiness and ultimately mission performance.

In light of the outstanding recommendations made by the GAO for improving the Coast Guard's performance management system, and the ongoing Coast Guard efforts to improve its performance management system, we are making no recommendations in this report on performance management. However, to deal with its readiness problems, we are recommending that the department and the Coast Guard expedite the review and approval of the Coast Guard's proposals to update the Integrated Deepwater System requirements and acquisition program baseline to ensure that these needs are addressed in the formulation of the FY 2006 budget request and the Future Years Homeland Security Plan for 2007-2011.

On July 29, 2004, we sent a draft copy of this report to the Coast Guard and DHS, asking for a response within 30 days. However, as of September 30, 2004, we have not received responses. Therefore, we are issuing the final report without the benefit of the Coast Guard's and DHS' responses.

## **Background**

The terrorist attacks of September 11<sup>th</sup> changed the nation's priorities and affected the scope of activities for many federal agencies. This is especially true of the Coast Guard. The attacks prompted the nation to evaluate its vulnerability to terrorism, and the evaluation focused considerable attention on the nation's vast and sprawling network of ports and waterways. Resulting legislation added to, rather than subtracted from, the Coast Guard's many mission responsibilities. The effect of these changes on the Coast Guard, and how to manage them, continues to be a matter of intense congressional interest.

### **Coast Guard's Many Missions**

Notwithstanding this increased security focus, Congress enacted the Homeland Security Act of 2002, which explicitly focused on preserving the Coast Guard's mission performance.<sup>5</sup> Provisions of the law restrict the DHS from reducing the

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<sup>5</sup> Homeland Security Act of 2002, Public Law 107-296, Section 888, Preserving Coast Guard Mission Performance, November 25, 2002.

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Coast Guard's missions or its capabilities to perform them, while ensuring that the Coast Guard remains intact at the department. Congress identified the Coast Guard's major missions and designated each as either a "homeland security" mission or a "non-homeland security" mission. Homeland security missions include:

Ports, Waterways, and Coastal Security: Conducting harbor patrols, vulnerability assessments, and other security efforts to prevent or minimize damage from maritime terrorist attacks.

Drug Interdiction: Enforcing applicable laws and treaties by conducting patrols to intercept drug smugglers to reduce the flow of illegal drugs into the country by sea.

Migrant Interdiction: Enforcing applicable laws and treaties by conducting patrols to intercept at sea and eliminate the flow of undocumented migrants entering the U.S. via marine routes.

Defense Readiness: Maintaining military readiness and capabilities to assist and support the U.S. Navy.

Other Law Enforcement: Enforcing laws and treaties not pertaining to drugs, migrants, or domestic fisheries, which are categorized separately. It includes enforcement activities pertaining to boating while intoxicated, hijacking or stealing vessels, and arms smuggling. The Coast Guard recently began reporting its mission activities for protecting the Exclusive Economic Zone (EEZ) from foreign fishermen under "Other Law Enforcement" as a homeland security mission.

Non-homeland security mission operations include:

Marine Safety: Inspecting vessels for compliance with regulations to improve safety and eliminate fatalities and injuries for merchant mariners, vessel passengers, and recreational boaters.

Search and Rescue: Responding to distress calls to save lives and property in peril.

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Aids to Navigation: Building and maintaining a network of manned and unmanned aids to navigation, such as buoys.

Living Marine Resources: Enforcing applicable laws and treaties to protect U.S. fishing grounds by conducting patrols and inspecting domestic fishing fleets. The Coast Guard recently changed reporting and budgeting for its mission activities for protecting the EEZ from foreign fishermen from “Living Marine Resources” to “Other Law Enforcement.”

Marine Environmental Protection: Responding to incident reports to minimize the adverse effects of marine pollution, such as oil and other hazardous materials.

Ice Operations: Breaking polar ice, as scheduled, to facilitate movement of critical goods and personnel to research stations, and breaking winter ice, as needed, in domestic ports and waterways to facilitate year-round commerce.

To perform its many missions, the Coast Guard had about 44,500 full-time positions, primarily military, at the end of FY 2003. This represents a 3.6 % increase from the FY 2002 level. The Coast Guard utilizes a wide range of aircraft and vessels, including small boats used near shore and deepwater cutters, i.e., vessels 65 feet or greater in length. The Coast Guard fleet consists of about 200 cutters and patrol boats, about 1,600 small boats, and 189 aircraft (52 fixed wing and 137 helicopters). The Coast Guard operates about 224 stations and command centers along the nation’s coasts and waterways. In addition, the Coast Guard has about 8,000 reservists and is actively supported and assisted by the 36,000 volunteers of the Coast Guard Auxiliary.

### **Related GAO Reviews**

The GAO recently reported on how well the Coast Guard performed its missions in FY 2003 and whether the Coast Guard restored its non-homeland security missions to their pre-September 11<sup>th</sup> levels.<sup>6</sup> GAO concluded that during FY 2003, resource hours for most homeland security missions were up, while most non-homeland security mission hours were below pre-September 11<sup>th</sup> levels, even though the Coast Guard experienced a 32 % budget increase and a 9 % increase in personnel since September 11<sup>th</sup>. For example, resource hours for the living marine resources and search and rescue missions declined 26 % and 22 %, respectively.

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<sup>6</sup> GAO Report: *Relationship Between Resources Used and Results Achieved Needs to Be Clearer*, report number GAO-04-432, March 22, 2004, and GAO Testimony: *Key Management and Budget Challenges for Fiscal Year 2005 and Beyond*, report number GAO-04-636T, April 7, 2004.

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respectively. Conversely, resource hours for PWCS were up more than twelve-fold since pre-September 11<sup>th</sup>.

GAO further reported that the Coast Guard's FY 2003 performance results did not mirror the downward trends in resource use for non-homeland security missions, but instead program results were generally stable or improved and performance targets were generally met. GAO noted that sufficient data were available for only seven of Coast Guard's eleven programs. Therefore, GAO did not fully analyze performance for the marine safety, marine environmental protection, drug interdiction, and PWCS missions. The Coast Guard met or exceeded performance goals for five missions: search and rescue, foreign fish enforcement, aids to navigation, living marine resources, and ice operations missions. However, the Coast Guard did not meet performance goals for migrant interdiction and defense readiness.

GAO also reported that Coast Guard officials attributed achieving performance goals with reduced resource hours to other factors affecting mission performance, such as increased operating efficiencies and unexpected events. The Coast Guard implemented strategies such as using new technology, better operational tactics, improved intelligence, and stronger partnerships with other federal, state, and local agencies. For example, in the City of New York, the Coast Guard works with the New York Police Department with respect to joint training and first responder exercises, as well as sharing communication, intelligence, and assets. However, the Coast Guard has limited information for assessing the impact of the above factors on performance results.

GAO repeatedly reported deficiencies with the Coast Guard's performance management system, calling for a strategy for balancing missions, better performance measures, management information, and program evaluation. GAO made five recommendations for improving the Coast Guard's performance management system.<sup>7</sup> Specifically, these recommendations included:

- (1) Developing a long-term strategic plan for balancing resources among missions;
- (2) Developing a useful reporting system for Congress that includes input, output, and outcome measures;

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<sup>7</sup> GAO Report: *Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, report number GAO-03-155, November 2002, and GAO Report: *Relationship Between Resources Used and Results Achieved Needs to Be Clearer*, report number GAO-04-432, March 2004.

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- (3) Developing an effective way to share information on partnership efforts systematically and to re-examine past recommendations for operational efficiencies;
  - (4) Setting a time frame for plans to implement a system to account for program resources accurately; and
  - (5) Developing a strategy for identifying and assessing factors affecting program performance.

While the Coast Guard agreed to these recommendations and is drafting a strategic plan or blueprint to address them, the Coast Guard has not set a timeframe for its completion, according to the GAO.

## **Barriers To Sustained Or Improved Mission Performance in FY 2004 and Beyond**

The Coast Guard faces three major barriers to improving or sustaining its mission performance in FY 2004 and beyond:

1. The lack of a comprehensive and fully defined performance management system.
2. The growing workload and demand for experienced and trained Coast Guard personnel.
3. The deteriorating readiness condition of its aged cutter and aircraft fleet.

The ability of the Coast Guard to gauge its performance, allocate resources effectively, and target areas for improved performance is impeded by its lack of complete management information. However, the Coast Guard faces more urgent challenges to sustain or improve mission performance in FY 2004. These major challenges include meeting the MTSA implementation requirements, which not only add workload, but also stretch the growing demands for trained Coast Guard personnel. In addition, these personnel readiness difficulties are matched by materiel readiness problems, as high operating tempos wear down the Coast Guard's aged cutter and aircraft fleet assets.

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## **Barrier 1: Performance Management System Incomplete**

The lack of a comprehensive and fully defined performance management system impedes the Coast Guard's ability to gauge its performance, allocate resources effectively, and target areas for improved performance. The Coast Guard has yet to define comprehensively a management system that includes the inputs, outputs, and outcomes of its missions, which are needed to gauge and improve its performance. However, the Coast Guard has begun development of a risk based performance management system. It is aimed at identifying the impact of changes in Coast Guard activities in terms of risk and, thereby, helping the Coast Guard to manage its resources more effectively and improve overall performance.

### **Understanding Inputs and Matching Costs**

The Coast Guard does not have a basis for measuring and matching inputs to mission performance and, therefore, has relied on resource hours to build and justify budgets and allocate costs to missions. However, resource hours indicate only part of the effort involved in accomplishing the Coast Guard's missions. The resource hours that the Coast Guard reports are based on its Abstract of Operations (AOPS) management information system, which logs the hours that Coast Guard major assets--cutters, boats, and aircraft--are being used. AOPS does not include partners' efforts or the work of Coast Guard personnel that does not involve such assets. The resource hours of approximately 23 % of Coast Guard personnel are not entered in AOPS because their efforts do not require the use of the Coast Guard boats, cutters, or aircraft.

The effect of this unaccounted for effort on performance varies among missions. For example, the Coast Guard's inputs to performance of some major safety and crisis response missions are not measured accurately by AOPS because they are performed substantially ashore. For example:

- The GAO noted that Coast Guard's marine safety and marine environmental protection missions are primarily a shore based effort not reflected in AOPS.
- Additionally, search and rescue (SAR) mission efforts are understated. The Coast Guard reported about 62,000 resource hours for SAR in FY 2003, which understated the effort by omitting the many hours of



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watch standing. We estimate Coast Guard stations and command centers spent over 1.5 million hours standing watches that were focused on listening for distress calls. These resource hours should be considered in gauging the effort the Coast Guard puts into the SAR mission.

- Furthermore, the Coast Guard Auxiliary's hours spent searching for mariners in distress under the direction of the Coast Guard SAR Coordinator are not counted.

Without more complete information, the Coast Guard has limited ability to identify and target cost effective improvements to the performance of these missions. For example, would greater maritime domain awareness allow the Coast Guard to deploy assets less for searching and more for affecting the rescue? Changing the nature of SAR operations from "look for" to "go get" would obviously be more effective and cost effective. However, lack of data undermines the Coast Guard's ability to estimate and evaluate trade-offs in information technology investments needed to improve the Coast Guard's maritime domain awareness, versus continued labor and capital-intensive deployments of cutters and aircraft.

Additional significant Coast Guard and partnership efforts are not accounted for, even though the results of these efforts are reflected in performance output and outcome measures and are key to accomplishing the Coast Guard's missions. For example, the Coast Guard has several law enforcement detachments on board U.S. Navy and other allied Navy vessels in support of the drug interdiction effort; however, these mission hours are not being captured in AOPS.

Further, the manner in which the Coast Guard accounts for the resources that are dedicated to its law enforcement missions is flawed. While the percentage of resource hours reported for each mission is used to assess the Coast Guard's mission balance and justify its budget requests, resource hours are not always a reliable indicator of the Coast Guard's true mission emphasis. The hours an asset is used are counted as "resource" hours. A resource hour for an inflatable small boat, a high-endurance cutter, a helicopter, and a jet are all counted the same.

Therefore, resource hour statistics do not reflect the Coast Guard's investment in capital and operating costs for performing missions. For example, resource hours alone do not indicate the Coast Guard's relative emphasis on its counter drug mission. From FY 2001 to FY 2003, the Coast Guard reported that the percentage of resource hours devoted to drug interdiction decreased from 20.8 % to 9.5 %. However, during that period, the Coast Guard used larger cutters working offshore



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in conjunction with surveillance aircraft and armed helicopters, which represent the major share of the Coast Guard's capital and fleet operating cost investments.

### **Measuring Results and Readiness**

The Coast Guard does not have the output and outcome measures and goals needed to gauge the results of some of its major missions or the readiness of all Coast Guard units. For example, the Coast Guard has not defined the measures and performance targets for PWCS, even though it reported over 245,000 PWCS resource hours in FY 2003, which was about a third of the total annual mission resource hours available. Further, the demands of homeland security missions now require all Coast Guard operational units to achieve and sustain a high state of operational readiness, underscoring the need for expanded status reporting. However, the Coast Guard's readiness reporting is limited only to gauging the military readiness of select cutters, patrol boats, and port security units performing the defense mission.

The readiness of these select units to perform other missions may not be accurately reflected in readiness reports because the criteria for evaluating readiness may not include the specialized equipment or skills needed to perform the other missions. Moreover, the readiness of other Coast Guard units is not indicated. The Coast Guard's Readiness Management System initiative seeks to address this gap, providing decision-makers with the information needed. However, defining specific, useful criteria and standards for extending military readiness reporting to other Coast Guard missions and additional operational units will be a challenge given their multi-mission nature. The Coast Guard relies on its operational units to respond capably as needed to perform any of its major missions, including the added jobs of protecting the homeland. A system is needed to gauge the results of its major missions and the readiness of all Coast Guard units.

Further, the need for a better system for measuring Coast Guard's mission performance is shown in the program ratings assigned to the missions that have been subject to the Office of Management and Budget (OMB)'s program assessment rating process. To enhance the practical use of performance information, OMB, in collaboration with other federal agencies, has developed a

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process for assigning performance ratings to programs - the Program Assessment Rating Tool (PART) - and criteria for assessing program performance and management. So far, OMB has rated five Coast Guard mission programs. Three mission programs scored a “Results Not Demonstrated.” As shown on Table

**Table 1 - PART Results**

<b>Mission</b>	<b>Rating</b>
Aids to Navigation	Results Not Demonstrated
Living Marine Resources	Moderately Effective
Drug Interdiction	Results Not Demonstrated
Marine Environmental Protection	Moderately Effective
Search & Rescue	Results Not Demonstrated

## **Barrier 2: Growing Workload and Continued High Operating Tempo**

The continued growth in homeland security demands, especially PWCS operations, is a barrier to the Coast Guard’s sustaining or improving performance in its other missions. Although additional total operating resources are budgeted for the Coast Guard, the growing security demands will be a barrier to restoring the level of effort devoted to non-homeland security missions to their pre-September 11<sup>th</sup> levels. The Coast Guard will continue to need to “surge” operations in response to elevated threat levels, meet growing security demands, accomplish MTSA implementation tasks, and support other operations such as the war in Iraq. Therefore, while the Coast Guard has budgeted for a reduced effort in homeland security missions, PWCS will continue to require current levels of personnel, if not more, especially with the new security requirements of MTSA.

### **Growing Homeland Security Workload**

The MTSA requires the Coast Guard to undertake a variety of new homeland security initiatives, in addition to its current security role commitments. Under MTSA, the Coast Guard is required to conduct risk assessments of all vessels and facilities on or near the water, develop national and area maritime transportation

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security plans, approve port, facility, and vessel security plans, and implement a Sea Marshal program<sup>8</sup>. In addition, all commercial vessels are to be equipped with an automatic identification system allowing the Coast Guard to track vessels in U.S. waters.

The Coast Guard estimated a need for 600 additional active duty and civilian personnel to implement and enforce MTSA. The timing of the passage of the MTSA did not allow the Coast Guard to budget for this increase in its FY 2004 budget request. While the Coast Guard's FY 2005 budget request includes \$101 million for MTSA implementation, the Coast Guard is recalling 450 reservists to active duty as a stopgap measure.

However, many reserve personnel do not have the requisite training, experience, and qualifications to perform their MTSA duties and responsibilities. While Coast Guard officials said that reservists could qualify as inspectors after completing online correspondence courses, an unspecified period of on-the-job training, and some formalized classroom training, the Coast Guard has not specified where the reservists will be assigned or how long it would take for them to obtain the required training, experience, and certification needed to enforce MTSA requirements properly.

Personnel readiness issues, such as the lack of experienced personnel, the decreasing average experience levels at stations reliant on senior personnel to coach and train junior personnel on the job, and the inadequate training at Coast Guard field units, have been longstanding problems as reported by the DOT OIG.<sup>9</sup>

### **Continued High Operating Tempo**

Growing workload demands on the Coast Guard are likely to continue and its high operating tempo is also likely to continue. The Coast Guard reports that, from FY 2001 through FY 2003, the total level of effort measured in resource hours has increased almost 20 %, while homeland security mission hours increased 82 %. Resource hours devoted to homeland security missions have increased, primarily due to the PWCS mission, from 58,448 hours in FY 2001 to 245,669 hours in FY 2003, or a 320 % increase. Furthermore, the Coast Guard's FY 2004

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<sup>8</sup> Under the Sea Marshal program the Coast Guard identifies, boards, and escorts high-risk vessels to prevent unauthorized persons from taking control of the vessel while in U.S. waters.

<sup>9</sup> DOT OIG Report: *Use of Fiscal Year 2002 Funds to Improve the Operational Readiness of Small Boat Stations and Command Centers (Revised)*, report number MH-2003-028, April, 15, 2003; *Audit of the Small Boat Station Search and Rescue Program*, report number MH-2001-094, September 14, 2001.

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projections indicate a continuation of this trend. The trend in high operating tempo raises concern about the capacity of the Coast Guard to meet the “surge” demands of a major crisis that would need a sustained response.

Continued high operating tempo will wear down Coast Guard assets faster than previously planned, requiring additional maintenance, repair, or replacement of engines and other components that wear with use. As the average age of Coast Guard surface and aviation fleets continues to grow, more maintenance due to stress and fatigue is required. Consequently, the surface and aviation fleet will become less efficient. The effects of high operating tempo become even more apparent during the surge periods of elevated threat levels.

### **Barrier 3: Deteriorating Fleet Readiness**

Given its aging surface and aviation fleet, the Coast Guard’s ability to balance its missions and maintain its performance is a major challenge. The Coast Guard reported that mission sustainment is at risk due to cutters and aircraft that are aging, technologically obsolete, and require replacement and modernization. Currently, the Coast Guard is experiencing serious cracking or breaches in the hulls of its 110 foot cutters and engine power losses on its HH-65 Dolphin helicopters. These operating restrictions adversely affect the Coast Guard’s mission readiness.

The Coast Guard’s cutter fleet is deteriorating. Since FY 2003, unscheduled maintenance increased 41%. For example, according to Coast Guard maintenance records, 20 of the 49 110 foot cutters have been characterized as being in serious condition requiring significant hull sustainment, such as a recently renovated cutter that needed about 30 % of its hull replaced. As a result of the deteriorating condition of the cutter fleet, the Coast Guard is accelerating efforts to develop the Fast Response Cutters and Offshore Patrol Cutters program under its Integrated Deepwater System acquisition project.

The Coast Guard’s aviation fleet is deteriorating as well. The fleet of 95 HH-65 Dolphin helicopters is experiencing increased in-flight engine power losses. By mid-FY 2004, the HH-65 fleet reported 70 in-flight power loss mishaps, up from the 32 such mishaps during FY 2003, and the 32 mishaps reported between FYs 2000 and 2002. As a result, the Coast Guard placed operational restrictions on these aircraft to mitigate the safety risks associated with the in-flight power losses. These operational restrictions have further diminished the operational capability of the HH-65 fleet and reduced the Coast Guard’s mission performance

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capability. For example, the restrictions have reduced the HH-65's ability to deploy from cutters, limiting the aircraft's ability to conduct missions such as search and rescue or the law enforcement operations that are usually conducted from Coast Guard cutters. The Coast Guard recently accelerated its acquisition of the Multi-Mission Cutter Helicopter under development by the Integrated Deepwater System acquisition project and began replacing the engines of its HH-65 helicopter fleet.

To deal with its deteriorating materiel readiness issues, the Coast Guard is relying on the Integrated Deepwater System to replace or modernize its fleet of aging, technologically obsolete cutters, aircraft, and support systems with an integrated, interoperable network centric system capable of supporting its mission needs. However, the Coast Guard has yet to redefine fully its mission needs to reflect changed requirements and priorities since September 11<sup>th</sup> or restructure the Integrated Deepwater System acquisition project accordingly. The current Deepwater system is based on a 1998 baseline. The Coast Guard decided that it needs to update that baseline to reflect post-September 11<sup>th</sup> missions. The Coast Guard proposed the addition of several functional capabilities to the Deepwater system to reflect its maritime homeland security duties. Specifically, on May 25, 2004, the Coast Guard proposed a revised missions need statement for validation by the department's Joint Requirements Council (JRC). The proposal addresses the Coast Guard's changed requirements and priorities since September 11<sup>th</sup>.

However, the Coast Guard has yet to provide the information and analysis requested by the JRC at the May 25 meeting to support the proposal. Until that information is provided, the JRC cannot approve it. With validation and approval of the updated Integrated Deepwater System requirements by the JRC, the Coast Guard would then seek approval from the department's Investment Review Board of a revised acquisition program baseline. Scheduling for such Investment Review Board deliberations has not been set. However, the development of the department's FY 2006 budget request and Future Years Homeland Security Plan for 2007-2011 is under way. The FY 2006 budget request is necessarily based on the Coast Guard's currently approved program. However, the resource level budgeted in FY 2006 for the Integrated Deepwater System may not match the needs of the Coast Guard's updated program requirements. Therefore, to ensure that the Coast Guard's changed requirements and priorities are addressed in formulation of the FY 2006 budget request, we are making the following recommendations.

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**Recommendation 1:** We recommend that the Commandant of the Coast Guard expedite responses to departmental inquiries and deliberations on the Coast Guard's proposal to update requirements for the Integrated Deepwater System and revise the acquisition program baseline to ensure that those needs are addressed in the formulation of the FY 2006 budget request.

**Recommendation 2:** We recommend that the Under Secretary for Management expedite the department's review of the Coast Guard's proposal to update its requirements for the Integrated Deepwater System and revise the acquisition program baseline to ensure that those needs are addressed in the formulation of the FY 2006 budget request.

**Recommendation 3:** We recommend that the Commandant of the Coast Guard ensure that the Coast Guard's FY 2006 budget request and Future Years Homeland Security Plan for 2007-2011 are revised to reflect the approved changed requirements and priorities of the Integrated Deepwater System acquisition project.

On July 29, 2004, a copy of our draft report was provided to the Coast Guard and DHS Management Directorate for comment. We requested that both the Coast Guard and Management Directorate respond to the draft report within 30 days. As of September 30, 2004, we have not received comments from either. Therefore, we consider our recommendations unresolved.

## Homeland Security Missions:

**Ports, Waterways and Coastal Security (PWCS):** The Coast Guard patrols harbors, waterways, and the coasts to provide a deterrent presence and rapid response capability. The Coast Guard conducts these harbor patrols, along with vulnerability assessments, intelligence gathering and analysis, in an effort to prevent maritime terrorist attacks, reduce America's vulnerability to terrorism, and minimize the damage from attacks that could occur. The Coast Guard's responsibilities for coastal security are shared and coordinated with the U.S. Navy and responsibilities for port security are shared and coordinated with U.S. Customs and Border Protection (CBP).

**Drug Interdiction:** The Coast Guard deploys to and patrols high drug trafficking areas, gathers intelligence, intercepts and boards suspect vessels, and apprehends smugglers at sea. The Coast Guard conducts these counter drug patrols and boardings in an effort to stem the importation of illegal drugs. The Coast Guard's responsibilities for drug interdiction are shared by seven federal departments under the auspices of the Office of National Drug Control Policy. The Coast Guard's counter drug operations are largely conducted in tandem with CBP and the Navy.

**Migrant Interdiction:** The Coast Guard deploys to and patrols areas prone to illegal immigration, including areas between the Bahamas, Cuba, Haiti and the U.S. The Coast Guard responds to intelligence on voyages along the east and west coasts and throughout U.S. territories in the Pacific in an effort to curtail illegal immigration. The Coast Guard shares migrant interdiction responsibility with other DHS components.

**Other Law Enforcement:** The Coast Guard is a maritime police force, the only military service with law enforcement authority, and specifically charged with enforcing the provisions of federal laws and treaties. "Other law enforcement" pertains to enforcement of laws, regulations, or international agreements unrelated to domestic fisheries, marine sanctuaries, drug trafficking, or illegal immigration. This includes maritime activities in support of other federal, state, and local law enforcement agencies. Examples of other laws the Coast Guard enforces include provisions against trespassing, intoxicated boaters, vandalism, theft of assets, and destruction of maritime property. The Coast Guard recently began reporting its mission activities for protecting the EEZ from foreign fisherman under "other law enforcement" as a homeland security mission.



**Defense Readiness:** The Coast Guard deploys with U.S. Navy Fleet and participates with the Department of Defense (DOD) military and humanitarian operations around the globe. The Coast Guard deploys cutters and boats in and around military bases, homeports and harbors, including combat and combat support zones, to protect naval forces and DOD supply operations.

### **Non-Homeland Security Missions:**

**Marine Safety:** The Coast Guard marine safety efforts pertain to three separate segments: maritime worker fatality and injury prevention; passenger vessel safety; and recreational boating fatality and injury prevention. The Coast Guard safety programs aim to ensure the safety of crewmembers and passengers by preventing accidents from happening, responding to accidents when they occur, and investigating accidents to prevent them from happening again.

**Search and Rescue:** The Coast Guard stands watch, monitoring radios for distress calls, coordinates efforts to find lost or endangered mariners, and evacuates threatened or injured mariners. The Coast Guard is the sole government agency that has expertise, assets, and around-the-clock, on-call readiness to conduct search and rescue missions in all areas of the maritime environment. Annually, the Coast Guard responds to approximately 40,000 calls for assistance.

**Aids to Navigation:** The aids to navigation program consists of long range and short range aids. Long range devices, or radio aids, provide continuous, accurate all-weather positioning capability to military and civilian maritime and aviation transportation users, in order to prevent disasters, collisions, and wrecks of vessels and aircraft. Short range aids to navigation are combinations of visual, sound, and radar enhanced signals placed on floating and fixed stations in the maritime environment. These are lighthouses, ranges, beacons, and buoys that mariners use for positioning during the coastal, harbor approach, and restricted phases of navigation. The Coast Guard maintains this extensive system and monitors marine traffic through traffic service centers.

**Living Marine Resources:** The Coast Guard is the only government agency with maritime authority and infrastructure to provide federal law enforcement presence over the U.S. EEZ. The U.S. EEZ is the largest in the world, covering 3.4 million square miles of ocean and 95,000 miles of coastline. Commercial and recreational fisheries contribute approximately \$50 billion annually to the U.S. economy. Responsible management of ocean resources is critical as the



world's population continues to grow, demanding increased food sources. The Coast Guard recently changed its reporting and budgeting policy and procedures for protecting the EEZ from foreign fisherman from "living marine resources" to "other law enforcement."

**Marine Environmental Protection:** The Coast Guard conducts outreach and inspections, often in tandem with marine safety operations, to prevent marine pollution. The Coast Guard's preparedness and response program seeks to minimize the impact of discharges of oil and releases of hazardous materials into the maritime environment. The Coast Guard shares responsibility with the Environmental Protection Agency (EPA) for spills of national significance that overwhelm local response capabilities. The EPA and Coast Guard operate the national incident command system, which responds to the release of hazardous materials.

**Ice Operations:** The Coast Guard's heavy icebreaking capability facilitates year round maritime commerce. Marine traffic is sustained only with the Coast Guard icebreaking services, when ice forms in critical waterways. The Coast Guard also conducts polar operations to facilitate the movement of critical goods and personnel in support of scientific and national security activity.

## Purpose, Scope, and Methodology

This report presents the results of our audit of the Coast Guard's mission performance for FY 2003. This report is the first of a series of OIG reports in response to the *Homeland Security Act of 2002* requirement that we conduct an annual review assessing the Coast Guard's mission performance. Our objectives for this review were to determine how the level of effort directed toward each mission has changed since September 11, 2001; to identify the consequences resulting from the change in mission emphasis; and to identify barriers to sustaining or improving the performance of these missions in future periods. To accomplish these objectives, we analyzed the Coast Guard's abstract of operations database and other mission performance data. The audit covered the Coast Guard's level of effort and performance results for the period October 1, 2000, through September 30, 2003.

Since the GAO recently addressed how well the Coast Guard performed its missions in FY 2003 and whether it restored its non-homeland security missions to their pre-September 11th levels, we focused our work on the barriers to sustained or improved mission performance in FY 2004 and beyond. We coordinated our review with the GAO.

We identified barriers through our recent and ongoing audits, including the audit of the Re-Engining of the HH-65 Helicopter.<sup>10</sup> We also reviewed DOT OIG reports and OMB's program assessment rating tool and performance ratings for Coast Guard mission programs.

We met with officials and obtained data from the Coast Guard Headquarters in Washington D.C., including the Program Executive Office for the Integrated Deepwater System. We also met with, observed, or obtained data from the following Coast Guard Commands and operating units:

- Coast Guard District Headquarters: District 1 in Boston MA; District 5 in Portsmouth, VA; District 7 in Miami, FL; and District 13 in Seattle, WA.
- Maintenance and Logistics Command Atlantic in Norfolk, VA.
- Groups Commands and Small Boat Stations in Boston, MA; Miami FL; Key West FL; and Seattle WA.

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<sup>10</sup> See DHS OIG audit report, Re-Engining of the HH-65 Helicopter, report number OIG-04-050, for more information.

Appendix B  
Purpose, Scope, and Methodology

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- Air Stations in Cape Cod, MA; Opa Locka, FL; and Port Angeles WA.
- Marine Safety Offices in Boston, MA; Hampton Roads, VA; Miami, FL; and Seattle, WA.
- Tactical Law Enforcement Team (TACLET) in Opa Locka, FL.

We reviewed decision memoranda for the Department's Investment Review Board and Joint Requirements Council to ascertain the status and plans for the Coast Guard's Integrated Deepwater System major acquisition program. We also discussed our findings and recommendations with the Coast Guard's Program Executive Office for the Integrated Deepwater System and the department's Office of Program Analysis and Evaluation.

We conducted our audit between April 2003 and February 2004 under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards.

Throughout the audit, we worked closely with Coast Guard officials. We appreciate the cooperation and courtesies extended to the audit team by these officials. Major OIG contributors to the audit are identified in Appendix D. The principal OIG points of contact for the audit are J. Richard Berman, Assistant Inspector General for Audits, at (202) 254-4100 and Edward M. Stulginsky, Deputy Assistant Inspector General for Program Audits, at (202) 254-0037.

Appendix C  
Major Contributors to this Report

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The following individuals contributed significantly to this report:

Mr. Phillip Maulden, Project Manager  
Mr. Sam Bellino, Audit Manager  
Mr. David Engelen, Management Analyst  
Mr. Paul Streit, Management Analyst

**Department of Homeland Security**

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Deputy Secretary  
Undersecretary for Management  
General Counsel  
Chief of Staff  
DHS Office of Program Analysis & Evaluation  
DHS OIG Liaison  
DHS Public Affairs

**U.S. Coast Guard**

Commandant  
Chief of Staff  
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**Office of Management and Budget**

Chief, Homeland Security Branch  
DHS OIG Budget Examiner

**Congress**

Congressional Oversight and Appropriations Committees, as appropriate

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