



December 2020

COAST GUARD

Actions Needed to Improve National Vessel Documentation Center Operations

Why GAO Did This Study

In fiscal year 2019, the NVDC documented about 230,000 vessels for commercial and recreational purposes in U.S. waters. The Coast Guard requires owners of certain-sized commercial vessels to obtain vessel documentation—a form of vessel registration—through the NVDC. Vessel documentation is optional for owners of recreational vessels of 5 or more net tons (generally longer than 26 feet), and many do so to secure a mortgage for financing. In 2017, GAO reported that the NVDC faced backlogs in processing recreational vessel documentation.

The Frank LoBiondo Coast Guard Authorization Act of 2018 includes a provision for GAO to review NVDC's operations. This report examines, among other objectives, the extent that the Coast Guard (1) met its NVDC workload demands and (2) measured NVDC's effectiveness in processing vessel documentation.

GAO analyzed Coast Guard vessel documentation processing data for fiscal years 2015 through 2019 and information on its system used to process vessel documentation. GAO also interviewed cognizant Coast Guard officials.

What GAO Recommends

GAO is making seven recommendations to the Coast Guard, including that it develop and implement policies and procedures for conducting operational analyses for its vessel documentation system, and establish formal organizational performance targets for NVDC's vessel documentation activities. The Coast Guard concurred with GAO's recommendations.

View [GAO-21-100](#). For more information, contact Nathan Anderson at (206) 287-4804 or andersonn@gao.gov.

COAST GUARD

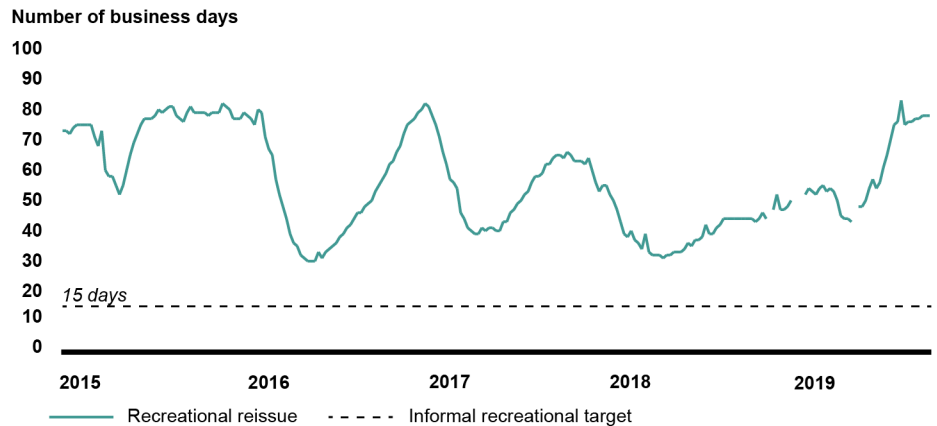
Actions Needed to Improve National Vessel Documentation Center Operations

What GAO Found

In recent years, the Coast Guard's National Vessel Documentation Center (NVDC) met workload demands for timely processing of commercial vessel documentation, but not for recreational vessel documentation. From January 2015 through September 2019, its recreational documentation processing time averaged 57 days—about 4 times longer than its 15-day informal target (see fig.).

- NVDC officials attributed the current backlogs to performance issues with the Coast Guard's information technology system for managing vessel documentation. For example, officials stated that there were periods where system performance issues left only about 11 percent of NVDC staff able to access the system, limiting their ability to meet their workload demands.
- The Coast Guard has generally not conducted operational analyses of its vessel documentation system since 2012. Such analyses are required annually for information technology systems to help ensure they perform as intended. By developing and implementing policies and procedures to ensure the Coast Guard conducts required operational analyses for the system, it will better ensure that potential system performance issues are being addressed on a timely basis.

Coast Guard National Vessel Documentation Center (NVDC) Processing Time for Issuing Recreational Vessel Documentation, January 2015 through September 2019



Source: GAO analysis of U.S. Coast Guard data. | GAO-21-100

Note: Recreational reissue—which refers to applications from recreational vessel owners to change owners or the vessel's hailing port—is the most common type of recreational vessel documentation. The gaps in the figure during 2018 and 2019 are due to the system used to generate the data being unavailable for those points in time.

The Coast Guard has not measured the NVDC's effectiveness in processing vessel documentation. The service requires its units to report their performance to leadership. However, the NVDC uses an informal target to measure staff timeliness in processing documentation. It has not established formal targets to measure its overall performance. Establishing formal organizational performance targets for its vessel documentation activities—such as quantifiable goals for timeliness and accuracy—would provide the NVDC with a clear baseline by which to measure its effectiveness.

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Abbreviations

Office of C5I Capabilities	Office of Command, Control, Communications, Computers, Cyber, and Intelligence Capabilities
CBP	U.S. Customs and Border Protection
Certificate	Certificate of Documentation
Coast Guard	U.S. Coast Guard
DHS	Department of Homeland Security
MARAD	Maritime Administration
NVDC	National Vessel Documentation Center
OMB	Office of Management and Budget
VDS	Vessel Documentation System

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December 16, 2020

The Honorable Roger Wicker
Chairman
The Honorable Maria Cantwell
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable Peter A. DeFazio
Chairman
The Honorable Sam Graves
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

Vessel documentation is one of the oldest functions of the U.S. government, dating back to 1789. It is a national form of vessel registration that provides evidence of nationality for international travel and trade and allows vessels to engage in certain restricted trades, such as coastwise trade and the fisheries.¹ The Department of Homeland Security's U.S. Coast Guard (Coast Guard)—and specifically the Coast Guard's National Vessel Documentation Center (NVDC) located in Falling Waters, West Virginia—is responsible for reviewing and processing applications for federal vessel documentation to ensure compliance with vessel documentation requirements. In fiscal year 2019, the NVDC documented about 230,000 vessels operating for commercial and recreational purposes in U.S. waters or the exclusive economic zone—an area extending 200 nautical miles out from the U.S. shoreline.

According to federal regulations, to be eligible for documentation, vessels must measure at least 5 net tons (generally vessels longer than 26 feet) and be U.S. citizen-owned.² Documentation is required for certain vessels

¹Coastwise trade involves the transportation of merchandise or passengers between points in the United States or in the exclusive economic zone—an area extending 200 miles out from the U.S. shoreline. Fisheries involves the processing, storing, transporting (except in foreign commerce), planting, cultivating, catching, taking, or harvesting of fish, shellfish, marine animals, pearls, shells, or marine vegetation in the navigable waters of the United States or in the exclusive economic zone.

²See 46 C.F.R. §§ 67.5, 67.7.

engaging in commercial activities, such as coastwise trade and the fisheries, and optional for vessels engaging in recreational activities. Owners of recreational vessels may choose to federally document their vessels or to obtain state registration. However, many owners of recreational vessels choose to federally document their vessels to secure a “preferred mortgage” for financing.³ Owners of recreational vessels may also choose to federally document their vessels because it provides them with protections under the U.S. flag when travelling internationally.

NVDC operations are funded through a combination of user fees and annual appropriations. The NVDC charges vessel owners user fees to recover the costs for its documentation services for commercial and recreational vessels.⁴ The Coast Guard may also use annual appropriations to cover the salary costs of certain NVDC staff who review and process applications for commercial vessels. In fiscal year 2019, NVDC operations were funded by about \$6.5 million in annual appropriations and \$11.9 million in user fee collections.

The NVDC has faced longstanding challenges in addressing backlogs for processing applications for vessel documentation. In September 2017, we reported that from 2011 to 2017, owners of recreational vessels had to wait up to 4 months to obtain recreational vessel documentation because of NVDC delays in processing the applications.⁵ At the time, NVDC officials attributed the backlog to staffing challenges, such as understaffing and a suboptimal mix of commercial and recreational documentation officers.⁶ We reported that NVDC officials stated they had plans to address the staffing challenges.⁷

The Frank LoBiondo Coast Guard Authorization Act of 2018 includes a provision for us to review the Coast Guard’s NVDC operations, among

³Securing a preferred mortgage, which provides lenders status to recoup debt in case of default by the vessel owner, requires that vessels be federally documented.

⁴See 31 U.S.C. § 9701.

⁵GAO, *Coast Guard: Workforce Actions Under Way to Address Backlog in Recreational Vessel Documentation*, [GAO-17-629](#) (Washington, D.C.: Sept. 12, 2017).

⁶Documentation officers are specially-trained NVDC staff who review vessel documentation applications and issue documentation, as appropriate.

⁷For example, we reported that the NVDC had filled some vacant positions and planned to restructure its workforce over the long-term to address staffing challenges.

other things.⁸ This report examines the extent to which the Coast Guard has (1) met its NVDC workload demands and taken steps to address its vessel documentation backlog, (2) measured the NVDC's effectiveness in processing vessel documentation, and (3) evaluated the NVDC's vessel documentation user fees to ensure they are sufficient to cover its costs.

To address the first objective, we analyzed Coast Guard data and documentation and interviewed cognizant Coast Guard management officials and NVDC staff. Specifically, we analyzed data from the NVDC's weekly case processing reports for fiscal years 2015 through 2019, which included NVDC's time frames for processing recreational certificates of documentation. We selected this period because these were the most recent fiscal years for which data were available. To assess the reliability of the data, we reviewed the Coast Guard's user manual for the Vessel Documentation System (VDS)—the case management system the NVDC uses to process vessel documentation—and interviewed NVDC management officials about their practices for maintaining the data, among other steps. When we found data discrepancies, we brought them to NVDC management officials' attention and worked with them to correct the discrepancies before conducting our analyses. We determined that the data were sufficiently reliable for the purpose of reporting the NVDC's case processing times.

We also reviewed Coast Guard documentation on its process for documenting vessels and addressing its vessel documentation backlog, such as the NVDC's Documentation Officer Manual and Coast Guard Operations Systems Center's VDS status reports.⁹ We interviewed Coast Guard management officials from the NVDC, the Naval Architecture Division, the Office of Inspections and Compliance, the Office of the Assistant Commandant for Command, Control, Communications, Computers, and Information Technology, the Office for Command, Control, Communications, Computers, Cyber, and Intelligence Capabilities, and the Operations Systems Center, as well as NVDC staff regarding the process for documenting vessels. We compared this information against Office of Management and Budget (OMB) Circular A-

⁸Pub. L. No. 115-282, §516(b), 132 Stat. 4192, 4279. See appendix I for more information about our scope and methodology to address the provision.

⁹The Operations Systems Center designs, develops, delivers, and maintains information technology systems to support the Coast Guard's missions, including the Vessel Documentation System.

11 and key aspects of *Standards for Internal Control in the Federal Government* (Principle 17).¹⁰

To address the second objective, we reviewed Coast Guard documentation and interviewed cognizant Coast Guard officials from the NVDC and Office of Inspections and Compliance on measures of effectiveness and customer service feedback. Specifically, we reviewed the NVDC's documentation on the steps it has taken to measure its effectiveness in processing vessel documentation. We also interviewed officials from 11 maritime industry associations to obtain their feedback on the NVDC's effectiveness in processing vessel documentation and the impacts on their members.¹¹ We compared this information against Coast Guard guidance on measures of effectiveness and management roles and responsibilities,¹² executive orders,¹³ and key elements of effective customer service standards that we identified in prior work.¹⁴

To address the third objective, we analyzed Coast Guard documentation related to NVDC vessel documentation user fee reviews that the NVDC conducted from January 2010 through July 2020. We chose this time frame because these were the years for which the NVDC conducted such reviews.¹⁵ We also analyzed Coast Guard data on NVDC vessel

¹⁰See OMB, *Preparation, Submission, and Execution of the Budget*, Circular No. A-11 (2019) and GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014). Principle 17 states that management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

¹¹We selected them based on whether they had over 100 members or were suggested by other associations. The results of the interviews are not generalizable to all maritime industry associations, but they provide insight into the feedback of the NVDC's customers and the impacts of NVDC's services.

¹²Coast Guard guidance we reviewed includes U.S. Coast Guard, *Operational Reporting, Commandant Instruction M3123.13* (2014), and U.S. Coast Guard, *Deputy Commandant of Operations Strategic Management Roles, Responsibilities, and Governance* (2016).

¹³Exec. Order No. 12862, *Setting Customer Service Standards* (Sept. 11, 1993), 58 Fed. Reg. 48257 (Sept. 14, 1993). Exec. Order No. 13571 (Apr. 27, 2011), *Streamlining Service Delivery and Improving Customer Service*, 76 Fed. Reg. 24339 (May 2, 2011).

¹⁴GAO, *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington, D.C.: Oct. 24, 2014). We reported that a key element of effective customer service standards is for agencies to have a formal or systematic mechanism for reviewing customer feedback.

¹⁵NVDC management officials told us that the NVDC did not conduct a user fee review in calendar years 2000 through 2009. The first one that the NVDC conducted was in 2010.

documentation appropriations, operational costs, and user fee collections for fiscal years 2015 through 2019—the most recent full fiscal years for which data were available. To assess the reliability of the data, we reviewed Coast Guard documentation and interviewed NVDC management officials about their practices for maintaining the data. We determined that the data were sufficiently reliable for the purpose of reporting NVDC vessel documentation appropriations, operational costs, and user fee collections. We also interviewed Coast Guard management officials from its Office of the Assistant Commandant for Resources, Office of Resource Management, Office of Inspections and Compliance, and the NVDC about their processes for preparing, reviewing, and approving user fee reviews. We compared this information against applicable laws,¹⁶ OMB Circular A-25,¹⁷ Department of Homeland Security (DHS) guidance on user fee reviews,¹⁸ key aspects of *Standards for Internal Control in the Federal Government* (Principle 17), and key design and implementation characteristics of user fees.¹⁹

Appendix I describes our objectives, scope, and methodology in more detail.

We conducted this performance audit from August 2019 to December 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁶Applicable laws include the Chief Financial Officers Act of 1990, which requires agencies to conduct user fee reviews biennially, Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), the DHS appropriations act, Pub. L. No. 116-93, § 224, 133 Stat. 2317, 2516 (2020), and the DHS authorizing statute for NVDC user fees. 46 U.S.C. § 2110.

¹⁷OMB, User Charges, Circular A-25 (1993).

¹⁸See, Department of Homeland Security, Financial Management Policy Manual (2018) and DHS, *User Fee Biennial Review Standard Operating Procedures* (2018).

¹⁹See [GAO-14-704G](#) and GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008). Principle 17 states that management should remediate identified internal control deficiencies on a timely basis.

Background

NVDC Mission and Functions

The NVDC's mission is to facilitate maritime commerce and the availability of financing for vessels while protecting the economic well-being of U.S. citizens. The primary functions of the NVDC are to manage U.S. vessel documentation and, upon request, provide third parties, such as lenders, with notice of any existing mortgages and liens on federally documented vessels. NVDC management officials told us the NVDC may also conduct investigations of possible violations of vessel documentation requirements. They said the NVDC would conduct an investigation upon request by the Coast Guard Office of Inspections and Compliance and had last completed an investigation in 2011.

In managing U.S. vessel documentation, the NVDC processes and issues certificates of documentation (hereafter "certificates") for commercial vessels and recreational vessels of 5 or more net tons, provides abstracts of title, and issues letters of determination. The following summarizes these three efforts.

Certificates. The NVDC categorizes applications for certificates as initial, renewal, or reissue, among other categories.²⁰ The NVDC processes applications for an initial certificate the first time a vessel owner documents a vessel, and applications for a renewal certificate when a vessel owner renews a certificate. The NVDC processes applications for a reissue certificate when a vessel's ownership changes or a vessel owner changes the vessel's hailing port. The NVDC endorses certificates for vessel owners to engage in certain activities, such as commercial, recreational, and the fisheries. Notably, commercial vessel owners must renew their vessels annually, whereas recreational certificates are optional and vessel owners may renew their vessels every 1 to 5 years.²¹

²⁰For the purposes of this report, we focused on initial, renewal, and reissue categories because NVDC management officials told us these three represent the majority of documentation applications. Other categories include a replacement certificate and duplicate certificate.

²¹From January 1, 2019 through December 31, 2021, the owner or operator of a recreational vessel may choose a period of effectiveness for certificates ranging from 1 to 5 years. Starting in January 2022, certificates for recreational vessels shall be effective for a 5-year period. Pub. L. No. 115-282, §512, 132 Stat. 4192, 4275, 46 U.S.C. § 12105(e)(2).

According to NVDC data, the NVDC processes and issues about 230,000 certificates yearly for commercial and recreational vessels.

Abstracts of title. The NVDC's vessel documentation responsibilities also include providing abstracts of title, upon request, to lenders or other interested parties. NVDC management officials told us that vessel transactions may not be completed without a clear abstract of title.²² An abstract of title shows all bills of sale, mortgages, and notices of claim of lien the NVDC files and records for a documented vessel. The NVDC maintains this information on file for each documented vessel in its vessel documentation system. According to NVDC data, the NVDC issued about 96,000 abstracts of title in fiscal year 2019.

Letters of determination. The NVDC also issues letters of determination in response to commercial vessel owners seeking a decision on whether they meet U.S. build and citizenship requirements to engage in a specific trade.²³ According to NVDC information, the NVDC issued 39 letters of determination from September 2009 through August 2020. Of these, 35 were U.S. build and foreign rebuild letters of determination.²⁴ The remaining four letters, according to the NVDC's website, were letters of determination regarding U.S. citizenship.²⁵

Table 1 summarizes the primary types of documentation the NVDC issues for vessels.

²²For example, marine lenders require potential vessel owners to obtain abstracts of title from the NVDC prior to finalizing a boat loan. In turn, marine lenders use the abstract of title to determine whether a boat has an outstanding lien, or in other words, an outstanding claim against the boat that may be enforced by its seizure.

²³The U.S. build requirement is that documented vessels must be built in the U.S., and all major components of its hull and superstructure are fabricated in the U.S. with limited exceptions. 46 C.F.R. § 67.97. The U.S. citizenship requirement is that documented vessels must be owned by U.S. citizens, with limited exceptions. 46 U.S.C. § 12103.

²⁴Foreign rebuild determination letters are NVDC responses to vessel owners confirming whether work performed outside of the U.S. on U.S.-built vessels will result in the loss of coastwise trade or fishery eligibility. 46 U.S.C. § 12103(b); 46 C.F.R. § 67.177.

²⁵Pub. L. No. 115-282, §516(a), 132 Stat. 4192, 4279; The Frank LoBiondo Coast Guard Authorization Act of 2018 required that, beginning December 2018, the Commandant of the Coast Guard is to publish on the NVDC's website any letter of determination not later than 30 days after NVDC issues it.

Table 1: Primary Types of Documentation Issued by the National Vessel Documentation Center (NVDC)

Documentation	Description
Certificate of documentation (certificate)	Document required for vessels engaged in commercial trade and optional for vessels 5 net tons and over, engaged in recreational activities. Provides evidence of nationality for international travel and trade.
Coastwise endorsement	An entry made on a certificate, which provides conclusive evidence a vessel is entitled to engage in coastwise trade, such as transporting merchandise or passengers.
Fishery endorsement	An entry made on a certificate, which provides conclusive evidence a vessel is entitled to engage in the fisheries, such as catching and transporting fish.
Recreational endorsement	An entry made on a certificate. Any documented vessel may be used for recreational purposes regardless of its endorsement, but a vessel documented with only a recreational endorsement may not be used for any other purpose.
Abstract of title	Document kept on file at the NVDC that shows vessel ownership history—including owner names, mortgages, and claims of lien.
Letter of determination	Letter issued as a response to a request seeking confirmation that the vessel meets regulatory standards to qualify for fishery and coastwise endorsement in these categories: U.S. built (including foreign rebuild work), citizenship determinations, and vessel eligibility.

Source: GAO analysis of NVDC documentation. | GAO-21-100

Note: The NVDC also issues a registry endorsement, which provides conclusive evidence a vessel is entitled to employment in foreign trade.

Federal Agency Responsibilities Related to Vessel Documentation Requirements

Various federal agencies, including the Coast Guard, have responsibilities for supporting the NVDC’s vessel documentation determinations, enforcing vessel documentation requirements, and publishing and disseminating information to promote compliance with vessel construction requirements.

Department of Transportation’s Maritime Administration (MARAD). MARAD is responsible for determining whether owners of vessels over 100 feet seeking a fishery endorsement meet the U.S. citizenship requirement.²⁶ According to MARAD officials, the agency provides the NVDC its determination on vessels’ U.S. citizenship eligibility. The NVDC relies on this determination to issue a certificate with a fishery endorsement to fishery vessel owners. According to MARAD, the agency issued about 830 of these determinations from fiscal years 2015 through 2019.

Coast Guard and U.S. Customs and Border Protection (CBP). The Coast Guard and CBP are responsible for enforcing vessel owner compliance with documentation and coastwise trade endorsement requirements, primarily through vessel inspections at U.S. ports. For more

²⁶46 U.S.C. § 12113(e).

information on how the Coast Guard and CBP enforce vessel documentation and coastwise trade endorsement requirements, see appendix II.

Coast Guard's Naval Architecture Division. The Naval Architecture Division, in conjunction with the NVDC, is to publish and disseminate information to promote compliance with vessel construction requirements.²⁷ For more information on how the Naval Architecture Division and the NVDC publish and disseminate information to promote compliance with vessel construction requirements, see appendix III.

GAO's Prior Report on NVDC's Backlog in Processing Applications for Certificates

In September 2017, we reported that for several years the NVDC had faced challenges meeting its workload on a timely basis.²⁸ Specifically, we found that the NVDC experienced a backlog as long as 4 months for processing applications for recreational certificates from fiscal years 2007 to 2017. During this time, the range of time applications stayed in the NVDC's queue increased—from about 3 to 48 business days in fiscal year 2007 to about 40 to 80 business days in fiscal year 2017. At the time, NVDC management officials attributed this backlog largely to insufficient staffing for meeting workload demands and challenges addressing it because of declines in recreational fee collections. In particular, we reported that the NVDC faced recreational fee collection decreases associated with the 2008 to 2009 economic recession. Because the NVDC funds recreational staff entirely by recreational fee collections and these collections declined during the recession, NVDC management officials told us they had to reduce the number of recreational documentation officers so that recreational costs would not exceed recreational collections. Although the NVDC implemented a new annual fee in 2014 that increased collections for recreational operations, the NVDC did not fully restore the number of staff to pre-recession levels by 2017.

²⁷Vessel construction requirements include the Jones Act and the Passenger Vessel Services Act. They require vessels to be built or rebuilt in the U.S. to transport goods or passengers between U.S. ports, with limited exceptions. The Jones Act states that vessels transporting goods between U.S. ports must be built or rebuilt in the U.S. The Jones Act is a section of the Merchant Marine Act of 1920, Pub. L. No. 66-261, 41 Stat. 988, 999 (1920) (codified as amended at 46 U.S.C. § 55102). The Passenger Vessel Services Act of 1886 states that vessels transporting passengers between U.S. ports must be built or rebuilt in the U.S. Pub. L. No. 49-421, 24 Stat. 79 (1886) (codified as amended at 46 U.S.C. § 55103).

²⁸[GAO-17-629](#).

In our 2017 report, we also reported on NVDC workforce actions under way to address the backlog. These workforce actions included restructuring its workforce over the long-term to ensure the appropriate mix of commercial and recreational staff, filling vacant recreational documentation officer positions, and allowing for increased use of documentation officer overtime in the short-term.

The Coast Guard Has Taken Some Steps to Address Persistent Backlogs for Processing Recreational Documentation, but Has Not Routinely Analyzed Performance of NVDC’s Case Management System

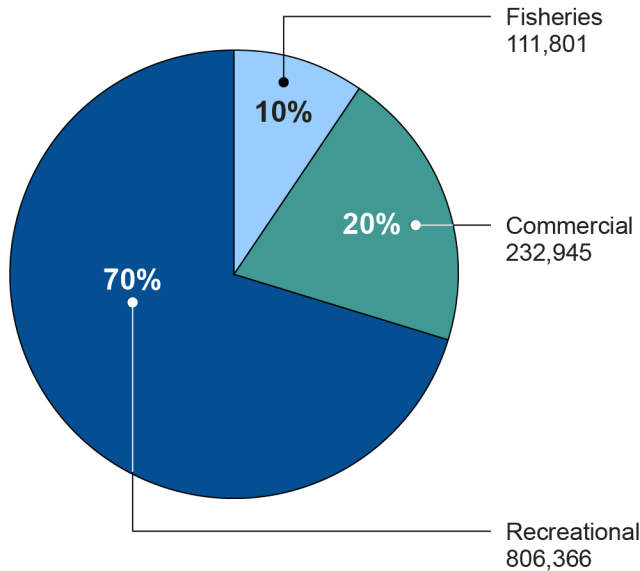
During fiscal years 2015 through 2019, the NVDC met some of its workload demands by processing commercial certificates within expected time frames. However, for recreational certificates, the NVDC’s processing times continued to reflect backlogs. For example, during this time, NVDC’s recreational case processing time ranged from 30 to 90 business days, with an average of 57 business days. According to NVDC management officials, recreational case processing time fluctuates widely each year because the NVDC receives more recreational applications from the spring through early fall when recreational boating activity is greater.

The Coast Guard attributed the backlogs in large part to persistent performance issues the NVDC experienced with its case management system. The Coast Guard has taken initial steps to address the backlogs. However, it has not conducted required analyses to identify the extent of NVDC’s case management system issues.

NVDC Processed Commercial Certificates within Expected Time Frames, but Has Not Done So for Its Recreational Documentation Workload

The NVDC processed over one million certificates from fiscal years 2015 through 2019. According to our analysis of NVDC data, recreational vessels comprised 70 percent (806,366 out of about 1.15 million) of the NVDC’s workload for processing certificates during this time frame. Figure 1 shows the proportion and number of certificates with endorsements for commercial, fisheries, and recreational purposes the NVDC processed during fiscal years 2015 through 2019.

Figure 1: U.S. Coast Guard National Vessel Documentation Center (NVDC) Workload for Processed Certificates of Documentation, Fiscal Years 2015 through 2019



Source: GAO analysis of U.S. Coast Guard data. | GAO-21-100

Note: Although not shown in this figure, the NVDC also issues certificates with a registry endorsement, which provides conclusive evidence a vessel is entitled to employment in foreign trade. In addition, the NVDC processes abstracts of title and letters of determination.

The NVDC on average met its informal timeliness targets for processing commercial certificates, letters of determination, and abstracts of title, but did not do so for processing recreational certificates.

Commercial certificates and letters of determination. From fiscal years 2015 through 2019, the NVDC on average met its workload demands for processing commercial certificates and letters of determination in a timely manner. For example, according to NVDC management officials, the NVDC aims to process commercial certificates within 5 business days, and our analysis of NVDC data showed that on average it did so in processing commercial initial and reissue certificates. Additionally, since 2018, the Coast Guard has been required to post letters of its determinations on its website within 30 days of issuance.²⁹ In October 2019, we reviewed the hardcopy files for five letters of determination the NVDC posted on its website covering the period of

²⁹Pub. L. No. 115-282, §516(a), 132 Stat. 4192, 4279.

December 2018 through October 2019 and verified that the NVDC processed them in accordance with its procedures.

Abstracts of title. The NVDC generally processed abstracts of title in a timely manner from fiscal years 2015 through 2018, but its case processing time increased considerably in fiscal year 2019. According to NVDC management officials, the NVDC aims to process abstracts of title within 2 to 3 business days. Our analysis found that from fiscal years 2015 through 2018, the NVDC's average case processing time for abstracts of title was 3 business days. However, the average case processing time was about 10 business days in fiscal year 2019. NVDC management officials told us that the partial government shutdown during this time frame contributed to this increase in processing time.

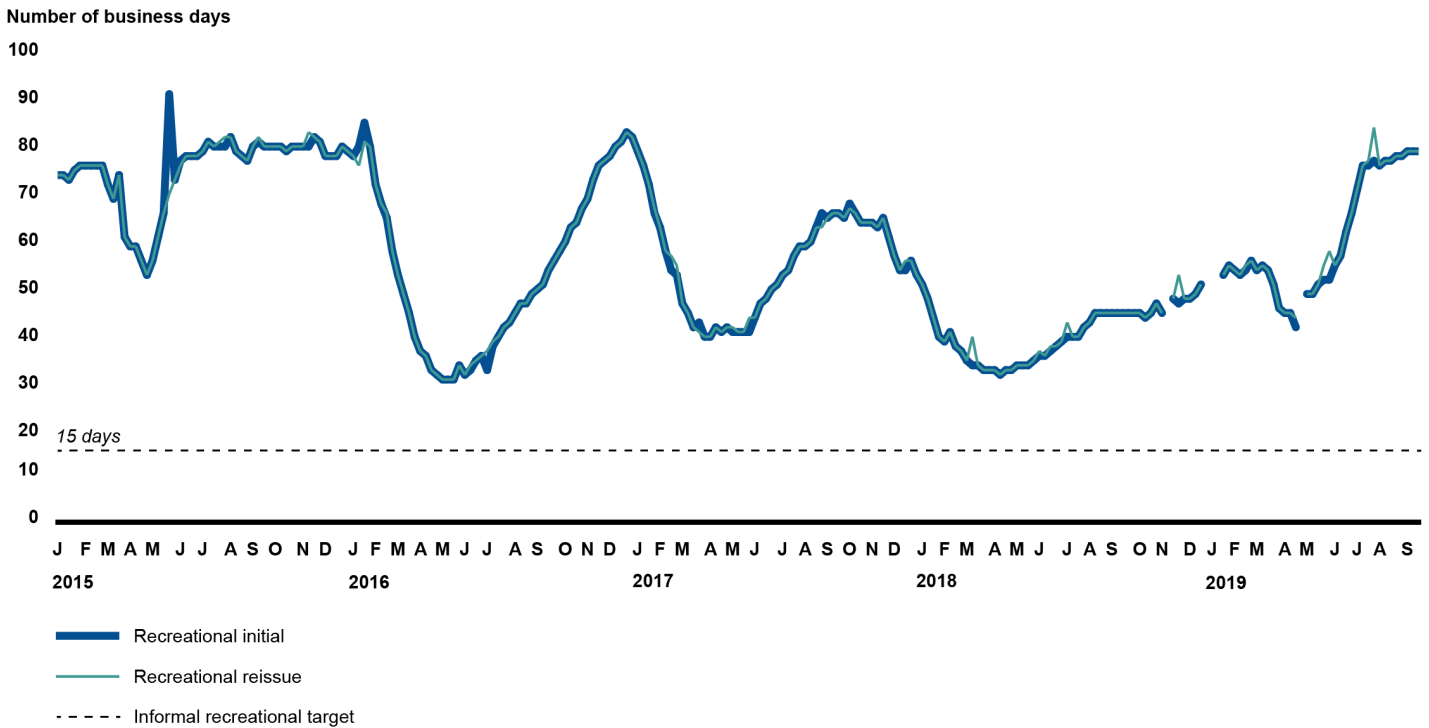
Recreational certificates. From fiscal years 2015 through 2019, the NVDC faced a backlog in processing initial and reissue recreational certificates.³⁰ NVDC management officials told us that the NVDC aims to review applications for recreational initial and reissue certificates within 15 business days from the date of receipt from vessel owners. However, we found that the NVDC did not meet this time frame at any point during fiscal years 2015 through 2019. Specifically, the NVDC's recreational case processing time ranged from 30 to 90 business days, with an average of 57 business days—nearly four times longer than NVDC management officials told us the NVDC aims to process these cases.³¹

Figure 2 shows the NVDC's case processing time—the number of business days from receipt to issuance—for recreational initial and reissue certificates for January 2015 through September 2019.

³⁰According to NVDC management officials, a backlog for processing renewal certificates generally does not exist because they do not need an evaluation by documentation officers. NVDC management officials told us that the fiscal year 2019 partial government shutdown and VDS underperformance have contributed to occasional backlogs in processing renewal certificates.

³¹According to NVDC management officials, recreational case processing time fluctuates widely based on the time of year. For example, the NVDC receives more recreational applications from the spring through early fall when recreational boating activity is greater.

Figure 2: U.S. Coast Guard National Vessel Documentation Center (NVDC) Processing Time for Recreational Certificates of Documentation, January 2015 through September 2019



Source: GAO analysis of U.S. Coast Guard data. | GAO-21-100

Note: The gaps in the figure during 2018 and 2019 are due to the NVDC not having data available for those points in time. NVDC management officials told us they were unable to provide reports of case processing time in November 2018 and May 2019. They said this was because the system used to generate those reports was unavailable. Additionally, the NVDC did not produce reports of case processing time during the partial government shutdown between December 2018 and January 2019.

The Coast Guard Has Taken Some Steps to Help Mitigate Effects and Address Causes of NVDC’s Recreational Backlogs

Actions to Address Staffing Challenges

To address the NVDC’s recreational backlogs, the Coast Guard (1) took actions to address staffing challenges, (2) provided flexibilities to help mitigate the backlogs’ effects on vessel owners, and (3) assessed VDS performance issues and took some steps to address them.

The NVDC implemented two workforce actions to address staffing challenges and help better manage its recreational backlogs.

- First, in February 2019, the NVDC obtained Coast Guard approval to restructure its workforce to increase the number of recreational staff.

From March 2019 to February 2020, the Coast Guard increased the total number of NVDC recreational staff from 49 to 53 positions, including the number of authorized recreational documentation officers from 24 to 26 positions. During this time, it also reduced the total number of NVDC's commercial staff from 45 to 41 positions, including the number of authorized commercial documentation officers from 14 to 12 positions. As of April 2020, the NVDC reported having filled all authorized commercial documentation officer positions and all but one recreational documentation officer position.

- Second, the NVDC provided staff with the opportunity to work overtime to reduce the backlog of recreational documentation. According to NVDC data, from March 2019 through January 2020, NVDC staff worked approximately 1,700 hours of overtime, and the Coast Guard expended \$75,000 for these costs.

Flexibilities to Help Mitigate the Effects of NVDC's Recreational Vessel Backlogs

In recent years, the Coast Guard also has provided flexibilities to help mitigate the effects of its recreational backlogs. These flexibilities applied to vessel owners while they await a valid certificate of documentation. For example, the Coast Guard issued guidance in July 2019 that added flexibilities through February 2020 for how vessel owners can show they have a valid certificate. This guidance stated that vessel owners can continue operating their vessels domestically with expired certificates by presenting evidence that they have submitted a renewal application to the NVDC.

VDS Performance Issues and the Coast Guard's Steps to Address Them

Since 2019, NVDC officials have attributed the persisting recreational documentation backlogs to VDS performance issues and the Coast Guard has taken some steps to address them. VDS is an information technology system used exclusively by NVDC staff to process vessel documentation applications. NVDC staff rely on VDS to process vessel documentation, and they experience processing delays when VDS has performance issues.³² NVDC management officials told us that for several years, NVDC staff have routinely experienced a variety of VDS performance issues that have contributed to delays in processing certificates. These issues included slowness, latency, and connectivity issues; users getting kicked out of the system or system freezes; missing or duplicate work items; and challenges printing documents. According to

³²According to NVDC management officials, VDS performance issues resulted in backlogs for recreational, rather than commercial certificates because its recreational workload demand was far higher. According to officials, the NVDC processes more than twice as many recreational applications than commercial applications each fiscal year.

NVDC management officials, staff have experienced some of these issues since the Coast Guard launched VDS in its current form in 2012, but VDS performance has declined considerably in recent years. For example, Operations Systems Center management officials told us that since 2017 they have seen an increase in NVDC users reporting VDS performance issues.³³

Since January 2019, NVDC management officials and staff have attributed VDS underperformance as the primary cause of the backlogs. In particular, they said that there have been periods since January 2019 where VDS was unable to accommodate the entire NVDC staff at a given time, as it is designed to do. For example, according to NVDC management officials, from June to July 2019 and December 2019 to January 2020, only 10 out of 88 (11 percent) NVDC staff were able to use VDS at a given time. According to NVDC management officials and staff we interviewed, this negatively affected NVDC's capacity to meet its workload demands and contributed to its backlog.³⁴

In January 2020, the Coast Guard took some steps to address the VDS performance issues. The Coast Guard established a task force to evaluate shortfalls with VDS, determine short-term actions to increase usability and reliability of VDS, and develop recommendations for long-term resolution. According to a Coast Guard memorandum, the task force was to issue an interim report on its immediate actions to improve serviceability by February 2020.³⁵ In its interim report, the task force reported steps that it had taken, including extending the duration of user sessions and increasing the number of licenses for users to access VDS. In August 2020, the Deputy Commandant for Mission Support and the Deputy Commandant for Operations approved the recommended course of action to replace VDS with a new version of the system by March

³³The Coast Guard's Operations Systems Center designs, develops, delivers, and maintains information technology systems to support the Coast Guard's missions, including the Vessel Documentation System.

³⁴As discussed, NVDC's recreational backlog varies seasonally and the NVDC has taken some steps to reduce the backlog, such as using overtime.

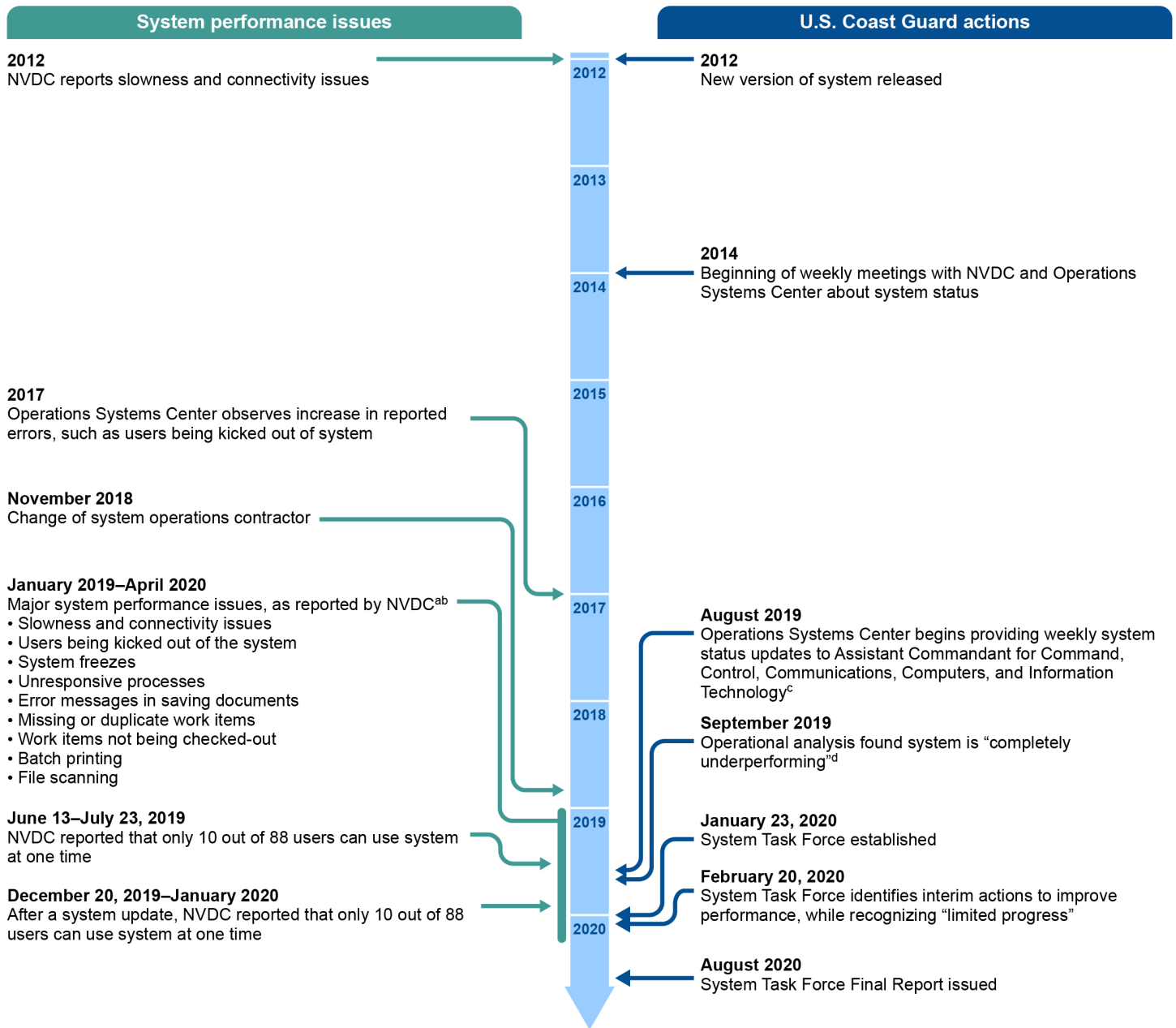
³⁵U.S. Coast Guard, *Vessel Documentation Automated Processes (VDAP) Task Force, Memorandum 5230* (2020).

2022.³⁶ In the meanwhile, the Coast Guard will continue to maintain, modify, and monitor VDS, as necessary.

Figure 3 shows a timeline of Coast Guard VDS performance issues and actions to address them for fiscal years 2012 through 2020.

³⁶The Deputy Commandant for Mission Support is responsible for managing mission support policy, strategy, planning, and resourcing to meet mission needs for human resources, engineering and logistics, information systems, and acquisitions. The Deputy Commandant for Operations is responsible for the strategic management of the Coast Guard's mission programs.

Figure 3: Timeline of U.S. Coast Guard Vessel Documentation System (VDS) Performance Issues and Actions to Address Them, Fiscal Years 2012 through 2020



Source: GAO analysis of Coast Guard documentation and interviews with Coast Guard officials. | GAO-21-100

Note: We refer to the Vessel Documentation System as 'system.'

^aThe Operations Systems Center reported that major issues began in April 2019 and ended in October 2019. According to Operations Systems Center management officials, National Vessel

Documentation Center (NVDC) users may experience the system differently from the Operations Systems Center's analysis of system performance.

^bIn April 2020, NVDC management officials reported having resolved or improved the following issues: users getting kicked out of system, system freezes, unresponsive processes, and file scanning.

^cThe Assistant Commandant for Command, Control, Communications, Computers, and Information Technology designs, develops, deploys, and maintains information technology systems for the entire Coast Guard to enable mission execution.

^dOperational analysis is a method of examining the ongoing performance of an information technology system and measuring that performance against an established set of cost, schedule, and performance goals.

Coast Guard Has Generally Not Conducted Required Analyses of VDS Performance

Although the Coast Guard has taken some steps to address VDS underperformance, it generally has not conducted required, routine operational analysis of the system since establishing it as NVDC's case management system in 2012. An operational analysis is a method of examining the ongoing performance of an information technology system and measuring that performance against an established set of cost, schedule, and performance goals.³⁷ OMB Circular A-11 requires federal agencies to conduct an operational analysis of every information technology system yearly or on an as-needed basis to demonstrate the system meets the need of the agency. The guidance states that conducting the analyses helps inform agency leadership in a timely manner about information technology systems that are not meeting agency needs. Moreover, *Standards for Internal Control in the Federal Government* states that if agency management determines that a monitoring activity is not needed, it should support that determination with documentation of the rationale.³⁸ In this way, should Coast Guard management officials decide not to conduct an operational analysis in a given year, they would document the decision for why an analysis was not needed.

The Coast Guard did not complete an operational analysis of VDS from fiscal years 2012 through 2018—during which time the NVDC experienced VDS performance issues and recreational backlogs—nor did it document decisions on why such analyses were not conducted. During this time, the Coast Guard transferred responsibility for conducting operational analyses for VDS in August 2018 from the Operations Systems Center to the Office of Command, Control, Communications, Computers, Cyber, and Intelligence Capabilities (Office of C5I

³⁷OMB, *Preparation, Submission, and Execution of the Budget*, Circular No. A-11 (2019).

³⁸[GAO-14-704G](#).

Capabilities). Officials told us that the Office of C5I Capabilities intends to conduct the analysis on programs annually, which they view as meeting OMB requirements.³⁹

In September 2019, the Coast Guard completed an operational analysis including VDS—its first since introducing the current version of VDS in 2012. According to the analysis, VDS was completely underperforming, had created huge backlogs, and had a lack of informational technology support. Further, a January 2020 task force memorandum stated that VDS investments were long overdue to address performance challenges.

Management officials from NVDC and the Operations Systems Center told us that while the Operations Systems Center had not conducted an operational analysis that included VDS prior to 2019, officials from both entities had communicated VDS issues to their leadership through informal means, such as weekly staff meetings. Nevertheless, Coast Guard Operations Systems Center management officials told us the service did not conduct operational analysis of VDS because it had not prioritized VDS maintenance.

Management officials from the Operations Systems Center and Office of C5I Capabilities stated that they do not have policies and procedures in place to ensure they conduct routine operational analysis of VDS, as required.⁴⁰ For example, they do not have policies and procedures identifying how often to conduct an operational analysis of VDS. Moreover, they said they do not have controls in place to prompt them to determine whether an operational analysis is needed in a given year and to communicate to senior Coast Guard officials their decision not to conduct the analysis.

Coast Guard management officials stated that conducting the analysis routinely, as required, may have helped identify and communicate VDS performance issues sooner, and possibly before the system began to fail to meet mission demands. By developing and implementing policies and

³⁹According to OMB Circular A-11, a program is listed in the program and financing schedules of the annual budget of the U.S. Government. 31 U.S.C. § 1115(h)(11).

⁴⁰According to Coast Guard policy, the Office of Command, Control, Communications, Computers, Cyber, and Intelligence Capabilities is responsible for conducting operational analyses of Coast Guard information technology systems to fulfill user needs and achieve mission execution capability, among other things. U.S. Coast Guard, *Command, Control, Communications, Computers, Cyber, and Intelligence Capabilities Sustainment Management Policy, Commandant Instruction 5230.72* (2018).

procedures that ensure the Coast Guard regularly conducts operational analyses of VDS and its replacement, the Office of C5I Capabilities could better monitor VDS performance and inform Coast Guard leadership in a timely manner about issues that may require resource investments. Including a step for documenting the Coast Guard's decision to not conduct the operational analysis in a given year could help ensure that potential VDS performance problems are being addressed on a timely basis.

NVDC Has Not Established Measures of Effectiveness or Formally Collected Customer Service Feedback

NVDC Has Not Developed Organizational-level Measures of Effectiveness

The NVDC has not developed organizational-level measures of effectiveness to routinely convey program performance to Coast Guard leadership.⁴¹ Such measures of effectiveness could include those related to NVDC's timeliness in processing vessel documentation and accuracy of its results, among others.⁴² For example, NVDC management officials told us that they had an informal target for timeliness of 15 days for processing recreational certificates, but had not documented it.⁴³ Moreover, the NVDC does not have an organizational performance

⁴¹Measures of effectiveness are specific and defined objectives, which can be expressed quantitatively or in another way that indicates a level or degree of performance, to enable organizations to gauge the progress they are making toward the objectives. The Coast Guard refers to measures of effectiveness as management measures reported within the federal government to DHS, OMB, and Congress, and which may or may not be reported publicly.

⁴²Government Performance and Results Act of 1993, as updated and expanded by the GPRA Modernization Act of 2010. Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993). GPRA Modernization Act of 2010, Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011).

⁴³A performance target is a quantifiable or otherwise measurable characteristic typically expressed as a number that tells how well or at what level an organization aspires to perform.

measure for accuracy, though it evaluates its documentation officers against this competency. The NVDC reports weekly case processing statistics to the Office of Inspections and Compliance, but it does not compare them against targets.

Coast Guard operational performance and strategic reporting guidance calls for Coast Guard units to report their performance to leadership. For example, operational reporting guidance calls for Coast Guard unit Directors, such as the NVDC Director, to inform pertinent leadership about mission performance.⁴⁴ Guidance also requires Coast Guard operational programs, such as the NVDC, to report to Coast Guard leadership on results for key performance measures relative to established targets and prior year baselines.⁴⁵

NVDC management officials told us that they aspire to develop organizational-level measures of effectiveness for the NVDC, but had not done so because of concerns about developing formal organizational performance targets. Specifically, NVDC officials told us it would be difficult to determine these targets due to the effects of VDS performance on the ability of its staff to process its caseload. They also told us that they were concerned that setting formal organizational timeliness targets they cannot meet may expose NVDC to legal liability if parties rely on the goals for maritime transactions and financing.

However, the Coast Guard's 2019 annual performance report states that the Coast Guard does not presume that every performance target will be attained.⁴⁶ According to the report, targets are to be ambitious, yet realistic expectations of future results. The report further states that there is value in identifying and understanding the results to help identify the impact of constraints, such as staffing and infrastructure. As described earlier, the NVDC has experienced challenges related to both staffing and information technology infrastructure for several years.

Establishing formal organizational performance targets for its vessel documentation activities, such as timeliness and accuracy, would provide the NVDC with a clear baseline by which to measure any progress or

⁴⁴U.S. Coast Guard, *Operational Reporting, Commandant Instruction M3123.13* (2014).

⁴⁵U.S. Coast Guard, *Deputy Commandant of Operations Strategic Management Roles, Responsibilities, and Governance* (2016).

⁴⁶U.S. Coast Guard, *Annual Performance Report, Fiscal Year 2019* (Washington, D.C.: March 30, 2020).

gaps in how it processes applications. Having this performance information could also allow the NVDC to communicate its program effectiveness to the Office of Inspections and Compliance and Coast Guard leadership.

NVDC Receives Informal Customer Feedback, but Does Not Have a Formal Mechanism to Solicit and Review Customer Service Feedback

The NVDC has not formally solicited or reviewed customer service feedback. NVDC officials said that while they do not formally collect customer service feedback, they receive informal feedback about their services through phone calls, emails, faxes, or walk-in customers. Executive orders require agencies to establish mechanisms to solicit customer feedback on government services and use such feedback regularly to make service improvements.⁴⁷ Additionally, we have previously reported that a key element of effective customer service standards is for agencies to have a formal mechanism in place to review customer feedback. Such a formal mechanism could include (1) conducting satisfaction surveys, (2) forming an advisory group composed of industry groups, or (3) creating a customer service web page that allows customers to submit feedback.⁴⁸

NVDC officials told us that they had previously considered establishing a mechanism to collect customer feedback. In particular, they said they had taken initial steps in 2013 to develop a form to obtain customer feedback but did not carry it out due to a lack of staff capacity and had not since revisited the effort. However, as discussed earlier, the Coast Guard has increased NVDC staffing in recent years. Officials told us that this increase in staffing included establishing a new position of chief of quality assurance and training, which they filled in November 2019. They said that this position would have authority to pursue a formal customer service feedback mechanism and the chief intends to do so once other mission essential tasks are addressed.

Moreover, we interviewed officials from 11 maritime industry groups, and officials from nine groups provided both positive and negative feedback

⁴⁷Exec. Order No. 12862, *Setting Customer Service Standards* (Sept. 11, 1993), 58 Fed. Reg. 48257 (Sept. 14, 1993). Exec. Order No. 13571 (Apr. 27, 2011), *Streamlining Service Delivery and Improving Customer Service*, 76 Fed. Reg. 24339 (May 2, 2011).

⁴⁸GAO, *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington, D.C.: Oct. 24, 2014).

on aspects of the NVDC's operations.⁴⁹ Specifically, officials from six groups provided positive feedback on aspects of the NVDC's operations, including generally being satisfied with the timeliness of the NVDC's processing of vessel documentation. However, officials from five groups stated that they were concerned about the recreational vessel documentation backlog, citing negative effects on vessel owners, the marine market research industry, and marine lending industry. In addition, six maritime industry groups identified areas for improvement in NVDC operations. For example, one group told us that the NVDC's services did not meet customer expectations for efficiency or transparency, noting that the NVDC did not solicit customers' feedback.

Further, other Coast Guard entities regularly conduct formal customer feedback surveys and may serve as a model for implementing them at the NVDC. For example, the National Maritime Center—which issues credentials to qualified U.S. merchant mariners—invites customers who have received services to provide web-based feedback regarding the process of obtaining the service and posts the results on their website. The Director of the Office of Inspections and Compliance—the office that the NVDC reports to—said the reason the National Maritime Center collects feedback and the NVDC does not is because the National Maritime Center has a more mature business model than the NVDC.

NVDC's website states that NVDC staff strive to provide the best possible customer service to all of the over 300,000 customers they serve annually. Obtaining regular customer feedback may help the NVDC become aware of its customers' concerns. Developing and implementing a formal mechanism to regularly solicit and review customer service feedback would enable the NVDC to better understand customer expectations and service needs and continually evaluate and improve their effectiveness to meet those needs.

⁴⁹Two out of 11 maritime industry groups did not comment on NVDC's operations. Among the groups that provided positive feedback on aspects of NVDC's operations, three groups also provided negative feedback about NVDC's recreational vessel documentation backlog.

The Coast Guard Has Not Evaluated the Full Costs of the NVDC's Services or Tracked Recommendations Made in NVDC's User Fee Reviews

The Coast Guard Has Reviewed Its User Fees, but Generally Has Not Evaluated the Full Costs of the NVDC's Services since Fees Were First Set in 1993

The Coast Guard charges user fees to help cover the costs of the NVDC's documentation services, but it generally has not evaluated the full cost of most of these services in almost thirty years. Over the past decade, the NVDC has conducted five reviews of its user fees, as well as one full cost study. The NVDC's user fee reviews determine if its fee collections, in aggregate in a given year, sufficiently covered the program's overall costs that year. According to NVDC documentation, a full cost study involves evaluating and calculating all costs for each of its documentation services—which its user fee reviews have not done. NVDC officials told us that they have not conducted this type of study for most of its documentation services.

Over the past decade, the NVDC has conducted five reviews of its user fees to determine whether its collections sufficiently cover costs. The first three reviews—completed in 2010, 2013 and 2015—found that the NVDC's total collections were not sufficient to cover overall costs and made recommendations to adjust certain fees accordingly, while the 2018 review found that its overall collections were sufficient. The 2020 review stated that the NVDC's recreational collections covered its costs related to processing recreational certificates but that its commercial collections did not. For example, according to NVDC data, its fiscal year 2019 commercial documentation services cost \$6.5 million and the NVDC

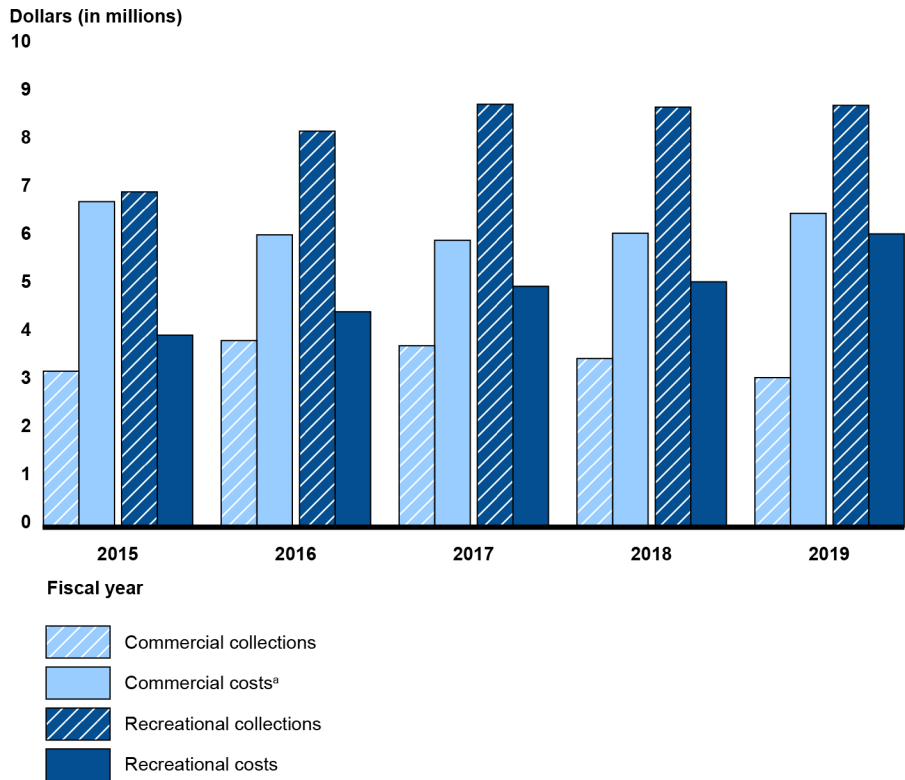
collected \$3.1 million in user fees—a \$3.4 million deficit.⁵⁰ In contrast, the NVDC’s fiscal year 2019 recreational documentation services cost \$6.1 million and the NVDC collected \$8.8 million in user fees—a \$2.7 million surplus.

Figure 4 shows NVDC commercial and recreational user fee collections and costs for fiscal years 2015 through 2019.⁵¹

⁵⁰The NVDC funds its commercial documentation services using commercial user fee collections and may also be funded by annual appropriations. Because the NVDC receives annual appropriations, it deposits its commercial collections in excess of costs to collect the fees to the Treasury. In fiscal year 2019, the NVDC received about \$6.5 million in annual appropriations and deposited about \$3 million to the Treasury.

⁵¹The NVDC funds recreational documentation services wholly by recreational user fee collections. In fiscal year 2019, the Coast Guard retained \$2 million of the NVDC’s surplus recreational collections in a reserve fund, which is available until expended. 46 U.S.C. § 12105(e)(2)(C)(ii).

Figure 4: U.S. Coast Guard National Vessel Documentation Center (NVDC) Commercial and Recreational User Fee Collections and Costs, Fiscal Years 2015 through 2019



Source: NVDC data. | GAO-21-100

Note: According to NVDC data, the NVDC's appropriated funds used are equal to the amount of its commercial costs each fiscal year.

Notably, all of the reviews recommended that the NVDC conduct a study to determine the appropriate fees for its services—in other words, a full cost study. In particular, the NVDC recommended in its 2018 review that it should conduct a study to determine the appropriate fees with an emphasis on ensuring “full cost recovery.” Table 2 shows the recommendations the NVDC made in its five user fee reviews from 2010 through 2020. Specifically, it shows that each user fee review recommended that the NVDC implement or adjust a fee for its services and conduct a cost study to determine the appropriate fees for its services.

Table 2: U.S. Coast Guard National Vessel Documentation Center’s (NVDC) Recommendations Made in User Fee Reviews Conducted from Calendar Years 2010 through 2020

Type of recommendation	Recommendation	Year recommended
Implement or adjust a fee	Implement a fee for resubmitted requests for services.	2010
	Implement an annual fee for renewals of certificates of documentation.	2010
	Adjust fees to reflect the actual cost of providing documentation services to the public.	2013, 2015, 2018, 2020
Conduct a study	Conduct a study to determine if individual fee categories established in 1993 match the services currently being provided.	2010
	Conduct a study on all services for which no direct fees are collected to determine whether these services should continue to be provided to the public at no charge.	2013
	Conduct a study to determine the appropriate fees, with emphasis on services currently provided at no charge, and allocation of overhead costs to ensure the collections provide an adequate funding stream and offsets for costs.	2015, 2020
	Conduct a study to determine the appropriate fees, with emphasis on ensuring full cost recovery, and allocation of overhead costs to ensure the collections provide an adequate funding stream and offsets for costs.	2018

Source: GAO analysis of NVDC documentation. | GAO-21-100.

The Coast Guard last conducted a full cost study in 2011 and determined it needed to add a new fee, which had not otherwise been changed since establishing them in 1993. Specifically, this full cost study identified the activities the NVDC used to process annual renewals of commercial and recreational certificates and determined all costs to conduct those activities. For example, the NVDC evaluated how much time it took documentation staff to complete these activities. Based on this cost study, the Coast Guard established a new fee (\$26) in 2014 that it charged applicants for renewing commercial and recreational certificates annually. Besides this fee, the Coast Guard has largely kept the user fees the same since establishing them in 1993; for example, the fee for initial certificates has remained at \$133.

Various federal criteria demonstrate the importance of the NVDC routinely reviewing its user fees and conducting a study to determine the full costs of its commercial and recreational documentation services. For example, the Chief Financial Officers Act of 1990 requires agencies to review user fees biennially and make recommendations on revising fees to reflect the

costs of providing services.⁵² The authorizing statute for NVDC user fees allows DHS, as delegated to the Coast Guard, to adjust these fees through regulation to reflect changes in the cost of specific services and the DHS annual appropriations act for three years has prohibited the Coast Guard from using annual appropriations to fund recreational documentation services.⁵³ In addition, OMB Circular A-25 instructs agencies to determine or estimate the full cost of their user fee programs, including all direct and indirect costs to any part of the federal government of providing a good, resource, or service.⁵⁴ In our prior work, we have also found that agencies must substantively review their user fees on a regular basis to ensure that they, Congress, and stakeholders have complete information. We found that reviews provide information on whether the fee rates and authorized activities are aligned with actual program costs and activities.⁵⁵

In its 2020 user fee review, the NVDC did not evaluate the costs of specific services for which fees are charged and the extent to which fee collections cover those costs. It also did not differentiate between the costs of commercial and recreational services.

Coast Guard officials who oversee the NVDC told us that the NVDC had started a full cost study but had not completed it because of various factors. Specifically, they said the NVDC started a full cost study in 2017 to explore the cost of a multi-year renewal fee for recreational certificates and notice for proposed rulemaking, but discontinued the effort in 2018. Officials told us that the NVDC has otherwise not started this process

⁵²Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990). Additionally, DHS's 2018 user fee review guidance also establishes that its components are to complete user fee reviews every even fiscal year. Department of Homeland Security, *Financial Management Policy Manual* (2018).

⁵³46 U.S.C. § 2110(a)(3). See e.g., Pub. L. No. 116-93, § 224, 133 Stat. 2317, 2516 (2020).

⁵⁴OMB guidance states that the full cost shall be determined or estimated from the best available records of the agency, and new cost accounting systems need not be established solely for this purpose. See OMB, *User Charges*, Circular A-25 (1993). Still, unreliable cost information can skew fee-setting decisions, so management needs reliable cost information to ensure that fees recover the intended share of costs. According to the Statement of Federal Financial Accounting Standards No. 4, reliable information on the costs of federal programs and activities is crucial for effective management of government operations, which includes setting user fees.

⁵⁵GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008).

because of various factors, such as the rulemaking process to adjust its fees being onerous, taking a long time, and that the potential resulting fee increases can be controversial. However, officials told us that conducting a full cost study is the first step in the process to adjust NVDC user fees. In addition, the Frank LoBiondo Coast Guard Authorization Act of 2018 required the NVDC to begin processing multi-year renewal certificates.⁵⁶ Specifically, this law changed the period of effectiveness for recreational certificates from 1 to 5 years, with a transition period from 2019 through 2021 during which recreational vessel owners can choose how often to renew a certificate.

NVDC officials agreed that a full cost study would be useful in the future because the NVDC's underlying costs, such as personnel and information technology costs, have increased since 1993. For example, according to its user fee reviews, the NVDC's information technology costs increased from about \$2.3 million in 2009 to about \$2.7 million in 2019. NVDC officials stated that they recommend waiting to conduct a full cost study until after the Coast Guard addresses its VDS performance issues by replacing VDS, since this change would affect its costs. As discussed earlier, the Coast Guard plans to replace VDS by March 2022.

Further, federal law has allowed recreational vessel owners the option to select a multi-year renewal starting in January 2019, and requires 5-year renewals starting in January 2022, which has altered NVDC's processing of these renewals.⁵⁷ In particular, VDS would need an update to be able to automate the processing of multi-year renewal certificates for recreational vessels. Specifically, a December 2018 Coast Guard bulletin stated that a VDS update was required to automate the processing of multi-year renewals. In August 2020, the Coast Guard stated it plans to

⁵⁶Pub. L. No. 115-282, §512, 132 Stat. 4192, 4275. This law also directed the NVDC to multiply the number of years of effectiveness for the renewal certificate by the fee the Coast Guard established under 46 U.S.C. § 2110. The multi-year renewal fee under 46 U.S.C. § 2110 allows the fee level to be set at a level to be determined by the Secretary of Homeland Security, as delegated to the Coast Guard, through regulation. According to OMB Circular A-25, agencies are responsible for reviewing user fees set by federal law to determine if the fee remains aligned with program costs. OMB, *User Charges*, Circular A-25 (1993).

⁵⁷Pub. L. No. 115-282, §512, 132 Stat. 4192, 4275. Coast Guard officials told us that in the first three quarters of fiscal year 2019, about 5,200 out of 139,000 (or 3.7 percent) applications to renew a recreational certificate of documentation requested a multi-year renewal.

begin making the update by March 2021. In the meanwhile, NVDC officials must process multi-year renewals manually.

Without conducting a full cost study to determine the appropriate fee amounts, the NVDC does not have assurance that its fees accurately charge users for the costs of providing its services. As a result, the Coast Guard does not have the information needed to adjust NVDC fees, if necessary, to accommodate changes in the costs of providing specific services. Evaluating the appropriate fees is also particularly helpful, given that federal law requires the NVDC to renew all recreational certificates for 5 years, starting in January 2022.⁵⁸

Coast Guard Has Not Tracked Recommendations Made in Its User Fee Reviews

As mentioned above, since 2010, the NVDC has conducted several reviews of its user fees and, according to DHS guidance, is to continue to conduct these reviews biennially. The NVDC has implemented only one of the 11 recommendations it made in these reviews, as of September 2020.⁵⁹

NVDC officials told us that multiple Coast Guard officials who review and approve the user fee reviews are responsible for tracking whether the NVDC implements these recommendations. Specifically, according to DHS's *User Fee Biennial Standard Operating Procedures*, the Coast Guard's Office of Resource Management is to review NVDC's and several other of Coast Guard's user fee reviews.⁶⁰ Additionally, according to NVDC officials, the Coast Guard Office of the Assistant Commandant for Resources approves these user fee reviews. However, NVDC officials told us that they are not aware of these officials tracking the status of recommendations made in NVDC user fee reviews.

At the department level, DHS guidance requires that the DHS Office of Chief Financial Officer and the Coast Guard Assistant Commandant for Resources track and report the progress of deficiencies and

⁵⁸Pub. L. No. 115-282, §512, 132 Stat. 4192, 4275; 46 U.S.C. § 12105(e). From January 1, 2019 through December 31, 2021, the owner or operator of a recreational vessel may choose a period of effectiveness for certificates between 1 and 5 years. Starting in January 2022, certificates for recreational vessels shall be effective for a 5-year period.

⁵⁹To address one of the recommendations made in the 2010 review, the NVDC conducted a "full cost study" in 2011 to determine and establish an appropriate new fee for covering the cost of issuing annual renewal certificates.

⁶⁰DHS, *User Fee Biennial Review Standard Operating Procedures* (2018).

recommendations made in user fee reviews.⁶¹ The guidance also requires the Coast Guard Assistant Commandant for Resources to report to the DHS Office of Chief Financial Officer quarterly on the status of these recommendations. Moreover, *Standards for Internal Control in the Federal Government* states that if agency management determines that recommendations from its reviews do not warrant action, it should support that determination with documentation of the rationale.⁶² In this case, Coast Guard management officials would document the decision for not implementing a recommendation where appropriate.

However, when we spoke to officials in these offices, they could not tell us which entity was responsible for tracking the recommendations made in the NVDC user fee reviews. Officials from the Coast Guard Assistant Commandant for Resources and Office of Resource Management told us that they did not have a mechanism in place for tracking recommendations from its NVDC user fee reviews, or defined roles and responsibilities for all relevant Coast Guard officials.⁶³

NVDC officials told us that establishing a mechanism to track recommendations from user fee reviews would better position Coast Guard officials to provide feedback on recommendations the NVDC makes in its user fee reviews. Having a mechanism to track the implementation of the recommendations could enable the Coast Guard to address any identified deficiencies in the fees established to cover its costs and to adjust its fees accordingly. In addition, in cases where the NVDC determines not to implement a recommendation, documenting its decisions would ensure a record is available for consideration by current and future staff responsible for managing NVDC user fee reviews.

Conclusions

The Coast Guard's NVDC serves a unique function as the entity responsible for federally documenting commercial and recreational vessels—annually processing hundreds of thousands of applications for vessel documentation. Since it began using VDS as its case management system in 2012, the NVDC has experienced performance issues with VDS that have led to backlogs in processing applications for recreational

⁶¹Department of Homeland Security, Financial Management Policy Manual, Chapter 2: Planning, Programming, Budgeting, and Execution, Section 2.12 DHS Fee Review and Guidance (2018).

⁶²[GAO-14-704G](#).

⁶³According to Coast Guard officials, the Coast Guard Office of Resource Management is to review NVDC user fee reviews.

vessel documentation. By developing and implementing policies and procedures to ensure the Coast Guard regularly conducts operational analyses of VDS and its replacement, the service could better monitor VDS performance and be better positioned to inform Coast Guard leadership in a timely manner about issues that may require resource investments.

The NVDC provides important functions for its customers, such as recreational vessel owners, but it has not established formal organizational performance targets for its timeliness or accuracy in processing applications. Establishing these targets would provide the NVDC with a clear baseline by which to measure any progress or gaps in how it processes applications. Having this performance information could also allow the NVDC to communicate its program effectiveness with Coast Guard leadership. Additionally, developing and implementing a formal mechanism to regularly solicit and review customer service feedback would help the NVDC obtain the information it needs to improve its effectiveness in meeting customer service needs.

Finally, the NVDC relies in part on having sufficient user fees to fund its vessel documentation services. To this end, its user fee reviews are intended to study the sufficiency of the user fees and recommend Coast Guard and NVDC actions to address deficiencies. For the past decade, NVDC user fee reviews have consistently recommended a full cost study of its documentation services—a type of study it generally has not conducted since fees were first set in 1993. Without conducting a full cost study to determine the appropriate fee amounts, the NVDC does not have assurance that its fees accurately charge users for its costs of providing vessel documentation services. Furthermore, establishing a mechanism to track the implementation of additional recommendations from NVDC's user fee reviews could help the Coast Guard ensure it addresses any identified deficiencies in the fees established to cover its costs and to adjust its fees accordingly.

Recommendations for Executive Action

We are making the following seven recommendations to the Coast Guard:

The Commandant of the Coast Guard should ensure that the Deputy Commandant for Operations develops and implements policies and procedures for conducting operational analyses for VDS and its replacement. (Recommendation 1)

The Commandant of the Coast Guard should ensure that the Deputy Commandant for Operations documents decisions in future years in which it elects not to conduct operational analyses for VDS and its replacement. (Recommendation 2)

The Commandant of the Coast Guard should ensure that the Assistant Commandant for Prevention Policy establishes formal organizational performance targets for NVDC's vessel documentation activities, such as timeliness and accuracy. (Recommendation 3)

The Commandant of the Coast Guard should ensure that the Assistant Commandant for Prevention Policy develops and implements a formal mechanism to regularly solicit and review customer service feedback from NVDC customers. (Recommendation 4)

The Commandant of the Coast Guard should direct the Assistant Commandant for Prevention Policy to ensure that NVDC conducts a full cost study of NVDC's commercial and recreational user fees. (Recommendation 5)

The Commandant of the Coast Guard should ensure that the Assistant Commandant for Resources, in coordination with the Deputy Commandant for Operations, establishes a mechanism to track NVDC implementation of recommendations from its user fee reviews. (Recommendation 6)

The Commandant of the Coast Guard should ensure that the Assistant Commandant for Resources, in coordination with the Deputy Commandant for Operations, documents the decision if NVDC elects not to implement a recommendation from its user fee reviews. (Recommendation 7)

Agency Comments and Our Evaluation

We provided a draft of this report to DHS and the Department of Transportation for review and comment. In its comments, reproduced in appendix IV, DHS concurred with our seven recommendations and described actions planned to address them. DHS also provided technical comments, which we incorporated into this report, as appropriate. The Department of Transportation told us that it had no comments on the draft report.

With regard to our first recommendation, that the Coast Guard develop and implement policies and procedures for conducting operational analyses for VDS and its replacement, DHS stated that the Coast Guard's

Office of C5I Capabilities plans to conduct an operational analysis of operational information systems, including VDS, during fiscal year 2021. DHS stated that the operational analysis will identify the performance issues, targets, and effectiveness measures of these systems. DHS stated that the Office of C5I Capabilities will update its policies and procedures related to operational analyses to include documenting, reviewing, and approving plans for conducting operational analyses, and capturing the findings of operational analyses in final reports. DHS estimated that it will complete these actions by June 30, 2021.

With regard to our second recommendation, that the Coast Guard document decisions in future years in which it elects not to conduct operational analyses for VDS and its replacement, DHS stated that, in fiscal year 2021, the Office of C5I Capabilities will update its policies and procedures to include documenting decisions to exclude an information technology system from an operational analysis. The Office of C5I Capabilities will document such decisions in the final report on the findings of the operational analysis. DHS estimated that it will complete these actions by March 31, 2021.

With regard to our third recommendation, that the Coast Guard establish formal organizational performance targets for NVDC's vessel documentation activities, such as timeliness and accuracy, DHS stated that the Coast Guard's NVDC will establish formal organizational performance targets for its vessel documentation activities, including timelines and accuracy of delivered products and services, for approval by the Director of Inspections and Compliance. DHS estimated that it will complete these actions by June 30, 2021.

With regard to our fourth recommendation, that the Coast Guard develop and implement a formal mechanism to regularly solicit and review customer service feedback from NVDC customers, DHS stated that the NVDC will develop and implement surveys to regularly solicit customer service feedback from its customers. DHS stated that the Coast Guard's Office of Inspections and Compliance will ensure that the NVDC is reviewing and responding to the feedback. DHS further stated that survey results will be made available to NVDC customers. DHS estimated that it will complete these actions by June 30, 2021.

With regard to our fifth recommendation, that the Coast Guard should ensure the NVDC conducts a full cost study of NVDC's commercial and recreational user fees, DHS stated that the NVDC will conduct a full cost study of its commercial and recreational user fees, with oversight

provided as needed by the Director of Operations Resource Management for the Deputy Commandant for Operations. DHS stated that the NVDC will do so after the Coast Guard develops a new information technology system, VDS 3.0, to allow the NVDC to accurately assess the actual costs of providing services to the public, including new information technology support costs. DHS estimated that it will complete these actions by December 31, 2022.

With regard to our sixth recommendation, that the Coast Guard establish a mechanism to track NVDC implementation of recommendations from its user fee reviews, DHS stated that the Coast Guard's Office of Resource Management, under the Assistant Commandant for Resources, will develop procedures to track the status of user fee review recommendations in coordination with applicable program offices. DHS estimated it will do so by September 30, 2021.

With regard to our seventh recommendation, that the Coast Guard document the decision if NVDC elects not to implement a recommendation from its user fee reviews, DHS stated that the Office of Resource Management will develop procedures for documenting any decision not to implement a recommendation from user fee reviews in coordination with applicable program offices. DHS estimated that it will do so by September 30, 2021.

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

If you or your staff have any questions about this report, please contact me at (206) 287-4804 or andersonn@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.



Nathan J. Anderson
Director, Homeland Security and Justice

Appendix I: Objectives, Scope, and Methodology

The Frank LoBiondo Coast Guard Authorization Act of 2018 includes a provision for us to review the U.S. Coast Guard's (Coast Guard) National Vessel Documentation Center's (NVDC) operations.¹ This report examines the extent to which the Coast Guard has (1) met its workload demands and taken steps to address its vessel documentation backlog, (2) measured the NVDC's effectiveness in processing vessel documentation, and (3) evaluated the NVDC's vessel documentation user fees to ensure they are sufficient to cover its costs.

To address the first objective, we analyzed Coast Guard data, reviewed Coast Guard documentation, and interviewed cognizant Coast Guard management officials and NVDC staff.² Specifically, we analyzed data from the NVDC's weekly case processing reports for fiscal years 2015 through 2019, which included the NVDC's time frames for processing recreational certificates of documentation.³ We selected this period because these were the most recent fiscal years for which data were available.⁴ To assess the reliability of the data, we reviewed Coast Guard's user manual for the Vessel Documentation System (VDS)—the case management system the NVDC uses to process vessel documentation—and interviewed Coast Guard management officials about their practices for maintaining the data, among other steps. When we found discrepancies, we brought them to NVDC management officials' attention and worked with them to correct the discrepancies before conducting our analyses. We determined that the data were sufficiently reliable for the purpose of reporting NVDC's case processing times.

We also reviewed Coast Guard documentation on its process for documenting vessels and addressing its vessel documentation backlog, such as the NVDC's Documentation Officer Manual and Coast Guard

¹Pub. L. No. 115-282, §516(b), 132 Stat. 4192, 4279.

²The Frank LoBiondo Coast Guard Authorization Act of 2018 also includes a provision for us to examine the method or process by which the NVDC develops policy for and documents compliance with vessel documentation requirements. We report on the results in the first objective.

³Our report specifically focuses on applications for commercial and recreational initial and reissue certificates of documentation, abstracts of title, and letters of determination as these are the primary types of vessel documentation that the NVDC processes.

⁴We did not report data for the NVDC's case processing time frames for recreational certificates of documentation from September through December 2014 due to the NVDC not having data available for this period of time.

Operations Systems Center's VDS status reports.⁵ We interviewed Coast Guard management officials from the NVDC, the Naval Architecture Division, the Office of Inspections and Compliance, the Office of the Assistant Commandant for Command, Control, Communications, Computers, and Information Technology, the Office of Command, Control, Communications, Cyber, and Intelligence Capabilities (Office of C5I Capabilities), and the Operations Systems Center, regarding the processing of vessel documentation for commercial and recreational vessels. In addition, in July 2020, we conducted a group interview with six NVDC documentation officers to obtain their perspectives about VDS, vessel documentation processing, and training of NVDC documentation officers.⁶ The results of the group interview are not generalizable to all NVDC documentation officers, but they provide insight into their perspectives. Moreover, in October 2019, we conducted a site visit to the NVDC in Falling Waters, West Virginia, to observe its operations, examine its files, and interview NVDC management officials.⁷

We compared this information against Office of Management and Budget (OMB) Circular A-11 and key aspects of *Standards for Internal Control in the Federal Government*.⁸ The monitoring component of internal control—activities management establishes and operates to assess the quality of performance over time—was significant to this objective, along with the

⁵The Operations Systems Center designs, develops, delivers, and maintains information technology systems to support the Coast Guard's missions, including the Vessel Documentation System.

⁶We had initially planned to conduct three small group discussions with NVDC documentation officers of similar paygrades, but due to low turnout, we consolidated the participants into a single group interview with NVDC documentation officers of paygrades from GS-7 (trainees) through GS-11 (senior documentation officers).

⁷We conducted an onsite hardcopy file review of the NVDC's letters of determination from December 2018 through October 2019 in response to requests from vessel owners seeking determinations if they were in compliance with eligibility requirements to engage in the coastwise trade or the fisheries. We selected this time frame because the Frank LoBiondo Coast Guard Authorization Act of 2018 required the NVDC to post such responses on its public website starting in December 2018. We compared the letters of determination and the supporting documentation against NVDC's procedures for processing letters of determination. Due to COVID-19, in April 2020, we were unable to conduct a planned second site visit to the NVDC, in part, to review new files from November 2019 through April 2020. Instead, we held teleconference meetings with NVDC management officials.

⁸OMB, *Preparation, Submission, and Execution of the Budget*, Circular No. A-11 (2019). GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

related principle that if agency management determines that a monitoring activity is not needed, it supports that determination with documentation that includes the rationale (Principle 17). We assessed the Coast Guard's policies and procedures for conducting analyses of VDS's performance to determine whether they require Coast Guard management officials to document the rationale for not conducting analyses yearly or on an as-needed basis, as required by OMB Circular A-11.

To address the second objective, we reviewed Coast Guard documentation and interviewed cognizant Coast Guard officials from the NVDC and Office of Inspections and Compliance on measures of effectiveness and customer service feedback. Specifically, we reviewed NVDC's documentation on the steps it has taken to measure its effectiveness in processing vessel documentation. We further interviewed officials from 11 maritime industry associations to obtain their feedback on NVDC's effectiveness in processing vessel documentation and the impacts on their members.⁹ We compared this information against Coast Guard guidance on measures of effectiveness and management roles and responsibilities,¹⁰ executive orders,¹¹ and key elements of effective customer service standards.¹²

To address the third objective, we analyzed Coast Guard documentation related to NVDC vessel documentation user fee reviews that the NVDC

⁹The 11 associations were the American Maritime Partnership, American Vessel Documentation Association, American Waterways Operators, Boat Owners Association of the U.S., Council of American Master Mariners, International Association of Marine Investigators, National Marine Lenders Association, National Marine Manufacturers Association, the Shipbuilder's Council of America, Society of Accredited Marine Surveyors, and the Offshore Marine Services Association. We selected them based on whether they had over 100 members or were suggested by other associations. The results of the interviews are not generalizable to all maritime industry associations, but they provide insight into the feedback of the NVDC's customers and the impacts of NVDC's services.

¹⁰Coast Guard guidance includes U.S. Coast Guard, *Operational Reporting, Commandant Instruction M3123.13* (2014), and U.S. Coast Guard, *Deputy Commandant of Operations Strategic Management Roles, Responsibilities, and Governance* (2016).

¹¹Exec. Order No. 12862, *Setting Customer Service Standards* (Sept. 11, 1993), 58 Fed. Reg. 48257 (Sept. 14, 1993). Exec. Order No. 13571 (Apr. 27, 2011), *Streamlining Service Delivery and Improving Customer Service*, 76 Fed. Reg. 24339 (May 2, 2011).

¹²GAO, *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington, D.C.: Oct. 24, 2014). We reported that a key element of effective customer service standards is for agencies to have a formal or systematic mechanism for reviewing customer feedback.

conducted from January 2010 through July 2020. We chose this time frame because these were the years for which the NVDC conducted such reviews.¹³ We also analyzed Coast Guard data on NVDC vessel documentation appropriations, operational costs, and user fee collections for fiscal years 2015 through 2019—the most recent full fiscal years for which data were available. To assess the reliability of the data, we reviewed Coast Guard documentation, examined written responses to a data reliability questionnaire, and interviewed NVDC management officials about their practices for maintaining the data. We determined that the data were sufficiently reliable for the purpose of reporting NVDC vessel documentation appropriations, operational costs, and user fee collections. We also interviewed Coast Guard management officials from its Office of the Assistant Commandant for Resources, Office of Resource Management, Office of Inspections and Compliance, and NVDC about their processes for preparing, reviewing, and approving user fee reviews. We compared this information against applicable laws,¹⁴ OMB Circular A-25,¹⁵ Department of Homeland Security's (DHS) guidance on user fee reviews,¹⁶ and key design and implementation characteristics of user fees.¹⁷

We also compared this information against key aspects of *Standards for Internal Control in the Federal Government*.¹⁸ The monitoring component of internal control—promptly implementing the recommendations of reviews—was significant to this objective, along with the related principle

¹³NVDC management officials told us that the NVDC did not conduct a user fee review in calendar years 2000 through 2009. The first one that the NVDC conducted was in 2010.

¹⁴Applicable laws include the Chief Financial Officers Act of 1990, which requires agencies to conduct user fee reviews biennially, Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990), the DHS appropriations act, Pub. L. No. 116-93, § 224, 133 Stat. 2317, 2516 (2020), and the DHS authorizing statute for NVDC user fees. 46 U.S.C. § 2110(a)(3).

¹⁵OMB, User Charges, Circular A-25 (1993).

¹⁶DHS guidance includes the 2018 user fee review guidance and standard operating procedures. Department of Homeland Security, Financial Management Policy Manual, Chapter 2: Planning, Programming, Budgeting, and Execution, Section 2.12 DHS Fee Review and Guidance (2018). DHS, *User Fee Biennial Review Standard Operating Procedures* (2018).

¹⁷GAO, *Federal User Fees: A Design Guide*, [GAO-08-386SP](#) (Washington, D.C.: May 29, 2008).

¹⁸[GAO-14-704G](#).

that if agency management determines that recommendations from its reviews do not warrant action, it supports that determination with documentation that includes the rationale (Principle 17). We assessed the Coast Guard's guidance for preparing, reviewing, and approving user fee reviews to determine if they require the NVDC to promptly implement the recommendations of its user fee reviews, among other things.

The Frank LoBiondo Coast Guard Authorization Act of 2018 also includes a provision for us to examine the coordination between the Coast Guard and U.S. Customs and Border Protection (CBP) to enforce vessel documentation requirements and the extent to which the Coast Guard and the Department of Transportation's Maritime Administration have published and disseminated information to promote compliance with applicable vessel construction requirements.¹⁹

To review the coordination between the Coast Guard and CBP to enforce vessel documentation requirements, we interviewed Coast Guard and CBP management officials at their headquarters from September through October 2019 and at the Port of Baltimore in November and December 2019. We also analyzed data on the number of cases and associated amount of civil penalties that the Coast Guard has imposed as a result of violations of vessel documentation requirements and CBP has imposed as a result of coastwise trade endorsement requirements from fiscal years 2015 through 2019. To assess the reliability of the data, we reviewed Coast Guard and CBP documentation and written responses to data reliability questionnaires and interviewed Coast Guard and CBP officials. We determined that the data were sufficiently reliable for the purposes of this report. We report on the results in appendix II.

To determine the extent to which the Coast Guard and the Maritime Administration have published and disseminated information to promote compliance with applicable vessel construction requirements, we reviewed Coast Guard and Maritime Administration documentation and interviewed cognizant officials in September and October 2019. We report on the results in appendix III.

We conducted this performance audit from August 2019 to December 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

¹⁹Pub. L. No. 115-282, §516(b), 132 Stat. 4192, 4279.

**Appendix I: Objectives, Scope, and
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our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Coordination to Enforce Vessel Documentation and Coastwise Trade Endorsement Requirements

The U.S. Coast Guard (Coast Guard) enforces vessel documentation requirements and U.S. Customs and Border Protection (CBP) enforces coastwise trade endorsement requirements through inspecting vessels or reviewing documentation of vessels arriving and exiting U.S. ports. The Coast Guard enforces vessel documentation requirements through its inspections of vessels engaged in coastwise trade. Specifically, Coast Guard marine inspectors verify that vessels have valid vessel documentation through annual inspections. If vessels do not have valid documentation, Coast Guard marine inspectors may issue deficiencies or assess penalties. CBP enforces coastwise trade endorsement requirements by, among other things, reviewing vessel documentation during its entrance and clearance process of vessels arriving at U.S. ports.¹ If CBP field personnel determines that a violation of coastwise trade endorsement requirements has occurred, they may assess penalties for the resulting actions.

According to Coast Guard and CBP officials, the Coast Guard and CBP may coordinate to enforce that vessels have valid documentation at individual ports.² For example, CBP officers may contact the National Vessel Documentation Center about vessel documentation when processing vessels at ports. In addition, CBP officers may request that Coast Guard marine inspectors assist with document reviews of vessels by inspecting vessel documentation. Further, the Coast Guard may enforce vessel documentation incidentally when conducting joint boardings of vessels suspected of smuggling aliens or drugs.

The Coast Guard may impose civil penalties on vessel owners for violations of vessel documentation and CBP may do so for violations of coastwise trade endorsement requirements. As shown in figure 5, from fiscal years 2015 through 2019, Coast Guard imposed 255 civil penalties for about \$119,967 for violations of vessel documentation requirements.³

¹The entrance process is the formal entry of a vessel from a foreign port to a U.S. port and the clearance process is the formal exit of a vessel from a U.S. port to a foreign port.

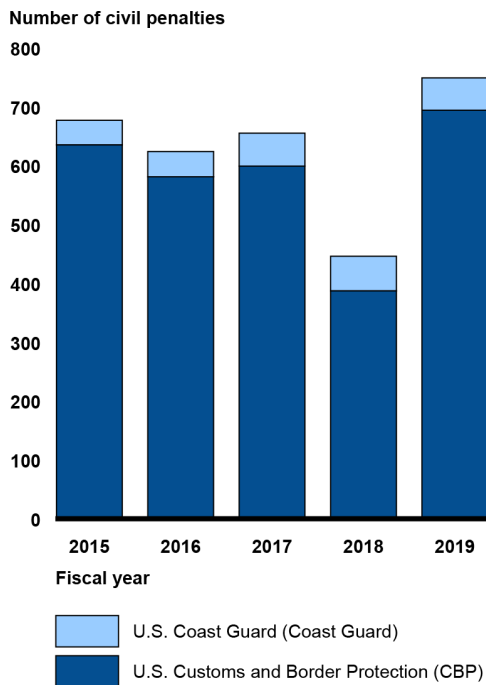
²Vessel documentation consists of certificates of documentation with endorsements for coastwise, fishery, recreational, or registry. A vessel must have a coastwise endorsement to engage in the coastwise trade or transportation, or have a fishery endorsement to engage in the fisheries.

³The Coast Guard imposed civil penalties on vessel owners for violations of 46 U.S.C. § 12151. The Coast Guard noted that its count of civil penalties includes warnings that do not carry a monetary penalty amount.

Appendix II: Coordination to Enforce Vessel Documentation and Coastwise Trade Endorsement Requirements

In addition, CBP imposed 2,896 civil penalties for about \$26.2 million for violations of coastwise trade endorsement requirements.⁴

Figure 5: U.S. Coast Guard and U.S. Customs and Border Protection Civil Penalties for Vessel Documentation and Coastwise Trade Endorsement Requirement Violations, Fiscal Years 2015 through 2019



Source: GAO analysis of Coast Guard and CBP data. | GAO-21-100

Note: The Coast Guard noted that its count of civil penalties includes warnings that do not carry a monetary penalty amount. CBP noted that it did not test its data for reliability. It presents the information as inputted by CBP field personnel.

⁴CBP imposed civil penalties on vessel owners for violations of the Passenger Vessel Service Act, 46 U.S.C. § 55103, the Jones Act, 46 U.S.C. § 55102, and towing vessel requirements, 46 U.S.C. § 55111.

Appendix III: Publication and Dissemination of Information to Promote Compliance with Vessel Construction Requirements

The U.S. Coast Guard (Coast Guard) has published and disseminated information to promote compliance with applicable vessel construction requirements, but the Department of Transportation's Maritime Administration (MARAD) has not.¹ Within the Coast Guard, the Naval Architecture Division and the National Vessel Documentation Center (NVDC) publish and disseminate information to promote compliance with vessel construction requirements. In June 2013, the Naval Architecture Division developed and published criteria to review vessel components made of steel weight for compliance with U.S. build and foreign rebuild requirements. The Naval Architecture Division has revised the criteria four times since 2013 in response to new issues.² In making a U.S. build and foreign rebuild determination, the NVDC is to consult with the Naval Architecture Division for its technical expertise on these criteria and other vessel components. The NVDC disseminates the review criteria by posting it on its website to promote compliance with vessel construction requirements.³

MARAD management officials told us the agency is not responsible for publishing and disseminating information to promote compliance with vessel construction requirements. Instead, officials stated that MARAD's mission is to promote compliance with the Jones Act, which requires all ships engaged in domestic trade to be U.S.-flagged. The term "U.S.-flagged" refers to a vessel that is registered and operated under the laws of the U.S., used in commercial trade of the U.S., and is owned and operated by U.S. citizens. According to MARAD management officials, MARAD provides printed flyers to federal programs and information

¹Vessel construction requirements include the Jones Act and the Passenger Vessel Services Act; both which require vessels be built or rebuilt in the U.S. to transport goods or passengers between U.S. ports, with limited exceptions. The Jones Act states that vessels transporting goods between U.S. ports must be built or rebuilt in the U.S. The Jones Act is a section of the Merchant Marine Act of 1920, Pub. L. No. 66-261, 41 Stat. 988, 999 (1920) (codified as amended at 46 U.S.C. § 55102). The Passenger Vessel Services Act of 1886 states that vessels transporting passengers between U.S. ports must be built or rebuilt in the U.S. Pub. L. No. 49-421, 24 Stat. 79 (1886) (codified as amended at 46 U.S.C. § 55103).

²As of May 2020, the Naval Architecture Division had last revised the review criteria in March 2019.

³According to NVDC management officials, the NVDC has posted it on its website since 2013. U.S. Coast Guard, *Review Criteria for Steel Weight Components with U.S. Build and Foreign Rebuild Determinations*, accessed July 22, 2020, <https://www.dco.uscg.mil/Portals/9/DCO%20Documents/NVDC/Review%20Criteria.pdf>.

**Appendix III: Publication and Dissemination of
Information to Promote Compliance with
Vessel Construction Requirements**

online about the Jones Act. As of July 2020, MARAD's website contains information about the Jones Act.⁴

⁴For example, see <https://www.maritime.dot.gov/ports/domestic-shipping/small-vessel-waiver-program>, accessed July 29, 2020.

Appendix IV: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

November 24, 2020

Nathan J. Anderson
Director, Homeland Security and Justice
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Management Response to Draft Report GAO-21-100, "COAST GUARD: Actions Needed to Improve National Vessel Documentation Center Operations"

Dear Mr. Anderson:

Thank you for the opportunity to comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

The Department is pleased to note GAO's acknowledgment that the Coast Guard has (1) met processing timelines for commercial certificates, and (2) taken additional steps to mitigate National Vessel Documentation Center (NVDC) recreational backlogs by addressing staffing challenges, providing flexibility to vessel owners, and assessing Vessel Documentation System (VDS) performance. The Coast Guard remains committed to further evaluating vessel documentation processes and implementing new policies, procedures, and systems to improve NVDC operations, as appropriate.

The draft report contained seven recommendations with which the Department concurs. Attached find our detailed response to each recommendation. DHS previously submitted technical comments under a separate cover for GAO's consideration.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Sincerely,

JIM H

CRUMPACKER

JIM H. CRUMPACKER, CIA, CFE

Director

Departmental GAO-OIG Liaison Office

Digitally signed by JIM H
CRUMPACKER
Date: 2020.11.24 12:42:15 -05'00'

Attachment

**Attachment: Management Response to Recommendations
Contained in GAO-21-100**

GAO recommended that the Commandant of the Coast Guard should ensure:

Recommendation 1: The Deputy Commandant for Operations develops and implements policies and procedures for conducting operational analyses for VDS and its replacement.

Response: Concur. The Coast Guard Office of Command, Control, Communications, Computers, Cyber, and Intelligence (C5I) Capabilities (CG-761) is responsible for conducting operational analyses (OAs) at the programmatic level, not the individual system level. VDS is one of multiple systems that will be covered in the Operational Information systems OA, scheduled to be completed during fiscal year (FY) 2021. This programmatic OA will identify the performance issues, targets, and effectiveness measures of VDS and other systems.

Coast Guard Commandant Instruction 5230.72, "C5I Sustainment Management Policy," dated August 3, 2018 identifies the responsibilities relating to conducting OAs in accordance with DHS Instruction 102-02-001, "Capital Planning and Investment Control Guidebook," dated March 23, 2016 and the DHS Instruction Guide 102-02-002, "Operational Analysis Guidebook," dated March 24, 2016. Starting in FY 2021, the process for conducting OAs includes review and approval of a documented plan to conduct the OA as well as capturing the findings of the OA in a final report. Estimated Completion Date (ECD): June 30, 2021.

Recommendation 2: The Deputy Commandant for Operations documents decisions in future years in which it elects not to conduct operational analyses for VDS and its replacement.

Response: Concur. CG-761 is responsible for developing and implementing policies and procedures for conducting OAs. CG-761 has established processes and procedures for conducting OAs on a programmatic level to evaluate performance and effectiveness measures of C5I capabilities. Starting in FY 2021, the process will include review and approval of a documented plan to conduct the OA and the completion of a final "state of the capabilities" report that will detail the OA findings. Any decision to specifically exclude a system from evaluation within an OA will be documented in the state of the capabilities report. ECD: March 31, 2021.

Recommendation 3: The Assistant Commandant for Prevention Policy establishes formal organizational performance targets for NVDC's vessel documentation activities, such as timelines and accuracy.

Response: Concur. NVDC will establish formal organizational performance targets for its vessel documentation activities, including timelines and accuracy of delivered products and services, for approval by the Director of Inspections and Compliance (CG-5PC). ECD: June 30, 2021.

**Appendix IV: Comments from the Department
of Homeland Security**

Recommendation 4: The Assistant Commandant for Prevention Policy develops and implements a formal mechanism to regularly solicit and review customer service feedback from NVDC customers.

Response: Concur. NVDC will develop and implement a formal mechanism to regularly solicit and review customer service feedback from its customers. The results of customer feedback surveys will be made available to NVDC customers. Survey questions will be prepared by NVDC and approved for distribution by CG-5PC, which will regularly review customer feedback and ensure that appropriate follow-on action is taken. ECD: June 30, 2021.

Recommendation 5: The Assistant Commandant for Prevention Policy to ensure that NVDC conducts a full cost study of NVDC's commercial and recreational user fees.

Response: Concur. NVDC, with oversight provided by the Director of Operations Resource Management for the Deputy Commandant for Operations (DCO-8) as needed, will conduct a full cost study of its commercial and recreational user fees. The cost study will be conducted following the implementation of NVDC's new IT system, VDS 3.0, and associated new automated processes, which will allow NVDC to accurately assess the actual costs of providing services to the public, including new IT support costs. The target delivery date of VDS 3.0 is March 31, 2022, and NVDC will undertake the full cost study after the delivery date. ECD: December 31, 2022.

Recommendation 6: The Assistant Commandant for Resources, in coordination with the Deputy Commandant for Operations, establishes a mechanism to track NVDC implementation of recommendations from its user fee reviews.

Response: Concur. The Assistant Commandant for Resources Office of Resource Management (CG-83) will develop procedures to track the status of user fee review recommendations in coordination with applicable program offices. ECD: September 30, 2021.

Recommendation 7: The Assistant Commandant for Resources, in coordination with the Deputy Commandant for Operations, documents the decision if NVDC elects not to implement a recommendation from its user fee reviews.

Response: Concur. CG-83 will develop procedures for documenting any decision not to implement a recommendation from user fee reviews in coordination with applicable program offices. ECD: September 30, 2021.

Appendix V: GAO Contact and Staff Acknowledgements

GAO Contact

Nathan J. Anderson, (206) 287-4804, andersonn@gao.gov

Staff Acknowledgments

In addition to the above contacts, Jason Berman (Assistant Director), Luis E. Rodriguez (Analyst-in-Charge), Barbara El Osta, Eric Hauswirth, David Hooper, Susan Hsu, Emily Hutz, Grace Kwon, and Terry Richardson made key contributions to this report.

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