

**AUDIT OF THE USE OF FISCAL YEAR 2002
FUNDS TO IMPROVE THE OPERATIONAL
READINESS OF SMALL BOAT STATIONS
AND COMMAND CENTERS**

United States Coast Guard

Report Number: MH-2003-028

Date Issued: March 3, 2003

Revised: April 15, 2003



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION:** Use of Fiscal Year 2002 Funds
to Improve the Operational Readiness of Small
Boat Stations and Command Centers
MH-2003-028

Date: April 15, 2003

From: Alexis M. Stefani 
Principal Assistant Inspector General
for Auditing and Evaluation

Reply to
Attn. of: JA-40

To: Commandant
United States Coast Guard

This reissued report presents the final results of our audit of Coast Guard's use of \$14.5 million of congressionally designated funds to improve the staffing, training, experience, and equipment at small boat stations and command centers. The audit was conducted in response to language contained in the Department of Transportation's Fiscal Year (FY) 2002 Appropriations Act (Act) directing the Office of Inspector General (OIG) to audit and certify Coast Guard's use of the supplemental appropriations.

Prior to the transfer of Coast Guard and Transportation Security Administration oversight responsibility to the Department of Homeland Security (DHS), our office was involved in processing a number of reports and, unfortunately, did not realize that the team working on the audit did not complete our quality assurance process prior to transferring to DHS. We have subsequently completed the quality assurance process, and as a result, are reissuing this report with revisions. These revisions did not affect our overall conclusions and recommendations. We have provided annotated pages of the report showing the revisions to your audit liaison.

We regret any inconvenience caused by the earlier report release. Because the Coast Guard transferred to DHS on March 1, 2003, we will provide this report to the DHS Office of Inspector General for follow-up to ensure corrective actions are taken. We appreciate the courtesies and cooperation of the Coast Guard during the course of this audit. If you have any questions concerning this report, please call me at (202) 366-1992 or Debra Ritt, Assistant Inspector General for Surface and Maritime Programs, on (202) 493-0331.

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Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION:** Use of Fiscal Year 2002 Funds to
Improve the Operational Readiness of Small Boat
Stations and Command Centers
MH-2003-028

Date: March 3, 2003

From: Alexis M. Stefani 
Principal Assistant Inspector General
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United States Coast Guard

INTRODUCTION

This report presents the results of our audit of Coast Guard's use of \$14.5 million of congressionally designated funds to improve the staffing, training, experience, and equipment at small boat stations and command centers. The audit was conducted in response to congressional direction contained in the Department of Transportation's Fiscal Year (FY) 2002 Appropriations Act (Act). The Act directed the Office of Inspector General (OIG) to audit and certify that Coast Guard used the appropriation to supplement, and not supplant, its efforts to improve the operational readiness of small boat stations and command centers during FY 2002.

As indicated in Senate and House Committee reports accompanying the Act, the appropriation resulted from committee concerns over the declining operational readiness of small boat stations reported by the OIG in September 2001.¹ At that time, we reported that boat stations operated with staffing and experience levels so low that boat crews were working well in excess of Coast Guard's 68-hour work week standard in order to maintain station readiness. We also identified critical shortfalls in the number of experienced personnel at boat stations, which increased the on-the-job training workload of these personnel. Finally, we reported that

¹ "Audit of the Small Boat Station Search and Rescue Program," Report Number MH-2001-094, September 14, 2001.

boatswain's mates, which account for 65 percent of the staff assigned to small boat stations, lacked formal training in basic seamanship, small boat handling, navigation and piloting, water survival, and search and rescue (SAR) techniques. Committee members expressed concern over these issues, stating, "Given these serious staffing and training shortfalls, it is not surprising to see an increase in the number of accidents involving Coast Guard rescue boats."

While the Appropriations Committees expected the \$14.5 million would help Coast Guard begin to increase small boat station staffing and training levels, Committee members acknowledged that improving the operational readiness of small boat stations, which has been deteriorating for more than 20 years, will require a long-term effort by the Coast Guard.² To that end, the Committee directed the Coast Guard to submit a strategic plan for improving small boat station readiness that, at a minimum, addresses how it will: increase staffing, training and experience levels; and improve the quantity and quality of personal safety equipment.

The strategic plan has taken on added importance due to the elevation of Coast Guard's homeland security mission to a level commensurate with Coast Guard's highest operational priority, its SAR mission. For example, between FYs 2001 and 2002, Coast Guard's small boat fleet increased its operating hours by 39 percent as a result of the increased demand for security within the coastal zone. However, as noted in the Homeland Security Act,³ maintaining the readiness of small boat stations and command centers, while at the same time expanding the security capability of these units, will present Coast Guard with significant challenges.

BACKGROUND

Small boat stations and command centers are an integral part of Coast Guard's homeland security mission. Each year, these units spend thousands of hours coordinating communications between Coast Guard air, sea, and land-based units; conducting port security patrols; and boarding, inspecting, and escorting high interest vessels, cargoes, and crews arriving at U.S. ports. At the same time, Coast Guard also relies on these units to support its more traditional missions, including SAR, recreational and commercial fishing vessel safety, marine environmental response, and migrant and drug interdiction. For example, during FY 2002, Coast Guard's small boat fleet accounted for 53 percent of the total mission hours devoted to the ports, waterways, and coastal security mission and 63 percent of the total mission hours devoted to SAR.

² Senate report accompanying the Department's FY 2002 Appropriations Act.

³ Public Law 107-296.

Coast Guard's FY 2002 budget request to Congress included \$5.541 million to increase the number and experience levels of staff at small boat stations and command centers. To address the serious staffing, training, and equipment problems at Coast Guard's small boat stations and command centers, Congress added \$9 million to Coast Guard's original request, bringing the total SAR appropriation to \$14.5 million. Further, Congress directed that these funds be used by Coast Guard *"...solely to increase staffing at search and rescue stations, surf stations and command centers; increase the training and experience level of individuals serving in said stations through targeted retention efforts; revise personnel policies and expand training programs; and to modernize and improve the quantity and quality of personal safety equipment, including survival suits, for personnel assigned to said stations...."*

RESULTS IN BRIEF

During FY 2002, Coast Guard spent \$49 million more than in FY 2001 to improve the quantity and quality of personnel and equipment at small boat stations, command centers, and other field locations. Approximately \$28 million of the increase funded 789 additional personnel at small boat stations, which increased station staffing by 19 percent. This expenditure was well in excess of the \$14.5 million Congress designated in FY 2002 for small boat stations and command centers.

Interpreting the congressional directive broadly, Coast Guard generally complied with congressional direction by spending the funds on small boat stations and command centers. However, when looking at the driving force behind the congressional appropriation—to enhance SAR operations—we could not technically certify that the expenditures supplemented Coast Guard's SAR initiatives. The primary reason for this is that Coast Guard's small boat stations and command centers support multiple missions, such as homeland security, recreational and fishing vessel safety, law enforcement, and marine environmental response, making it difficult to isolate the amount of station and command center expenditures for SAR operations in Coast Guard's cost accounting system. This system uses a formula to allocate costs based on mission hours, and mission hours devoted to SAR during FY 2002 decreased by 9 percent from FY 2001 levels.

Coast Guard's inability to isolate SAR expenditures will present Congress with oversight challenges in determining whether Coast Guard is maintaining the correct balance between its newly elevated security mission, the SAR mission, and its other traditional core missions after it transfers to the Department of Homeland Security. Consequently, we are recommending that Coast Guard make the

necessary improvements to its cost accounting system to allow for the tracking and certification of future expenditures for SAR operations.

We are also concerned that Coast Guard spent the majority of the appropriation on workforce expansion, without adequately funding training, personal protection equipment (PPE), and infrastructure improvements needed to support the growth in personnel. For example, the majority of the newly-assigned staff were junior personnel (recent boot camp graduates and mariner apprentices), many of which lacked the requisite training, experience, and qualifications to perform their station watchstanding and boat crew duties. Although it is expected that the additional staff will eventually help Coast Guard reduce the average number of hours per week that boat crews must work, the low trainer-to-trainee ratio that existed during FY 2001 remains virtually unchanged. As a result, senior station personnel will continue to bear the burden of training and qualifying station boat crews.

In an October 15, 2002 memorandum to the OIG, Coast Guard stated it over-recruited to meet the senior enlisted workforce needs of tomorrow. While we agree that over-recruiting is a positive first step in a long-term process of growing its workforce, Coast Guard did not adequately support the personnel growth by ensuring that the training, equipment, and infrastructure were in place to responsibly support the additional staff. Specifically, we found that:

- Many of the more experienced staff added to stations were assigned to positions for which they were not qualified. Our analysis of new senior personnel serving in senior positions created during FY 2002 at 71 of 186 stations disclosed that 66 percent⁴ were not qualified for their positions. Most of these involved mariner apprentices with only about 2 years of experience who were serving in trainer positions.
- Coast Guard is not providing formal entry-level training to all of its aspiring boatswain's mates before assigning them to stations. The entry-level school for boatswain's mates did not begin its first class until September 30, 2002. Further, because the school can only train 570 personnel annually, Coast Guard will be unable to provide formal training to the approximately 5,000 new boatswain's mates needed through FY 2006 unless it substantially expands the school's training capacity. Consequently, senior station personnel will continue to shoulder the on-the-job training burden, which could undermine efforts to reduce the 84-hour work week.
- Coast Guard did not provide funding to equip all of the 541 (69 percent) of the 789 personnel it added to stations during FY 2002 with personal safety

⁴ 64 of 97 personnel serving in senior billets created during FY 2002 were not qualified for their positions.

equipment. This occurred because these new personnel were not placed in specific station positions. Station budgets, which only fund active duty personnel, were not adjusted to provide adequate funding to equip all personnel eligible for boat crew duty with their own set of personal safety equipment.

- The size, age, and condition of Coast Guard's shore facilities have affected its ability to adequately support recent personnel increases. Twelve of 22 small boat stations are reporting that they do not have adequate workspace, sleeping quarters, or shower facilities. For example, Station Miami Beach, Florida, which was converted to accommodate 48 personnel, is now supporting 73 personnel. Station Michigan City, Indiana, built in 1889, has been expanded by adding a second floor with sleeping quarters. However, the middle part of the structure is being held up by jacks in the basement that are sinking into the ground.

The deteriorating condition of boat stations is a long-standing problem that has been aggravated by Coast Guard's decision to reduce the level of funding for shore facilities while increasing its capital commitments to the Integrated Deepwater Procurement Project and the Rescue 21 Project.⁵ From FYs 2000 to 2003, funding for shore facilities and aids to navigation decreased from \$64 million to \$50 million. During the same period, capital funding allocated to the Integrated Deepwater Procurement Project and the Rescue 21 Project increased from \$60 million to \$568 million. This trend is likely to continue, as Coast Guard did not request funding for shore facilities in its FY 2004 budget submission to Congress.

Finally, the temporary status of the 541 personnel that were not placed in authorized positions, coupled with average tour lengths of 9 to 23 months for entry level personnel, make it unclear whether these personnel will serve as dedicated SAR resources or be reassigned to other locations as needed. Without assigning these personnel to permanent positions, there is no assurance that stations will retain the higher staffing levels.

In discussing our findings with Coast Guard, officials agreed that over-billeted personnel need to be placed in permanent positions and told us that they are adding 239 senior billets to stations during FY 2003 to make some of the over-billeted personnel permanent. While the senior billets are needed, there will still be 302 over-billeted personnel who are not assigned to authorized positions. Further, we note that Coast Guard plans to over-recruit in FYs 2003 and 2004,

⁵ Deepwater is a 20-year acquisition, construction and improvement (AC&I) project to replace Coast Guard's deepwater fleet of cutters, aircraft, sensors, and communication equipment. Rescue 21 is an AC&I project to replace the 9-1-1 type system for mariner distress calls.

which would further increase the number of over-billeted personnel at stations. Therefore, we remain concerned that the personnel added to stations may not serve as dedicated SAR resources or be adequately supported by station budgets.

Improving the operational readiness of small boat stations and command centers will require a substantial and sustained investment in people, infrastructure, training, and equipment. It will also require a comprehensive strategic workforce plan to guide the recruiting and hiring of personnel whose knowledge, skills and abilities meet Coast Guard's needs. In our September 2001 report, we recommended that Coast Guard develop a strategic plan for improving the operational readiness of small boat stations that provides a clear framework for rebuilding the SAR program by describing specific actions, establishing time frames for completing those actions, identifying organizations and personnel responsible for actions, and estimating implementation costs. This recommendation was reinforced by language in the Senate Committee reports accompanying the FY 2002 Transportation Appropriations Act that directed Coast Guard to submit a strategic plan for improving SAR program readiness.

Coast Guard agreed with our recommendation to develop a strategic plan identifying staffing levels to meet its 68-hour work week standard and to provide the training needed to ensure personnel assigned to stations were fully trained. In December 2002, Coast Guard provided the OIG with a draft of its Boat Forces Strategic Plan. However, our review of the draft plan found that it was so general in nature as not to be useful for guiding Coast Guard implementation of the plan or measuring progress in rebuilding the SAR program. Further, the plan does not address, with sufficient clarity, how and when Coast Guard will increase staffing, training and experience levels to meet Coast Guard's 68-hour work week standard; and improve the quantity and quality of personal safety equipment.

Restoring the readiness of small boat stations and command centers, while at the same time expanding Coast Guard's security capability, will require sustained attention by the Coast Guard. The Boat Forces Strategic Plan, which outlines a set of initiatives to strengthen the capabilities of Coast Guard's boat forces, will be critical to achieving a balance between these two operational priorities.

RECOMMENDATIONS

We recommend that the Commandant:

1. Make the necessary improvements to Coast Guard's cost accounting system to allow for the tracking and certification of future expenditures for SAR operations.
2. Revise the draft Boat Forces Strategic Plan to identify specific actions, time frames, and assigned responsibilities required for increasing staffing, training, and experience levels at boat stations to meet Coast Guard's 68-hour work week standard and for improving the quantity and quality of personal safety equipment as directed by the Senate Appropriations Committee.
3. Develop a shore facilities recapitalization plan that supports the planned growth in its boat station workforce.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided a discussion draft of this report to Coast Guard on February 25, 2003, and on February 27, 2003, we met with Coast Guard officials to obtain their verbal comments. At this meeting Coast Guard officials generally agreed with our findings and recommendations for improving its cost accounting system, revising its strategic plan, and developing a shore facilities capitalization plan. Coast Guard officials also suggested wording changes to enhance the technical accuracy of the report, which we made, as appropriate.

We consider Coast Guard's verbal comments to be responsive to our findings and recommendations and believe that, once implemented, the recommended actions will strengthen Coast Guard's efforts to rebuild its SAR program and ensure that SAR operations will not diminish after Coast Guard moves to the Department of Homeland Security.

ACTION REQUIRED

We request that you provide your written comments on this report within 30 days to the Department of Homeland Security Office of Inspector General. If you concur, please indicate specific actions, taken or planned, and the target dates for completion. If you do not concur, please provide an explanation of your position. Furthermore, you may provide alternative courses of action that you believe would resolve the issues presented in this report.

FINDINGS

FY 2002 Funds Were Used to Over-Billet⁶ Stations With Inexperienced Personnel

In FY 2002, Coast Guard spent \$49 million more than in FY 2001 at small boat stations, command centers, and other field locations. Of this amount, \$28 million was used to add 789 personnel to small boat stations, which enlarged station staffs by 19 percent. While this expenditure complies with congressional direction for use of the designated funds and will contribute to growing the station workforce, our review showed that increasing staffing levels will not, by itself, improve the number of trained and certified personnel at the stations. As shown in Table 1, 351 or 44 percent of the 789 personnel added to stations are recent boot camp graduates who lack the required training and experience to perform their station and boat crew duties. The remaining 56 percent are senior personnel with varying skills and abilities.

Table 1. Breakdown of Station Personnel Added in FY 2002 by Experience Level				
Experience Level	FY 2001	FY 2002	Increase During FY 2002	Breakdown of Increase
E-1 to E-3¹	1,406	1,757	351	44%
E-4 and Above	2,824	3,262	438	56%
Total Junior and Senior Staff	4,230	5,019	789	100%

¹ Designates the grade of an enlisted person, E-1 being the lowest grade.

In our prior audit, we reported that maintaining an appropriate number of experienced, senior level personnel is vitally important to the SAR program because Coast Guard relies on them to provide on-the-job training to new and junior personnel. However, only 19 percent⁷ of the additional personnel are at or above the E-5 level and, therefore, qualified to train junior staff.

The added personnel have also not significantly improved the ratio of trainers to trainees at small boat stations. In our prior audit, we reported that the ratio of trainers (E-4 to E-9) to trainees (E-1 to E-3) at boat stations had declined from 5.5 to 1 in FY 1996 to 1.5 to 1 in FY 2001 and was significantly below Coast Guard's draft staffing standard of 3.2 trainers to 1 trainee. The FY 2002 trainer to

⁶ Adding personnel to stations who are over their personnel allowances.

⁷ Of the 789 personnel added during FY 2002, only 147 are at or above the E-5 level.

trainee ratio of 1.6 to 1 is only a slight improvement over the FY 2001 ratio. In our prior audit, we also reported that these statistics understate the training burden since a large portion of those categorized as senior staff are E-4's. According to Coast Guard's Enlisted Performance Qualifications Manual, E-4's are "apprentices who are just learning their trade... and (who) rely on significant mentoring, coaching, and supervision." Therefore, they lack the training, experience, and qualifications to be trainers. During FY 2002, E-4's represented 31 percent of total station staffing.

Growing the senior workforce to attain the trainer-to-trainee ratio proposed in the draft staffing standard will take years. According to Coast Guard, it takes approximately 5 years for a new recruit to advance to the E-5 level and approximately 10 years to advance to an E-6 position. With the majority of the added personnel being junior, the training burden will continue to be carried by senior station personnel.

In our prior audit, we reported that the lack of experienced station personnel was a major factor contributing to the excessive hours worked by station boat crews and the sharp increase in small boat mishaps. While Coast Guard's standards call for a 68-hour work week for optimal operations,⁸ our prior report showed that 90 percent of all stations averaged an 84-hour work week. Currently, despite the substantial increase in station staffing, the majority of Coast Guard stations continue to operate outside of the 68-hour standard. As of September 2002, 99 percent of small boat station staffs were working in excess of 68 hours per week, and 73 percent were working 84 hours or more per week.

In addition to adding a large percentage of junior personnel to stations, Coast Guard established 97 senior positions at 71 stations. However, our analysis shows that Coast Guard filled 64 (66 percent) of the senior positions with staff that were not qualified for their positions. For example, 3rd class boatswain's mates were placed in 2nd class boatswain's mate positions. According to Coast Guard's Enlisted Performance Qualifications Manual, 3rd class boatswain's mates have not yet demonstrated that they possess the minimum set of skills, experiences, and qualifications necessary to perform the complex tasks required of the higher position. The extent to which Coast Guard is placing junior personnel in senior positions diminishes the oversight and training of personnel needed to carry out missions. Our prior audit noted that the lack of training and experience were factors contributing to SAR boat accidents.

Finally, 541 (69 percent) of the 789 personnel added to small boat stations during FY 2002 were over-billeted personnel not placed in authorized positions. Historically, Coast Guard has placed over-billeted personnel at stations to be

⁸ Commandant Instruction M5312.11A, Staffing Standards Manual, September 26, 1988.

trained as boatswain's mates and mechanics before assignment to other locations. Because the 541 personnel are not filling billets, there is no assurance that they represent a permanent increase in station staffing levels as intended by the Act or that stations will receive any long-term benefit from their on-the-job training investment. Further, the average tour length for entry level personnel of 9 to 23 months adds to the uncertainty of whether the added personnel will become a permanent dedicated boat station resource.

Coast Guard officials commented they are creating 239 senior billet positions during FY 2003 to make some of the over-billeted personnel permanent. While the senior billets are needed, there will still be 302 over-billeted personnel who are not assigned to authorized positions. Further, we note that Coast Guard plans to over-recruit in FYs 2003 and 2004, which would further increase the number of over-billeted personnel at stations. Therefore, we remain concerned that the personnel added to stations may not serve as dedicated SAR resources.

Coast Guard Did Not Invest in Training for New Recruits

Of the 789 personnel added to boat stations in FY 2002, 351 were recent boot camp graduates, who did not undergo formal entry-level training prior to reporting to their boat station assignments. In our previous audit of the SAR program, we reported that new recruits reporting to stations had little training in basic seamanship and water survival techniques, which increased the training burden on other station personnel. Further, the added training burden contributed to: 84-hour work weeks at stations; declining test scores among small boat coxswains; rescue boat mishaps; and the declining readiness of Coast Guard's standard rescue boat fleet. We also noted that boatswain's mates, who represent one of the largest and most critical of the enlisted ratings in Coast Guard, were the only enlisted personnel in Coast Guard that did not have a specialty school to better qualify in their rate.⁹ For these reasons, we recommended that all boatswain's mates be formally trained before being assigned to small boat stations.

To alleviate the training burden placed on station personnel, Coast Guard planned to re-establish its active duty Boatswain's Mate-A school in FY 2002. However, the school was not established until September 2002 and did not graduate its first class until December 20, 2002. Coast Guard subsequently increased the annual throughput from 120 students to 570 by compressing the planned 12-week training course into 9 weeks.

Further, because the school can train only 570 personnel annually, Coast Guard cannot train all of the approximately 5,000 new boatswain's mates it expects to

⁹ A specialty school would provide individuals seeking a boatswain's mate rating with formal training in seamanship, small boat handling, navigation and piloting, water survival, and SAR techniques.

recruit or promote through FY 2006. A shortage of facility classrooms, boat piers, small boats used for training, and qualified instructors limits the school's throughput. As a result, the burden of training boatswain's mates will remain largely with senior station personnel.

The same factors that limit the throughput of the Boatswain's Mate-A school are preventing Coast Guard from expanding its Coxswain-C schools. The Coxswain-C schools provide boatswain's mates with advanced training designed to better qualify them as 41-foot utility boat coxswains. One such school also provides heavy weather training for those coxswains seeking to qualify as a surfman—of which Coast Guard is in short supply. As of December 31, 2002, only 88 (55 percent) of the 161 surfman billets at surf stations were filled by coxswains certified to operate a rescue boat in surf conditions. Shortages of surf-certified coxswains are forcing many of the surf stations to incorporate their management cadre into the duty rotation in order to meet minimum readiness standards.

The Utility Boat Coxswain-C school can accommodate about 120 individuals per year, and the Motor Life Boat Coxswain-C schools can accommodate about 144 per year. As a result, these schools cannot meet Coast Guard's annual coxswain training needs. The training gap will be filled through on-the-job training provided by senior station personnel. The Coxswain-C schools are not only needed to meet the demand for experienced coxswains, but also provide standardized techniques, introduce new equipment, and provide continuing professional development for boatswain's mates who want to advance quicker.

Coast Guard needs to develop a plan for expanding advanced training programs to meet Coast Guard's needs and reduce the on-the-job training workload at its small boat stations. Not expanding the capacity of the Boatswain's Mate-A and Coxswain-C schools relative to the increasing demand for small boat training could, over time, shift additional training responsibilities to stations, resulting in further increases in workload and accidents.

Shortages of Personal Safety Equipment Exist at Small Boat Stations

Coast Guard guidance requires that active and reserve personnel eligible for boat crew duty be equipped with their own set of basic and, where appropriate, cold weather personal protection equipment (PPE).¹⁰ In the Maritime Transportation Security Act of 2002, Congress reinforced these requirements by emphasizing that Coast Guard personnel performing SAR missions (including auxiliary personnel) needed to be adequately equipped with safety equipment, including hypothermia protective clothing. To help ensure that boat crews are appropriately equipped,

¹⁰ Commandant Instruction M10470.10E, Rescue and Survival Systems Manual Chapter 3.

Congress specifically identified PPE as an area to be funded by the appropriation. This direction resulted from Committee concerns about reports that boat station personnel may not have adequate PPE to protect them fully while performing dangerous SAR missions.

In accordance with congressional direction for the appropriation, Coast Guard spent an estimated \$2.1 million on PPE at boat stations and other field locations during FY 2002. However, we could not determine how much of the \$2.1 million was spent at boat stations. Regardless of whether some or all of the PPE expenditures were for boat stations, Coast Guard's funding formulas for small boat stations did not include PPE for the over-billeted personnel, reservists, and auxiliary personnel eligible for boat crew duty. Purchasing PPE for each of these personnel would cost an estimated \$6.9 million, with an estimated replacement cost of \$2.3 million annually.

In the absence of adequate funding, stations often supply PPE by using operating funds intended for general administration and boat maintenance or by sharing existing PPE with other station personnel. Therefore, establishing PPE funding formulas that incorporate all auxiliary, reserve, and active duty (including over-billeted) personnel eligible for boat crew duty is needed to ensure that Coast Guard has the equipment necessary to bring these personnel up to standards.

Many Small Boat Stations Cannot Accommodate Additional Personnel

Our audit disclosed that many Coast Guard small boat stations did not have adequate workspace, sleeping quarters or shower facilities to support the significant staffing increases Coast Guard made during FY 2002. This occurred because Coast Guard added staff beyond capacity limits established for the boat stations. For example, 32 of the 71 stations that received additional staff in FY 2002 exceeded their personnel allowances by at least 15 percent. Overcrowding was even more problematic for the 11 stations identified in Table 2, which experienced staffing increases exceeding 25 percent of their personnel allowances.

Table 2. Impact of Over-Billeted Personnel at Selected Small Boat Stations				
Coast Guard Station	Authorized Staff Level	Number of Over-Authorized	Total Personnel at Station	Percent Over Authorized
Swansboro, NC	11	6	17	55
Elizabeth City, NC	16	7	23	44
Pensacola, FL	22	9	31	41
Buffalo, NY	18	7	25	39
Rio Vista, CA	23	8	31	35
Two Rivers, WI	17	6	23	35
Oswego, NY	19	6	25	32
Maui, HI	10	3	13	30
Kenosha, WI	18	5	23	28
Michigan City, IN	18	5	23	28
Carquinez, CA	26	7	33	27

We contacted commanding staff at 22 of the 32 stations that exceeded their personnel allowances by 15 percent or more. Many of these staff expressed serious concerns about their ability to accommodate the additional personnel being assigned to their stations. For example, at the 11 stations listed in Table 2, staff told us that the increase in personnel has resulted in duty personnel sleeping on couches, in offices, or in accommodations outside the station. Following are a few examples of the burdens placed on these and other facilities by staffing increases made in FY 2002.

- Miami Beach, Florida. This facility is a boat house that was converted to accommodate 48 people. Currently, 73 personnel¹¹ are assigned to the facility. The station also does not have a training room or sleeping quarters. Coast Guard uses space in another Coast Guard facility to train station personnel.
- Maui, Hawaii. This station was built to provide work space for 12 people with sleeping quarters for 4 to 6 people. The station has no galley and has one bathroom that is shared by both sexes. As of September 2002, there were 13 people on board. When more than six people are on duty, the extra personnel sleep on mattresses on the floor.
- Golden Gate, California. This 12-year-old facility was built to house 33 people. Currently, 48 people are assigned to this station, which has placed tight constraints on the office space and the galley.

¹¹ At the end of FY 2002, 57 people were assigned to the Miami station. However, as of February 28, 2003, that number increased to 73.

- Michigan City, Indiana. This station is one of the 9th district's oldest facilities, built in 1889. The building has since been expanded with the addition of a second floor for sleeping quarters and a side addition for a galley. The age of the original building has placed an ongoing maintenance burden on the station. The part of the structure where the two original structures are joined is being held up by jacks in the basement that are sinking into the ground. This structure is in need of annual repairs. In addition, the galley equipment needs to be replaced, and the galley's fire suppression system was reported as not working.

At an average age of 40 years, Coast Guard's shore facilities are approaching the end of their estimated service lives. Coast Guard's Regional Strategic Assessment reports for FYs 2001 and 2002 underscore the inadequacies of capital and maintenance funding for Coast Guard's aging shore facilities. For example, the FY 2001 Atlantic Area assessment reported that facilities require extensive maintenance and many are not adequately suited for today's missions, boat sizes, and dual gender crews. Similarly, the FY 2001 Pacific Area assessment reported that the aging and deteriorated fleet of cutters, aircraft, shore facilities, and equipment are threatening mission readiness, hindering performance, hurting retention and eroding support to field units. Finally, the FY 2002 assessment reported that at least 50 percent of Coast Guard's housing needs to be recapitalized to correct inadequacies in size, condition, or mix of sleeping quarters.

Despite these regional assessments, Coast Guard has not formally evaluated its shore facility needs and does not have a finalized long-term recapitalization plan. Coast Guard's decision to continually reduce the capital budget for shore facilities has adversely impacted Coast Guard's ability to recapitalize these aging facilities. Capital funding for shore facilities has significantly decreased from \$64 million in FY 2000 to approximately \$50 million in FY 2003. During the same period, capital funding allocated to the Integrated Deepwater Procurement Project and the Rescue 21 Project increased from \$60 million to \$568 million. This trend is expected to continue into the foreseeable future, because Coast Guard's Integrated Deepwater Replacement and Rescue 21 projects are expected to consume 80 percent of Coast Guard's total FY 2004 capital budget. The Coast Guard's FY 2004 budget includes no funding for boat stations.

RECOMMENDATIONS

We recommend that the Commandant:

1. Make the necessary improvements to Coast Guard's cost accounting system to allow for the tracking and certification of future expenditures for SAR operations.

2. Revise the draft Boat Forces Strategic Plan to identify specific actions, time frames, and assigned responsibilities required for increasing staffing, training, and experience levels at boat stations to meet Coast Guard's 68-hour work week standard and for improving the quantity and quality of personal safety equipment as directed by the Senate Appropriations Committee.
3. Develop a shore facilities recapitalization plan that supports the planned growth in its boat station workforce.

U.S. COAST GUARD COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided a discussion draft of this report to Coast Guard on February 25, 2003, and on February 27, 2003, we met with Coast Guard officials to obtain their verbal comments. At this meeting Coast Guard officials generally agreed with our findings and recommendations for improving its cost accounting system, revising its strategic plan, and developing a shore facilities capitalization plan. Coast Guard officials also suggested wording changes to enhance the technical accuracy of the report, which we made, as appropriate.

We consider Coast Guard's verbal comments to be responsive to our findings and recommendations and believe that, once implemented, the recommended actions will strengthen Coast Guard's efforts to rebuild its SAR program and ensure that SAR operations will not diminish after Coast Guard moves to the Department of Homeland Security.

ACTION REQUIRED

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We appreciate the courtesies and cooperation of Department of Transportation and Coast Guard representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1992 or Debra S. Ritt, Assistant Inspector General for Transit, Rail Safety and Maritime Programs, at (202) 493-0331.

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Revised

EXHIBIT A. OBJECTIVE, SCOPE, AND METHODOLOGY, AND PRIOR AUDIT COVERAGE

Objective, Scope and Methodology

Our audit objective was to certify whether the Coast Guard used the \$14.5 million earmarked in FY 2002 to supplement improvements planned at small boat stations and command centers. We could not certify whether the funds were solely used to improve Search and Rescue (SAR) operations at boat stations because of the multi-mission nature of boat stations and the inability of Coast Guard's cost accounting system to isolate SAR-related costs.

Therefore, we focused our efforts on identifying increases in FY 2002 boat station expenditures over FY 2001 levels, and determining the portion of this increase that represented direct costs for personnel, training, and equipment. We also evaluated whether Coast Guard's FY 2002 expenditures resulted in improvements to Coast Guard's SAR readiness and determined whether Coast Guard implemented our prior recommendation to develop a Boat Forces Strategic Plan.

We conducted our audit from July 2002 through February 2003 in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States. During the audit we met with and obtained data from the Coast Guard Headquarters offices, boat stations and other locations identified in Exhibit B.

To identify increases in SAR expenditures and determine how costs were allocated to Coast Guard missions, we met with staff from Coast Guard's Office of Financial Systems and Office of Budget, and we reviewed Coast Guard's cost accounting model. We also analyzed documents from Coast Guard's personnel management system to identify personnel, training, and equipment expenditures for FYs 2001 and 2002. We did not conduct tests of the reliability of Coast Guard's financial systems, but relied on a prior Office of Inspector General (OIG) assessment of system controls.

We evaluated whether Coast Guard's FY 2002 expenditures resulted in improvements to Coast Guard's SAR readiness by:

- Evaluating the mix of station personnel at the 71 small boat stations where Coast Guard increased staffing in FY 2002, determining trainer-to-trainee ratios, and reviewing experience levels of personnel working in positions E-4 and above.

- Comparing the number of hours worked by boat crews to Coast Guard's work week standard.
- Comparing training needs for boatswain's mates with the throughput of the Boatswain's Mate-A and Coxswain-C schools. We also discussed the training program for boatswain's mates with officials at Coast Guard Headquarters and the Yorktown training facility, and toured the Yorktown facility.
- Contrasting FY 2002 Personal Protection Equipment (PPE) expenditures to funding requirements for equipping all reserve, auxiliary and over-billed personnel. The funding requirements were identified through staffing reports and interviews with officials from the Office of Boat Forces.

Because Coast Guard significantly expanded its workforce in FY 2002, we also evaluated the capability of small boat stations to physically accommodate increases in staffing. Specifically, we identified 71 stations that received personnel increases and evaluated the extent to which actual staffing levels exceeded each station's authorized personnel allowances. We discussed with commanding staff at 22 stations the impact the excess personnel were having on the stations' ability to support their workspace and berthing needs. These stations and others we contacted are listed in Exhibit B.

Further, we met with District 9 Civil Engineering and Planning officials to identify shore facility infrastructure and their maintenance and capital needs. We also reviewed Coast Guard Regional Strategic Assessments for FYs 2001 and 2002 and other supporting documents. We analyzed Coast Guard's historical expenditures for shore facilities since FY 1992 and facility funding plans for FYs 2003 and 2004.

Finally, we determined whether Coast Guard implemented our prior recommendation by reviewing Coast Guard's draft Strategic Boat Forces Plan. We evaluated the plan on the basis of whether it contained specific and quantifiable requirements for staffing, training, and equipment; identified responsible parties; set milestones; and estimated the cost of implementing planned actions.

Prior Audit Coverage

Our "Audit of the Small Boat Station Search and Rescue Program" (Report Number MH-2001-094, September 14, 2001) determined that the readiness of the Coast Guard's SAR stations continues to deteriorate. The audit identified staffing shortages contributing to excessive hours worked per week, a decline in the

Exhibit A. Objective, Scope, and Methodology, and Prior Audit Coverage

trainer- to-trainee ratio from 5.5 to 1 in FY 1996 to 1.5 to 1 in FY 2001, no formal entry-level training for boatswain's mates, and boats that were not seaworthy.

The report recommended that Coast Guard develop and implement a strategic plan to improve SAR station readiness to provide a clear framework for rebuilding the SAR program. The plan should describe specific actions, establish timeframes for completing those actions, identify organizations and personnel responsible for the actions, and estimate implementation costs. As of February 21, 2003, Coast Guard had not finalized its Boat Forces Strategic Plan. The findings in the 2001 OIG report were the impetus for Congress' designation of \$14.5 million to improve the staffing, training, and PPE at small boat stations.

EXHIBIT B. OFFICES VISITED OR CONTACTED

During the audit, we visited or contacted the following offices:

COAST GUARD HEADQUARTERS

Office of the Chief of Staff

Office of Programs
Office of Budget
Office of Financial Systems

Operations Capability Directorate

Office of Boat Forces

SMALL BOAT STATIONS

Bellingham, WA	Miami Beach, FL
Buffalo, NY	Michigan City, IN
Calumet Harbor, IL	Milwaukee, WI
Carquinez, CA,	Oswego, NY
Cetco River, CA	Pensacola, FL
Chincoteague, VA	Port Canaveral, FL
Galveston, TX	Portland, OR
Fairport, OH	Rio Vista, CA
Golden Gate, CA	San Francisco, CA
Gulfport, MS	Sturgeon Bay, WI
Kenosha, WI	St. Petersburg, FL
Key West, FL	Swansboro, NC
Lorain, OH	Two Rivers, WI
Marblehead, OH	Wilmette, IL
Maui, HI	

OTHER LOCATIONS

District 9 Civil Engineering Unit, Cleveland, OH
Groups: Milwaukee, WI; San Francisco, CA; Galveston, TX
Auxiliary Flotilla Wilmette, IL
Training Center, Yorktown, VA – Office of the Commandant, Boatswain's
Mate-A School, and Utility Boat Systems Center

EXHIBIT C. MAJOR CONTRIBUTORS TO THIS REPORT

THE FOLLOWING INDIVIDUALS CONTRIBUTED TO THIS REPORT.

<u>Name</u>	<u>Title</u>
Debra S. Ritt	Assistant Inspector General for Transit, Rail Safety, and Maritime Programs
Edward Stulginsky	Program Director
Richard T. Johnson	Project Manager
Ruth Blevins	Senior Analyst
Sam Bellino	Senior Auditor
Stephen Bitter	Program Analyst
Kimberly Bolding	Auditor
David Engelen	Program Analyst
Amitra Mamdouhi	Program Analyst