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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C. 20548

FEB 25 1968

CIVIL DIVISION

Dear Admiral Smith.

The General Accounting Office has made a review of selected projects for the construction of shore unit and aviation facilities included in the Coast Guard's Acquisition, Construction, and Improvement (AC&I) Program for fiscal years 1965 through 1968. Our review was directed primarily toward evaluating the effectiveness of the Coast Guard's programs for managing its construction projects and keeping the Congress informed of significant changes in the scope and/or funding of construction projects. We did not examine these projects from the standpoint of whether the need for construction was justified or whether costs incurred under the contracts were reasonable.

Our review, performed at Coast Guard Headquarters, Washington, D. C., entailed the examination of pertinent Coast Guard policies, procedures, and regulations, and the examination of AC&I project reports, correspondence, contracts, financial plan changes, and work progress reports. Also, we held discussions with responsible officials at Coast Guard Headquarters.

On the basis of our review, we believe that the Coast Guard is administering its AC&I Program in a reasonably satisfactory manner. Our review showed, however, that there is a need for the Coast Guard to develop a more definitive program for keeping the Congress informed of significant changes in the scope and/or funding of its construction projects. Furthermore, we believe that such a program should provide for full disclosure of facts relating to specific projects which are of interest to members of the Congress and to congressional committees.

In this respect we noted that in House Report No. 1165, dated March 11, 1968, the Committee on Merchant Marine and Fisheries pointed out that a considerably greater effort should be made by the Coast Guard to keep the Committee informed of prospective changes in authorized construction projects. The Committee recommended that "procedures be established whereby both this committee and the Appropriations Committee be kept informed of such changes, and that in the event that this system proves ineffective, that appropriate changes in the law be made."

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Subsequent to the Committee's recommendation, the Coast Guard, on April 12, 1968, issued Headquarters Instruction 5730.1 which established a requirement for keeping congressional interests informed of planned Coast Guard actions. The instruction requires only that Congressional Committees and appropriate members of the Congress be notified of planned Coast Guard actions and other significant activities. Examples of the types of events and actions which should be reported to the Congress are included as part of the instruction. However, we noted that the instruction does not provide guidelines for the use of the individuals responsible for preparing this information. In this regard, the instruction states only that "Office Chiefs and Program Managers are responsible for furnishing the Office of Public and International Affairs with prompt and continuing information in the areas enumerated above and others which in their judgment and discretion should be reported to Congress." (Under-scoring added.)

Prior to the establishment of the Coast Guard requirement for keeping the Congress informed, we found several projects in which material changes in the scope or funding had been made. In our opinion, such changes should have been, but were not, reported to the Congress. We noted that, in a recent shore unit facility project included in our review, Coast Guard notified the Congress of a major change in the scope of the project. However, in our opinion, the Coast Guard did not provide sufficient information on the costs involved or other significant factors having a bearing on or resulting from the decision to make the project change. Our observations and conclusions, as they relate to this project, are presented below.

In fiscal year 1968, the Coast Guard was authorized \$2,354,000 for the first phase of a two-phase project to relocate and consolidate certain facilities at Winthrop Cove, New London, Connecticut. The second phase, estimated to cost \$2,214,000, was to be included in the fiscal year 1969 Budget. As originally planned the new station at Winthrop Cove would incorporate the following functions. captain of the port, boat and engine repair shop, electronic shop; boating safety detachment, and a depot, including an aids-to-navigation repair facility, a buoy tender mooring, and a buoy slab.

On August 2, 1967, the Commandant informed the 3rd Coast Guard District that the Superintendent of the Academy had been authorized to take an option on property located adjacent to the Academy, occupied by the Thames River Shipyard, for possible acquisition for future expansion. Since waterfront property was involved, the Commandant requested the 3rd Coast Guard District to examine into the feasibility of establishing the new station at this location.

Pursuant to the Commandant's request, the 3rd Coast Guard District submitted comparative cost estimates which showed an \$886,600 increase in cost (exclusive of land acquisition costs) for construction of the station on the Thames River Shipyard property. Moreover, the 3rd Coast

Guard District stated that the Thames River Shipyard site was operationally less desirable than the Winthrop Cove site. The Academy disagreed with the 3rd Coast Guard District's estimates, and submitted its own cost comparison showing an increase in cost of only \$18,600 for the Thames River Shipyard property. The \$868,000 variance in estimated cost was due mainly to a disagreement as to the extent and depth of dredging that would be required at the new site.

On February 29, 1968, the Commandant informed the 3rd Coast Guard District that the Thames River Shipyard property had been selected as the site for the new station, and that negotiations for the remaining plot of land at Winthrop Cove had been terminated. As of this date about \$270,000 had been spent for land acquisition, surveys, and appraisals at the original site. We were informed by a responsible Headquarters official that at the time the Commandant made the decision to relocate the station the discrepancy between the cost estimates submitted by the 3rd Coast Guard District and the Academy had not been resolved.

As currently planned, the new station on the Thames River Shipyard site will include the captain of the port, buoy slab, and moorings for a medium-sized buoy tender. The remaining functions, originally planned for the new station at Winthrop Cove, will be transferred to either Governors Island, New York, or Station New Haven, Connecticut.

By letter dated May 1, 1968, the Commandant notified the Congress of his decision to change the location of the new station. By letter dated July 18, 1968, the Coast Guard again informed the Congress of the status of its plans for constructing the station at New London, Connecticut. We noted, however, that neither of these two letters contained any information concerning the cost of the station at the new site, the cost of those functions which are to be transferred to other locations, or any other factors having a bearing on the Commandant's decision to change locations.

Of the \$2,354,000 appropriated in fiscal year 1968 for the New London Station, \$215,000 was allocated for administrative expenses and \$752,000 was obligated for the purchase of the Thames River Shipyard property. We were informed that the remaining \$1,387,000 will be obligated in fiscal year 1969 for initial construction at the New London Station. In addition, the fiscal year 1970 Congressional Stage Estimate contained \$1.5 million for phase two of the project.

On the basis of our review we believe that although the Coast Guard has established a program for keeping the Congress informed, a need exists for definitive guidelines to assist Office Chiefs and Program Managers in determining the significance of changes in the scope and/or funding of construction projects.

We believe that the Coast Guard's system for managing AC&I construction projects should provide standards or guidelines to permit managers

or other responsible officials to make objective evaluations of proposed project changes. Without such guidelines, each decision as to what constitutes a significant activity could vary between individuals responsible for reporting under the system. As a minimum requirement, it would seem to us that any program established by the Coast Guard for keeping the Congress informed of planned actions or prospective changes in construction projects should provide for the furnishing of sufficient information to the Congress to provide a clear picture of the Government's financial commitments as well as the operational considerations associated with such action or change.

Therefore, we recommend that the Coast Guard's program for keeping the Congress informed be expanded to include specific guidelines for Office Chiefs and Program Managers to follow in evaluating the significance of changes in the scope and/or funding of construction projects. We recommend also that guidelines be developed regarding the type of information that should be furnished to the Congress for those projects in which significant changes are made.

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We acknowledge the cooperation given to our representatives during the review. We would be glad to discuss our findings in greater detail with members of your staff and would appreciate being informed of whatever action you might take concerning the matters presented in this report.

Copies of this report are being sent to the Secretary, Department of Transportation.

Sincerely yours,



Bernard Sacks
Assistant Director

Admiral Willard J. Smith
Commandant, The Coast Guard