



COAST GUARD

Actions Needed to Improve Oversight of Third-Party Organizations That Help Certify U.S.-Flagged Vessels

Report to Congressional Committees

February 2025

GAO-25-107139

United States Government Accountability Office

Accessible Version

GAO Highlights

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February 2025

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Why GAO Did This Study

In October 2015, the U.S.-flagged cargo vessel SS *El Faro* sank, killing all 33 crew members. Federal accident reports from December 2017 cited that a contributing factor was the U.S. Coast Guard's insufficient oversight of TPOs. In response, the Coast Guard initiated efforts in 2018 to enhance its TPO oversight.

The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 includes a provision for GAO to review the Coast Guard's use and oversight of TPOs that support the certification of U.S.-flagged vessels. This report examines the extent the Coast Guard has (1) provided oversight and assessed the performance of TPOs and (2) identified and assessed the benefits and risks of using TPOs for vessel safety certification activities.

GAO reviewed relevant federal laws and regulations, and Coast Guard documentation and data. GAO also interviewed Coast Guard officials and TPO representatives and conducted site visits to two field units that oversee TPOs.

What GAO Recommends

GAO is making four recommendations, including that the Coast Guard (1) update procedures for recording TPO oversight data, (2) develop a process to monitor oversight data, (3) develop and implement a plan to establish a performance measurement system, and (4) develop and implement a plan to periodically assess the benefits and risks of using TPOs. The Department of Homeland Security concurred with these recommendations.

What GAO Found

In 2023, third-party organizations (TPOs) collectively helped support the certification of 22 percent of the U.S.-flagged commercial vessels that required Coast Guard's inspection. The Coast Guard takes various actions to oversee these TPOs, including periodically inspecting vessels that TPOs help certify for operation and observing TPO certification activities aboard vessels. However, the Coast Guard has not updated its procedures for recording data on certain oversight activities in its system of record to ensure they are available for monitoring TPO performance. Further, it has not developed a process to monitor the extent of oversight activities its field units record to ensure the data are complete. By taking these two steps, the Coast Guard would be better positioned to ensure it has accessible and complete data on all its TPO oversight activities.

Coast Guard Personnel Conducting Oversight of Third-Party Organizations



Source: GAO. | GAO-25-107139

The Coast Guard also has not developed a system to measure the performance of TPOs, as called for in its 2018 guidance. Coast Guard headquarters officials said they have taken steps toward establishing this system, but the service does not have a plan and date for completing it. By developing and implementing a plan with time frames to establish a system to measure the performance of TPOs, the Coast Guard would be better positioned to achieve its goal of ensuring effective TPO oversight.

In 2017, the Coast Guard assessed the various benefits and risks of using TPOs. Benefits included that TPOs act as a force multiplier that lessens the Coast Guard's need to expand its workforce and provide additional flexibility to vessel operators dependent on Coast Guard inspection services. However, the Coast Guard has not reassessed these benefits and risks, and changes in its TPO-supported certification options may present new ones to consider.

In particular, the service implemented a new TPO-supported certification option, and use of TPOs grew from 483 to 3,786 vessels from 2018 through 2023. By developing and implementing a plan to periodically assess the benefits and risks of using TPOs to support the certification of inspected U.S.-flagged commercial vessels, the Coast Guard would be better positioned to take advantage of new opportunities and respond to risk-associated challenges that may affect the success of the TPO-supported certification options.

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Abbreviations

| | |
|-------|---|
| DHS | Department of Homeland Security |
| MISLE | Marine Information for Safety and Law Enforcement |
| TPO | third-party organization |



February 4, 2025

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

The Honorable Sam Graves
Chairman
The Honorable Rick Larsen
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

The safe operation of commercial vessels is critical to the maritime sector, which contributes over \$5 trillion annually to the U.S. economy. In October 2015, all 33 crew members of the U.S.-flagged cargo vessel *SS El Faro* died when the ship encountered heavy winds and seas produced by Hurricane Joaquin and sank enroute to Puerto Rico.¹ Subsequent investigations by the National Transportation Safety Board cited, among other concerns, the U.S. Coast Guard’s insufficient oversight of third-party organizations (TPO)—organizations that the Coast Guard has authorized to help certify the safety of U.S.-flagged commercial vessels.²

The Coast Guard, a multimission maritime service within the Department of Homeland Security (DHS), serves as the principal federal agency responsible for inspecting U.S.-flagged commercial vessels to certify compliance with regulatory requirements for their safe operation. As codified in statute and regulation, the Coast Guard can authorize TPOs to perform certain vessel inspection and certification activities.³ In turn, vessel owners and operators or managing operators may elect to enroll in Coast Guard alternative inspection options that use TPOs to support the Coast Guard’s certification of their vessels.⁴

In response to the sinking of the *SS El Faro*, the Coast Guard initiated efforts to enhance its oversight of TPOs beginning in 2018. At the same time, the use of TPOs to support the certification of inspected U.S.-flagged commercial vessels has grown considerably—with a nearly eightfold increase from 2018 to 2023. This is due, in large part, to the Coast Guard’s implementation of requirements in July 2018 regarding the inspection and

¹The flag state of a vessel is the jurisdiction under whose laws the vessel is registered and deemed the nationality of the vessel.

²National Transportation Safety Board, *Marine Accident Report: Sinking of U.S. Cargo Vessel SS El Faro, Atlantic Ocean, Northeast of Acklins and Crooked Island, Bahamas, October 1, 2015*. NTSB/MAR–17/01 (Washington D.C.: Dec. 12, 2017).

³46 U.S.C. § 3316; see, e.g., 46 C.F.R. § 8.400.

⁴Two of these alternative inspection options use the term “operator” to describe who can participate in them, while the alternative inspection option related to towing vessels uses the term “managing operator” to describe who can participate. We will use the term “operator” in generally describing these alternative inspection options, and the term “managing operator” in specifically describing the inspection alternative option related to towing vessels.

certification of certain U.S.-flagged towing vessels, including those related to a new TPO-supported vessel certification option.⁵

The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 includes a provision for GAO to complete a study on the Coast Guard's oversight of TPOs.⁶ This report examines the extent the Coast Guard has (1) provided oversight and assessed the performance of TPOs involved in certifying the safety of U.S.-flagged commercial vessels and (2) identified and assessed the benefits and risks of using TPOs for vessel safety certification activities.

To address these two objectives, we reviewed relevant federal laws and regulations and Coast Guard documentation (i.e., Coast Guard policies, procedures, and guidance for conducting vessel inspections). In addition, we interviewed Coast Guard officials, including headquarters officials from offices under the Assistant Commandant for Prevention Policy.

To further address our first objective, we interviewed Coast Guard officials from five field units to better understand the service's use and oversight of TPOs to support inspections of U.S.-flagged commercial vessels.⁷ These field units include four Coast Guard sectors (Los Angeles/Long Beach, Puget Sound, Ohio Valley, and Virginia), as well as Marine Safety Unit Port Arthur, in Texas.⁸ We selected these field units to capture variations in geography and the prevalence of vessels using TPOs to support their certification by the Coast Guard.

Further, we interviewed officials from three TPOs and four maritime industry associations to obtain their perspectives on Coast Guard oversight activities.⁹ The results from our Coast Guard field unit, TPO, and maritime industry association interviews are not generalizable, but provide insights on the Coast Guard's use and oversight of TPOs, as well as its efforts to assess their performance.

We also conducted three site visits to observe Coast Guard efforts to oversee TPO examinations aboard three inspected U.S.-flagged commercial vessels within Coast Guard Sectors Puget Sound and Virginia. These site visit observations are also not generalizable, but provide insights into the Coast Guard's oversight and assessment of TPO performance.

⁵See Inspection of Towing Vessels, 81 Fed. Reg. 40,004, 40,107 (June 20, 2016). The Coast Guard used a phased approach in establishing deadlines for obtaining a certificate of inspection. 46 C.F.R. § 136.202(a)(4). The regulations required all existing towing vessels subject to them to have certificates of inspection on board by July 19, 2022. *Id.*

⁶Pub. L. No. 117-263, div. K, tit. CXV, subtit. A, § 11507, 136 Stat. 2395, 4136-37 (2022).

⁷The Coast Guard organizes its field structure under two area commands (Atlantic and Pacific). The two area commands oversee nine districts across the U.S., which are further broken down across 37 sectors. In addition, 16 marine safety units operate under sector commands.

⁸In addition, we interviewed a Coast Guard District 13 official who performed oversight of a TPO vessel examination within Sector Puget Sound's area of responsibility.

⁹TPO officials we interviewed were from the American Bureau of Shipping, Det Norske Veritas, and the Towing Vessel Inspection Bureau. We selected the American Bureau of Shipping and Det Norske Veritas based on the number and type of vessel survey and audit activities they performed. We selected the Towing Vessel Inspection Bureau because it performed the highest number of vessel survey and audit activities as an exclusively towing vessel TPO. We also interviewed officials from four U.S.-based maritime industry associations: the American Waterways Operators, Chamber of Shipping of America, Marine Compliance Alliance, and Passenger Vessel Association.

In addition, we analyzed Coast Guard data from its Marine Information for Safety and Law Enforcement (MISLE) data system on its TPO oversight activities. Specifically, we analyzed data for a 6-year period from 2018 (when the Coast Guard reported enhancing its TPO oversight) through 2023 (the last full year a complete data set was available at the time of our review). To determine the reliability of these data, we reviewed Coast Guard data entry procedures and guidance, interviewed data users and managers responsible for maintaining these data, and reviewed the data for obvious errors in accuracy and completeness. We determined the data to be sufficiently reliable for the purposes of describing selected oversight activities the Coast Guard conducted, including those by its headquarters offices. However, we identified limitations in describing other oversight activities that Coast Guard field personnel conduct. We describe these limitations later in this report.

We evaluated the Coast Guard's TPO oversight and performance assessment efforts relative to Coast Guard strategy and guidance, including its *Maritime Commerce Strategic Outlook and Framework for Strategic Mission Management, Enterprise Risk Stewardship, and Internal Control*.¹⁰ In addition, we evaluated the service's performance assessment efforts relative to key performance management practices we have identified in our prior work.¹¹

To further address the second objective, we reviewed the Coast Guard's *Mission Analysis Examination of Commercial Compliance Activities within the Marine Safety Mission* to identify its description of benefits and risks of using TPOs for inspection and safety certification activities.¹² We also analyzed Federal Register Notices that established Coast Guard inspection programs that delegated functions to TPOs. We compared the Coast Guard's efforts to identify the benefits and risks of using TPOs against the Coast Guard's *Guidelines for Using Third Party Organizations to Ensure Regulatory Compliance*.¹³

We conducted this performance audit from December 2023 to February 2025 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.

¹⁰U.S. Coast Guard, *Maritime Commerce Strategic Outlook*, (Washington, D.C.: Oct. 2018). The *Maritime Commerce Strategic Outlook* guides the Coast Guard's efforts to ensure the safety, security, and stewardship of the maritime environment. U.S. Coast Guard, Deputy Commandant for Operations, *Framework for Strategic Mission Management, Enterprise Risk Stewardship, and Internal Control* (July 2020).

¹¹GAO, *Evidence-Based Policymaking: Practices to Help Manage and Assess the Results of Federal Efforts*, [GAO-23-105460](#) (Washington, D.C.: July 12, 2023) and *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

¹²U.S. Coast Guard, Office of Performance Management and Assessment, *Mission Analysis Examination of Commercial Compliance Activities within the Marine Safety Mission*, (Washington D.C.: Mar. 2017).

¹³U.S. Coast Guard, *Guidelines for Using Third Party Organizations to Ensure Regulatory Compliance*, COMDTINST M5760.16 (Washington, D.C.: July 7, 2017).

Background

Coast Guard Inspection and Certification of U.S.-Flagged Commercial Vessels

As required by statute and regulation, certain U.S.-flagged commercial vessels are subject to Coast Guard inspection and certification, including freight (cargo) and towing vessels.¹⁴ The inspection is to determine whether a vessel (1) is suitable for the service in which it is to be employed; (2) is equipped with proper lifesaving, fire prevention, and firefighting equipment; (3) is in a condition to be operated with safety to life and property; and (4) complies with applicable marine safety laws and regulations, among other things.¹⁵

According to the Coast Guard's *Marine Safety Manual*, the Coast Guard is to issue a certificate of inspection to a vessel when it determines the vessel complies with applicable laws and regulations. The certificate attests to the conditions in which the individual in charge of the vessel may operate it.¹⁶ If a vessel is not in compliance with its certificate of inspection, the Coast Guard must require the party responsible for non-compliance to promptly correct deficiencies and may require the vessel to cease operation at once.¹⁷

The Coast Guard reported that there were 17,577 U.S.-flagged commercial vessels subject to Coast Guard inspection in 2023. Figure 1 shows a breakdown of the U.S.-flagged commercial vessel fleet subject to inspection in 2023.

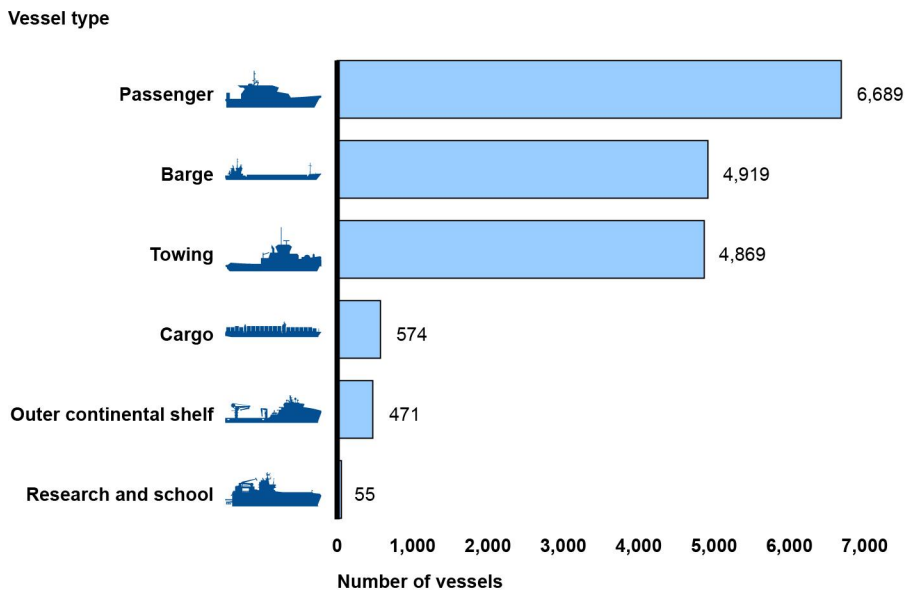
¹⁴See 46 U.S.C. §§ 3301-02, 3305-07, 3309, 3311, 3313-14, 3318.

¹⁵*Id.* § 3305(a)(1). The inspection also determines whether a vessel has suitable accommodations for crew, sailing school instructors, sailing school students, and passengers; and has an adequate supply of potable water for drinking and washing by passengers and crew.

¹⁶U.S. Coast Guard, *Marine Safety: Marine Inspection Administration*, COMDTINST 16000.70 (Washington, D.C.: Sept. 20, 2021).

¹⁷46 U.S.C. § 3313(b).

Figure 1: U.S.-Flagged Commercial Vessels Subject to Coast Guard Inspection, by Type, in 2023



Source: U.S. Coast Guard documentation; Paul Kovaloff/stock.adobe.com (icons). | GAO-25-107139

Accessible Data for Figure 1: U.S.-Flagged Commercial Vessels Subject to Coast Guard Inspection, by Type, in 2023

| Vessel type | Number of vessels |
|-------------------------|-------------------|
| Passenger | 6689 |
| Barge | 4919 |
| Towing | 4869 |
| Cargo | 574 |
| Outer continental shelf | 471 |
| Research and school | 55 |

Entities Involved in the Inspection and Certification of U.S.-Flagged Commercial Vessels

Three key entities are responsible for ensuring U.S.-flagged vessels comply with regulatory requirements for their safe operation: (1) vessel owners and managing operators, (2) the Coast Guard, and (3) TPOs.

Vessel owners and managing operators. Vessel owners and managing operators of certain U.S.-flagged commercial vessels are responsible for maintaining vessels in compliance with applicable U.S. laws and regulations for their safe operation.¹⁸ For vessels subject to inspection, federal law requires their owners and

¹⁸See *id.* § 3313(a). This responsibility also applies to charterers, agents, masters, and individuals in charge of certain vessels. See *id.* § 3313(b)(1).

managing operators, among others, to present them for Coast Guard inspections to verify compliance and to obtain a certificate of inspection for their operation.¹⁹

Coast Guard. Within the Coast Guard, several entities support U.S.-flagged commercial vessel safety through development of policies and standards, vessel inspections, and oversight of TPOs. These entities include headquarters offices under the Assistant Commandant for Prevention Policy and field units, such as Coast Guard districts, sectors, and marine safety units that conduct marine inspections, as shown in table 1.

Table 1: Coast Guard Entities That Support U.S.-Flagged Commercial Vessel Safety Inspection and Certification

| Coast Guard entity | Summary of responsibilities |
|--|--|
| Assistant Commandant for Prevention Policy (headquarters) | The Assistant Commandant for Prevention Policy is to develop and maintain policies and standards for the operation and management of programs related to marine safety, among other things. |
| Office of Commercial Vessel Compliance, Flag State Control Division | The office is to develop and maintain policies, procedures and guidance for inspection and certification options that use Third-Party Organizations (TPOs). It also is to serve as the Coast Guard liaison office for oversight of TPOs used for vessel certification. |
| Traveling Inspection Staff, Training Support, and National Center of Expertise Staff | Traveling inspectors are senior marine inspectors that are to provide subject matter expertise to field units and help oversee various TPO examination activities. The Towing Vessel National Center of Expertise is to foster communication with towing vessel stakeholders and help manage and oversee the towing vessel certification option that uses TPOs. |
| Coast Guard Districts, Sectors, and Marine Safety Units (field units) ^a | Marine inspectors at field units are to conduct inspections for the issuance of vessel certificates of inspection. Marine inspectors and Third-Party Oversight Coordinators may provide oversight of TPO examinations aboard U.S.-flagged commercial vessels that support the issuance of a certificate of inspection. |

Source: GAO analysis of U.S. Coast Guard documentation. | GAO-25-107139

^aThe Coast Guard organizes its field structure under two area commands (Atlantic and Pacific). The two area commands oversee nine districts across the U.S., which are further broken down across 37 sectors. In addition, there are 16 marine safety units that operate under sector commands.

Third-Party Organizations. TPOs are organizations that the Coast Guard authorizes to conduct certain vessel safety certification activities on its behalf. For example, TPOs support Coast Guard vessel inspections and issuance of vessel certificates of inspection by conducting vessel surveys and audits, as well as audits of vessel owners’ and operators’ paperwork. TPO vessel surveys and audits are examinations to determine that a vessel’s equipment, condition, and operations and maintenance meet applicable safety regulations and requirements. TPO surveys and audits that find a vessel and its owner or operator in compliance with applicable requirements are to result in TPO-issued reports and certificates attesting to those conditions.

As codified in statute and regulation, the Coast Guard authorizes two types of TPOs to support its issuance of certificates of inspection to U.S.-flagged commercial vessels—recognized classification societies and towing-specific TPOs.²⁰ Classification societies, such as the American Bureau of Shipping, are organizations that verify that vessels meet certain requirements and standards.²¹ These organizations may become recognized

¹⁹See *id.* §§ 3301-02, 3307, 3309.

²⁰See 46 U.S.C. § 3316; 46 C.F.R. §§ 8.100, 8.230, 139.115.

²¹See 46 C.F.R. § 2.45-1. Vessel classification societies are organizations that verify vessels meet requirements embodying the technical rules, regulations, standards, guidelines and associated surveys, and inspections covering the design, construction, and/or through life compliance of a ship’s structure and essential engineering and electrical systems. See *id.*

classification societies when the Coast Guard finds that they meet minimum standards to perform certain vessel inspection and certification functions on the service's behalf.²²

Recognized classification societies may generally take part in all of the Coast Guard's alternative inspection options that we describe in more detail later in this report, provided they satisfy those options' applicable requirements. In addition, the Coast Guard may authorize recognized classification societies that meet particular standards to issue certain international convention certificates to U.S.-flagged vessels on its behalf.²³

Towing-specific TPOs are organizations that may receive Coast Guard approval to serve as TPOs strictly to support the certification of towing vessels.²⁴ For the purposes of this report, we refer to both recognized classification societies and TPOs that solely support the certification of towing vessels as TPOs. See appendix I for additional information on TPOs authorized to support the Coast Guard's inspection and certification of U.S.-flagged commercial vessels.

Vessel Inspection Options Supported by TPO Certifications

Vessel owners and operators of U.S.-flagged commercial vessels may elect to use alternative means to comply with Coast Guard requirements for inspection and issuance of a certificate of inspection. These inspection alternatives include using TPO reports and certifications that a vessel and its owner or operator comply with requirements for its safe operation.²⁵ TPO reports and certifications support the Coast Guard's issuance of certificates of inspection to vessels under the three options described below.

Alternate Compliance Program. This is a voluntary program, codified in regulation in 1996,²⁶ that streamlines requirements for certain U.S.-flagged commercial vessels to obtain a Coast Guard certificate of inspection. Eligible vessels include those certificated for international voyages and classed by a TPO that the Coast Guard has authorized to participate in the program.²⁷ Under the program, the Coast Guard may accept a TPO's

²²See *id.* §§ 8.100, 8.220, 8.230.

²³See *id.* § 8.320. Recognized classification societies may generally issue applicable international convention certificates to vessels at the request of their owners or operators, provided they receive the Coast Guard's authorization to do so. However, these vessels continue to be subject to the Coast Guard's regular inspections to receive their certificate of inspections, unless they enroll in one of the Coast Guard's alternative inspection options.

²⁴See *id.* § 139.115(b).

²⁵See 46 U.S.C. § 53102(e)(3)(A); 46 C.F.R. §§ 8.440(a), 137.130, 137.135, 137.205, 137.210.

²⁶Alternative Compliance via Recognized Classification Society and U.S. Supplement to Rules, 61 Fed. Reg. 68,510 (Dec. 27, 1996). The Coast Guard conducted a pilot program to test and evaluate the Alternate Compliance Program's standards and procedures, and fully implemented the Alternate Compliance Program on July 31, 1997. Alternate Compliance via Recognized Classification Society and U.S. Supplement to Rules, 62 Fed. Reg. 67,526, 67,527 (Dec. 24, 1997).

²⁷46 C.F.R. § 8.410(b). A vessel is classed when it meets a classification society's requirements embodying the technical rules, regulations, standards, guidelines and associated surveys, and inspections covering the design, construction, and/or through life compliance of a ship's structure and essential engineering and electrical system. See *id.* § 2.45-1.

reports and certifications that a vessel and its owner or operator comply with a combination of requirements²⁸ to support the service's issuance of a certification of inspection to the vessel.²⁹

Maritime Security Program. This is a program administered by the U.S. Department of Transportation's Maritime Administration to maintain a fleet of commercially viable, militarily useful merchant ships active in international trade. The Coast Guard Authorization Act of 1996³⁰ and the Maritime Security Act of 2003³¹ established standards for the Coast Guard to issue certificates of inspection to foreign flagged vessels transitioning to the U.S. flag and enrolling in the Maritime Security Program. Under this authority, the Coast Guard may issue a certificate of inspection to these vessels using TPO certifications of compliance.³²

The Coast Guard subjects vessels in the Maritime Security Program to two different levels of inspections after issuing their initial certificates of inspection. Newly enrolled vessels are subject to traditional Coast Guard inspections to evaluate their performance with applicable rules and regulations. After 3 years of evaluation and satisfactory performance, owners or operators may enroll vessels in Maritime Security Program Select. The Coast Guard inspects vessels enrolled in Maritime Security Program Select similarly to vessels in the Alternate Compliance Program. Figure 2 shows the certification process for Alternate Compliance Program and Maritime Security Program Select vessels.

²⁸These requirements include: (1) several International Maritime Organization conventions and its International Safety Management Code, (2) the TPO's own class rules, and (3) a U.S. Supplement to the TPO's class rules prepared by the TPO and accepted by the Coast Guard. The International Maritime Organization is a United Nations specialized agency with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships.

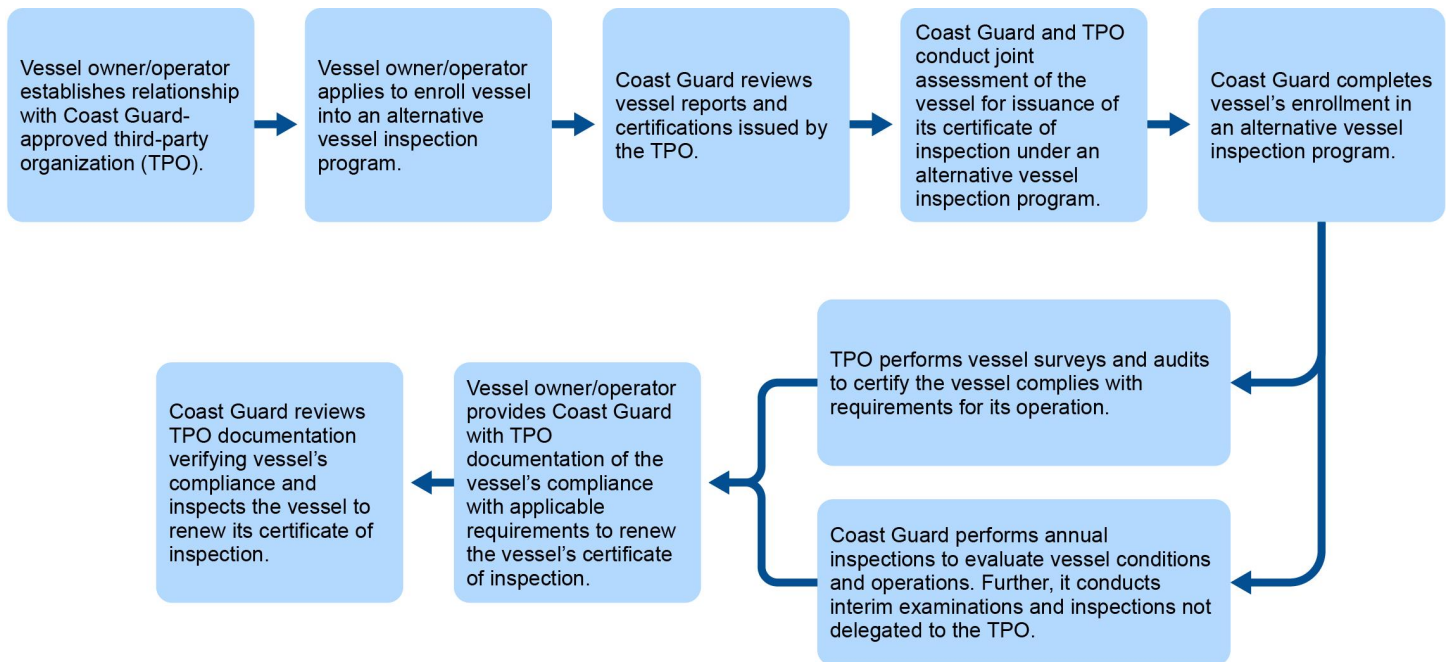
²⁹46 C.F.R. § 8.440(c).

³⁰Pub. L. No. 104-324, tit. XI, § 1137, 110 Stat. 3901, 3988.

³¹Pub. L. No. 108-136, tit. XXXV, subtit. C, § 3531, 117 Stat. 1788, 1807-08 (2003) (pertinent portion codified at 46 U.S.C. § 53102(e)).

³²46 U.S.C. § 53102(e)(3)(A).

Figure 2: Coast Guard Certification Process for Alternate Compliance Program and Maritime Security Program Select Vessels



Source: GAO analysis of U.S. Coast Guard documentation. | GAO-25-107139

Accessible Data for Figure 2: Coast Guard Certification Process for Alternate Compliance Program and Maritime Security Program Select Vessels

- 1) Vessel owner/operator establishes relationship with Coast Guard- approved third-party organization (TPO).
- 2) Vessel owner/operator applies to enroll vessel into an alternative vessel inspection program.
- 3) Coast Guard reviews vessel reports and certifications issued by the TPO.
- 4) Coast Guard and TPO conduct joint assessment of the vessel for issuance of its certificate of inspection under an alternative vessel inspection program.
- 5) Coast Guard completes vessel's enrollment in an alternative vessel inspection program.
 - a) TPO performs vessel surveys and audits to certify the vessel complies with requirements for its operation.
 - b) Coast Guard performs annual inspections to evaluate vessel conditions and operations. Further, it conducts interim examinations and inspections not delegated to the TPO.
- 6) Vessel owner/operator provides Coast Guard with TPO documentation of the vessel's compliance with applicable requirements to renew the vessel's certificate of inspection.
- 7) Coast Guard reviews TPO documentation verifying vessel's compliance and inspects the vessel to renew its certificate of inspection.

Source: GAO analysis of U.S. Coast Guard documentation. | GAO-25-107139

Towing Safety Management System option. The Coast Guard issued regulations, which became effective on June 20, 2016, requiring the inspection and certification of certain U.S.-flagged towing vessels.³³ These regulations provide towing vessel owners and managing operators with an alternative to the Coast Guard’s traditional inspection and certification process by developing and implementing a Towing Safety Management System.

Vessel owners and managing operators that select the Towing Safety Management System option are to develop and implement a system that establishes policies, procedures, and required documentation to ensure the owner or managing operator provides continuous compliance with requirements for safe vessel operations.³⁴ In turn, TPOs are to verify that an owner’s or managing operator’s system meets regulatory requirements and, if so, issue a Towing Safety Management System certificate.³⁵ Vessel owners or managing operators that implement TPO-certified Towing Safety Management Systems may then obtain Coast Guard certificates of inspection for their enrolled vessels without annual inspections from the Coast Guard.³⁶

In 2023, the Coast Guard reported that, overall, TPOs supported its certification of 22 percent (3,786 of the 17,577) of the inspected U.S.-flagged commercial vessel fleet through its alternative inspection options. Figure 3 shows the share of the inspected U.S.-flagged commercial vessel fleet enrolled in TPO-supported inspection options in 2023.

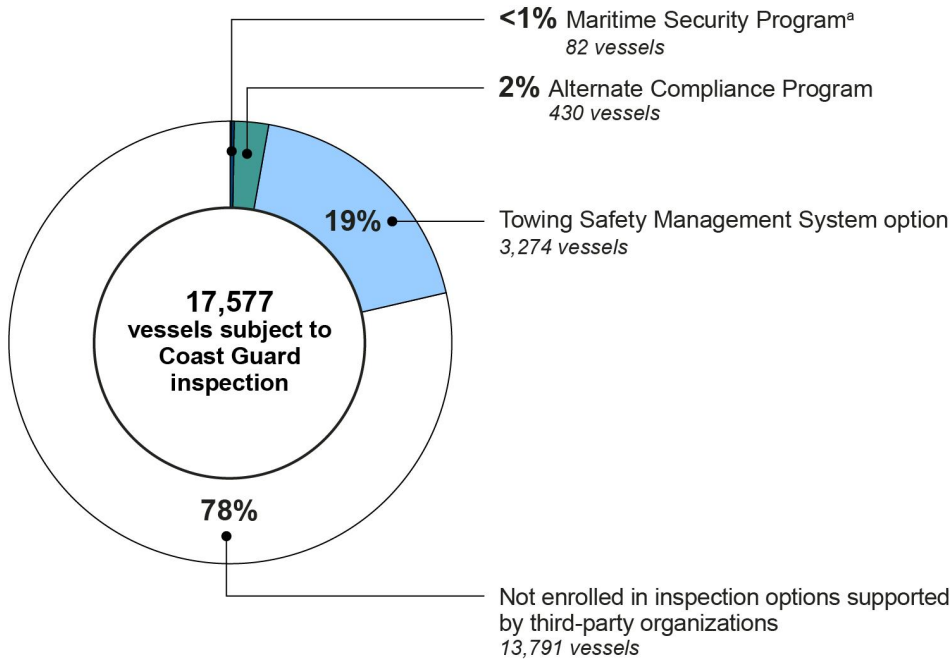
³³See Inspection of Towing Vessels, 81 Fed. Reg. 40,004 (June 20, 2016). The Coast Guard used a phased approach in establishing deadlines for obtaining a certificate of inspection. 46 C.F.R. § 136.202(a)(4). The regulations required all existing towing vessels subject to them to have certificates of inspection on board by July 19, 2022. *Id.*

³⁴See 46 C.F.R. § 137.130(c).

³⁵See *id.* § 138.305(a). A safety management system that is fully compliant with the International Safety Management Code requirements is deemed in compliance with Towing Safety Management System-related requirements. *Id.* § 138.225(a).

³⁶To obtain a certificate of inspection, the vessel owner or managing operator must submit objective evidence that the vessel owner or managing operator and the vessel comply with the Towing Safety Management System requirements. They must also submit objective evidence that the vessel’s structure, stability, and essential systems comply with applicable requirements related to towing vessels. To satisfy this latter requirement, the vessel owner or managing operator may submit a survey report issued by a TPO. See 46 C.F.R. § 136.210(b).

Figure 3: Inspected U.S.-Flagged Commercial Vessels Enrolled in Third-Party Organization Inspection Options, by Type, in 2023



Source: GAO analysis of U.S. Coast Guard documentation. | GAO-25-107139

Accessible Data for Figure 3: Inspected U.S.-Flagged Commercial Vessels Enrolled in Third-Party Organization Inspection Options, by Type, in 2023

| | | |
|---|--------------|-----|
| Total number of vessels subject to Coast Guard inspection | 17577 | |
| Not enrolled in inspection options supported by third-party organizations | 13791 | 78% |
| Towing Safety Management System option | 3274 | 19% |
| Alternate Compliance Program | 430 | 2% |
| Maritime Security Program ^a | 82 | <1% |

^aThis includes vessels enrolled in Maritime Security Program Select.

Coast Guard Has Incomplete Information on Its Oversight of TPO Performance

The Coast Guard has taken steps to provide oversight of TPOs that support the certification of inspected U.S.-flagged commercial vessels; however, it does not have complete information to monitor and evaluate TPO performance. Specifically, the Coast Guard does not have complete data on its direct observations of TPO certification activities. Additionally, it has not established a system to measure the performance of TPOs.

Efforts to Oversee TPOs Include Periodic Vessel Inspections and Direct Observations

As part of its oversight of TPOs, the Coast Guard periodically inspects vessels, directly observes TPO survey and audit activities and evaluates implementation of TPOs' processes. It also assesses towing vessel TPOs and investigates potential deficiencies in TPO performance.

Periodic vessel inspections. The Coast Guard conducts periodic inspections of vessels enrolled in alternative inspection options that use TPOs. Specifically, Coast Guard marine inspectors are to conduct annual inspections of vessels in the Alternate Compliance and Maritime Security Programs. For vessels enrolled in the Towing Safety Management System option, Coast Guard marine inspectors are to conduct inspections of towing vessels at least once every 5 years.

According to the Coast Guard's procedures for these inspection options, its marine inspectors are to observe a vessel's overall condition and the safety culture onboard, among other things.³⁷ Further, when marine inspectors identify and issue a deficiency to a vessel during an inspection, they are to record it in the Marine Information for Safety and Law Enforcement (MISLE) data system and notify the responsible TPO, so that the TPO may coordinate with the vessel owner or operator on the needed corrective actions. The TPO is to then notify the Coast Guard when the deficiency is resolved.

The Coast Guard reported conducting 838 total inspections of the 512 vessels enrolled in the Alternate Compliance and Maritime Security Programs in 2023.³⁸ The Coast Guard has not yet analyzed data on the number of inspections and related deficiencies for vessels using the Towing Safety Management System option. According to Coast Guard headquarters officials, this is because the Coast Guard did not yet have a full year of data to analyze at the time of our review. Officials said the service started conducting 5-year inspections of these vessels in July 2023.

Direct observations of TPO survey and audit activities. According to regulation and Coast Guard policies for the alternative vessel inspection program options, the Coast Guard is to receive notice prior to TPOs performing certain types of audits (e.g., verifications of compliance with applicable requirements).³⁹ This notification is to allow Coast Guard marine inspectors to attend and directly observe audit activities. These direct observations include TPO audits aboard vessels as well as reviews of vessel owner, managing operator, and operator paperwork. According to Coast Guard procedures, marine inspectors are to observe TPO

³⁷U.S. Coast Guard, *Alternate Compliance Program Tactics, Techniques, and Procedures* (Washington, D.C.: Dec. 2019) ; *Navigation and Vessel Inspection Circular No. 01-13, CH-1* (Washington, D.C.: May 2015); and *Towing Vessel COI Inspections Under TSMS Option*, Office of Commercial Vessel Compliance Mission Management System Work Instruction CVC-WI-013(7) (Washington, D.C.: Nov. 2023).

³⁸U.S. Coast Guard, *Flag State Control in the United States: 2023 Domestic Annual Report* (Washington D.C.: July 2024). According to Coast Guard procedures, vessels enrolled in the Alternate Compliance and Maritime Security Programs may be subject to periodic oversight inspections in addition to annual inspections. See U.S. Coast Guard, *Marine Safety: Domestic Inspection Programs*, COMDTINST 16000.71 (Washington, D.C.: Sept. 20, 2021) and *Navigation and Vessel Inspection Circular No. 01-13, CH-1* (Washington, D.C.: May 26, 2015).

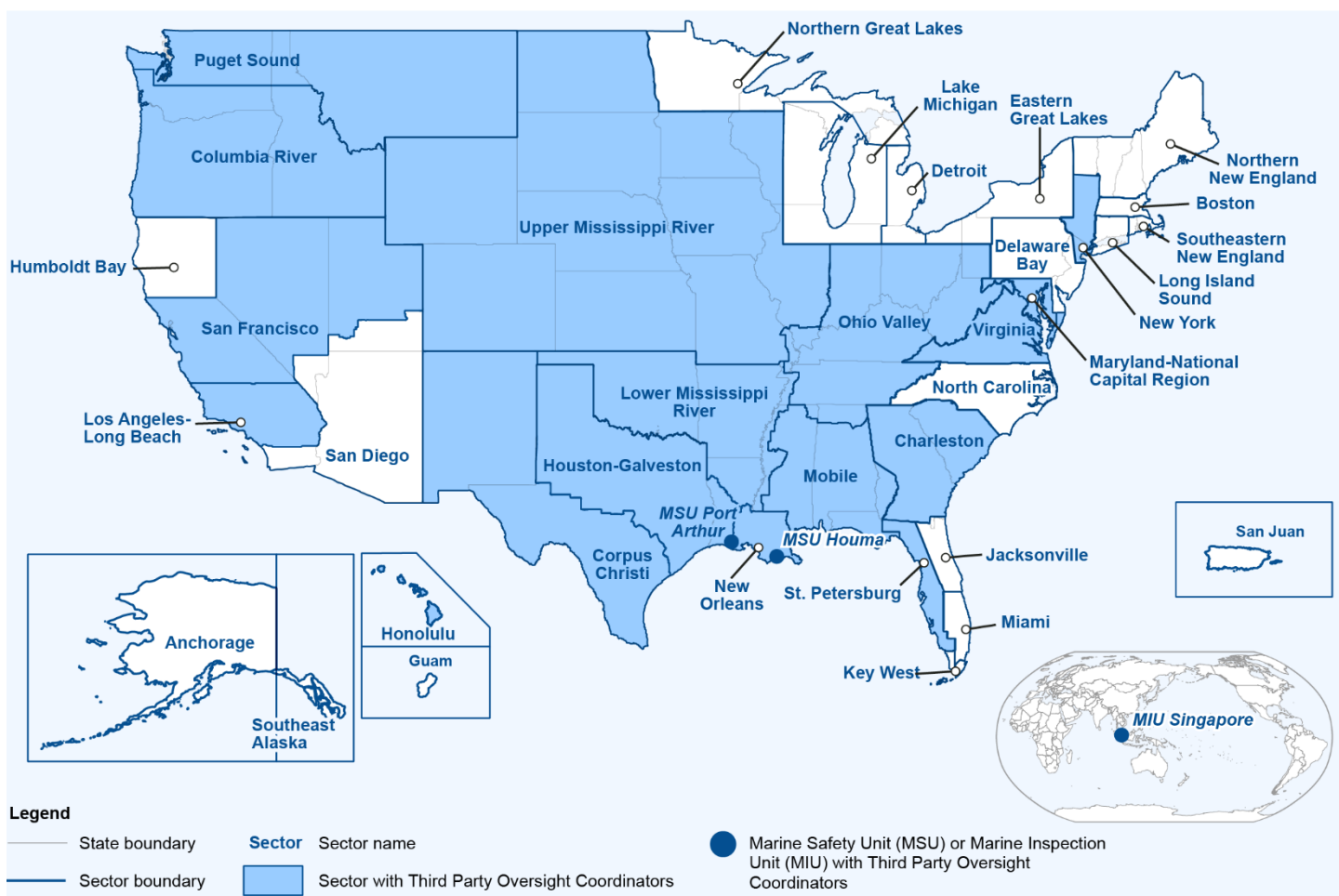
Vessels enrolled in the Alternate Compliance and Maritime Security Programs made up about four percent of both U.S.-flagged commercial vessel inspections and deficiencies issued.

³⁹See 46 C.F.R. § 138.500(a); U.S. Coast Guard, *Navigation and Vessel Inspection Circular*, No. 02-95, CH-3 (Washington, D.C.: Oct. 2018).

personnel as they verify compliance with applicable requirements. When marine inspectors observe audits aboard vessels, they are to also complete a general review of a vessel’s condition to identify safety issues.

According to Coast Guard headquarters officials, the majority of the direct observations that the service conducts are of TPO audits of vessels. At Coast Guard field units, Third Party Oversight Coordinators are the primary Coast Guard officials that conduct observations of TPO activities.⁴⁰ The Coast Guard has 20 coordinator positions at field unit locations—either at Coast Guard sectors, marine inspection units, or marine safety units—across the U.S., and abroad, as shown in figure 4.

Figure 4: Location of Coast Guard Third Party Oversight Coordinator Positions as of 2024



Source: GAO analysis of U.S. Coast Guard data; U.S. Census Bureau (U.S. map); Map Resources (world map). | GAO-25-107139

Evaluations of TPO process implementation. The Office of Commercial Vessel Compliance developed a process called a vertical contract audit to evaluate a TPO’s implementation of its quality management processes for certifying that vessels comply with applicable requirements. According to Coast Guard policy, the

⁴⁰According to headquarters officials, the Coast Guard authorized the Third Party Oversight Coordinator positions in 2021 and filled these positions in 2022.

purpose of this audit is for the Coast Guard to verify that a TPO effectively executes services in accordance with Coast Guard requirements and its own established processes for quality management. Coast Guard personnel are to assess the TPO's ability to provide services as it performs vessel certification activities.⁴¹ Based on the results of the audit, the Coast Guard may request that the TPO take corrective actions to resolve deficiencies in its processes and may use the results to conduct additional oversight of the TPO's activities.

According to Coast Guard data, from 2018 through 2023, the Coast Guard conducted 12 vertical contract audits of TPOs that support the inspection and certification of U.S.-flagged commercial vessels.⁴² Coast Guard headquarters officials said that they are refining the framework and guidance for this process and the activities the service has conducted thus far serve as a baseline to assist in its completion.

Assessments of towing vessel TPOs. The Coast Guard's Towing Vessel National Center of Expertise is responsible for assessing towing vessel TPOs. The center approves TPOs to perform certification activities in 5-year increments and is to assess each TPO at the midpoint and end of each increment. During these assessments, the center is to review a TPO's history and performance to ensure the TPO is functioning in accordance with applicable regulations. According to Coast Guard headquarters officials, the Towing Vessel National Center of Expertise has assessed and reapproved all towing vessel TPOs at least once since 2018.

Investigations of potential TPO deficiencies. Coast Guard oversight includes a process to investigate potential TPO deficiencies, which the service refers to as a quality case. According to Coast Guard guidance, if Coast Guard personnel engaging in oversight activities observe that a TPO is not adequately performing its delegated functions, the service can request that the TPO conduct a root-cause analysis to help

⁴¹The scope of the vertical contract audit is to include an assessment of a TPO auditor's or surveyor's qualifications and competence, their implementation of the TPO's processes, and documentation related to the service performed.

⁴²According to Coast Guard data, its vertical contract audits examined six of the 14 TPOs authorized to support the certification of U.S.-flagged commercial vessels in 2023. Coast Guard headquarters officials stated that the Coast Guard piloted the vertical contract audit process in 2023 and formally authorized it in 2024. They said that vertical contract audits conducted prior to 2023 supported the Coast Guard's development of policies for this process.

Example of Coast Guard Third-Party Oversight Quality Case



In 2023, Coast Guard marine inspectors conducted an annual inspection onboard a U.S.-flagged cargo ship in the Alternate Compliance Program. They identified 23 deficiencies, with most related to lifesaving equipment, engineering systems, and the vessel's condition. The marine inspectors found that the vessel's third-party organization (TPO) had not noted or addressed these deficiencies during its recent annual surveys of the vessel.

The Coast Guard opened a quality case and directed the TPO to conduct a root cause analysis. The TPO determined that corrective actions would include requiring its responsible personnel to complete additional training and mentoring before being allowed to conduct future surveys of a similar scope. In addition, the TPO's main office intended to use its findings as a case study for all its surveyors.

Source: U.S. Coast Guard; phaisamwong2517/stock.adobe.com. | GAO-25-107139

identify the underlying issue.⁴³ This analysis typically involves the TPO evaluating its implementation of its quality assurance processes and reporting any findings and corrective actions to the service. Coast Guard headquarters officials said that 37 of the 48 quality cases the service opened from 2018 through 2023 were for potential TPO deficiencies on vessels participating in TPO-supported alternative inspection options.

Coast Guard Does Not Have Complete Data on the Extent of Its Oversight Activities

The Coast Guard has incomplete data on key activities its field units conduct to oversee TPOs, specifically their direct observations of TPO audits and surveys. According to Coast Guard headquarters officials from the Flag State Control Division, these observations are a primary function of their office and they use them to make decisions about additional service-wide TPO oversight needs. For example, the Coast Guard may increase the frequency of the oversight activities it conducts if it finds deficiencies during these observations. Figure 5 shows Coast Guard field unit personnel conducting observations of TPO audits.

⁴³U.S. Coast Guard, Office of Commercial Vessel Compliance, *Mission Management System Work Instruction: Request for Recognized Organization Internal Quality Management System Review – "Quality Case"*, CVC-WI-005(3) (Washington, D.C.: Mar. 2022).

Figure 5: Coast Guard Officials Conducting Observations of Third-Party Organization Vessel Audits

Source: GAO photos. | GAO-25-107139

According to our analysis of Coast Guard compiled data from MISLE, during calendar years 2018 through 2023, Coast Guard field units collectively conducted 180 observations of TPO audits and surveys—an average of about 30 observations per year.⁴⁴ In 2023, the data show that the Coast Guard’s field units recorded 51 total observations, and that the most any particular unit recorded was six.

However, the number of observations shown in the data is far less than the number of oversight activities that Coast Guard officials from the five field units we interviewed said they conducted. For example, one official told us they observed an average of one TPO audit or survey per week within their sector, which would total 52 observations annually—more than eight times what the Coast Guard’s data shows any field unit recorded in 2023. In addition, officials at two other field units each estimated that they observed conducted an average of two TPO audits or surveys per month for 48 annually. Officials at the remaining two field units we spoke with told us they regularly observed TPO vessel audits and surveys as part of their duties, but they did not have estimates for the average number per month.

Coast Guard headquarters officials acknowledged that the Coast Guard’s data on the number of observations appeared incomplete and did not represent the number of actual observations conducted. They said that two factors contributed to this issue: (1) the procedures for recording towing vessel audit observations in MISLE do not ensure the data are readily accessible and (2) field units did not follow procedures for entering records in the data system.

Inaccessible Towing Vessel Audit Observation Data. The Coast Guard does not have an option for marine inspectors to enter towing vessel audit observations as an oversight activity in MISLE, making it challenging for headquarters officials to have ready access to data. According to Coast Guard procedures, field unit personnel are to add their audit observations into a narrative field of a vessel inspection activity in MISLE. These officials said that to identify if field units conducted observations of TPO towing vessel audits, they would have to

⁴⁴According to Coast Guard data, Coast Guard field units conducted 27 observations in 2018, 17 in 2019, 5 in 2020, 17 in 2021, 63 in 2022, and 51 in 2023.

manually open and review each record—which can total thousands annually. Consequently, the Coast Guard headquarters officials do not have ready access to data on these oversight activities.

Coast Guard headquarters officials stated that they are aware that the Coast Guard needs to develop a new activity type in MISLE to capture towing vessel audit observations. However, they said that due to a large backlog of existing MISLE capability upgrade requests and a lack of funding to fulfill them, Coast Guard management requested that program offices withhold new requests until the Coast Guard develops a MISLE successor system.⁴⁵

To address this issue in the interim, Coast Guard headquarters officials said that, as of September 2024, they were revising the service’s guidance for recording observations of TPO audits on towing vessels. According to officials, this revised guidance is to instruct personnel to include key words in the title of vessel inspection activity records so that the service can filter and identify pertinent records. These officials said the Coast Guard would issue the guidance in 2025, but did not have a specific date for doing so.

Incomplete Recording of Observations. Coast Guard procedure directs field unit officials to record their observations of certain types of TPO audits and surveys—such as audits of vessels in the Alternate Compliance and Maritime Security Programs—in MISLE as oversight activities. However, Coast Guard headquarters officials said that given their knowledge and prior discussions with field unit personnel on the number of observations they conduct, it is apparent that some field unit personnel did not fully follow procedures for entering these records. These officials said field unit personnel may have recorded information on the missing observations as vessel inspection activities, but they did not follow procedures to also record the observation as a MISLE oversight activity. As a result, headquarters officials said it is challenging for the Coast Guard to identify and compile records of these activities.

Coast Guard headquarters officials said they had not been monitoring the number of TPO observations that field units recorded and were unaware of the incomplete recording of these activities. According to these officials, the Coast Guard does not have a process for monitoring these types of recording deficiencies.

The Coast Guard’s *Maritime Commerce Strategic Outlook* states that to ensure effective oversight, the Coast Guard is to ensure it sustains the ability to monitor TPOs that perform delegated functions on the Coast Guard’s behalf. Furthermore, the Coast Guard’s *Framework for Strategic Mission Management, Enterprise Risk Stewardship, and Internal Control* states that management should use quality information that is accessible, complete, and accurate to achieve the entity’s objectives. In addition, management should establish activities to monitor internal controls, such as processing data into quality information, and remediate identified deficiencies on a timely basis.

By updating its procedures for recording towing vessel audit observations, the Coast Guard would be better positioned to ensure it has accessible data on all its TPO oversight activities. Moreover, by developing and implementing a process to monitor the input of its TPO oversight data, the Coast Guard would be better

⁴⁵We have previously reported on deficiencies in the Coast Guard’s MISLE data system, including issues with the completeness and accuracy of records. Further, we have reported that the Coast Guard plans to replace MISLE with another system of record, and as of October 2024, replacement efforts were ongoing. For example, we recommended, among other things, that the Coast Guard should identify and analyze alternatives, and objectively select a preferred solution for MISLE to meet the service’s mission needs. As of December 2024, the Coast Guard had not implemented this recommendation. See GAO, *Coast Guard: Actions Needed to Ensure Investments in Key Data System Meet Mission and User Needs*, [GAO-20-562](#) (Washington, D.C.: July 16, 2020) and *Coast Guard: Enhanced Safety Oversight Needed for Fish Tender Vessels*, [GAO-24-106729](#) (Washington, D.C.: Feb. 20, 2024).

positioned to ensure it has complete data to monitor and assess the performance of TPOs that support the certification of inspected U.S.-flagged commercial vessels.

Coast Guard Has Not Established a System to Measure TPO Performance

While the Coast Guard has taken some steps to enhance its oversight of TPOs, it has not established a system to measure TPO performance. The Coast Guard uses various metrics and informational sources, that it calls key performance indicators, to monitor and assess TPO performance. For example, Coast Guard headquarters collects and reports data on the number of vessel surveys and audits that certain TPOs conduct annually and the average number of findings per survey or audit.⁴⁶ In addition, it maintains separate key performance indicators for TPOs for towing vessels, which include TPO vessel audit results submitted to the Coast Guard, and complaints about TPOs submitted to the Coast Guard. Coast Guard headquarters officials told us they use the key performance indicators as monitoring tools to stay aware of TPO workloads and monitor their performance.

However, headquarters officials stated that the Coast Guard has not established performance measures for TPOs and that the key performance indicators serve as a starting point for further conversations in doing so.⁴⁷ Officials from all three TPOs we spoke with also said that the Coast Guard's key performance indicators do not help drive their performance. Moreover, officials from one TPO said it is unclear what the indicators intend to incentivize. For example, they said that the average number of findings per audit is not a useful metric for directing performance because they do not understand whether the Coast Guard considers a fewer or greater number of findings as an indication of better performance. As a result, the Coast Guard's ability to fully assess TPOs' contributions toward achieving Coast Guard maritime prevention objectives and the effect of service's oversight activities is limited.⁴⁸

According to its current *Maritime Commerce Strategic Outlook*, issued in October 2018, the Coast Guard must develop a system that measures TPO performance to ensure continual performance standards are met.⁴⁹ As shown in figure 6, performance management, as defined in our prior work, is to include three key steps and related practices in which an agency is to set goals, collect information, and use that information to assess

⁴⁶A 2021 National Academies report on the Coast Guard's oversight of TPOs stated that the Coast Guard's Office of Commercial Vessel Compliance's key performance indicators were not sufficient to evaluate TPO performance. According to the report, the key performance indicators publicly reported by the Coast Guard have limited relevance to TPO performance. The National Academies recommended, among other things, that the Coast Guard work with TPOs to develop performance measures that are most relevant to monitoring and overseeing their performance.

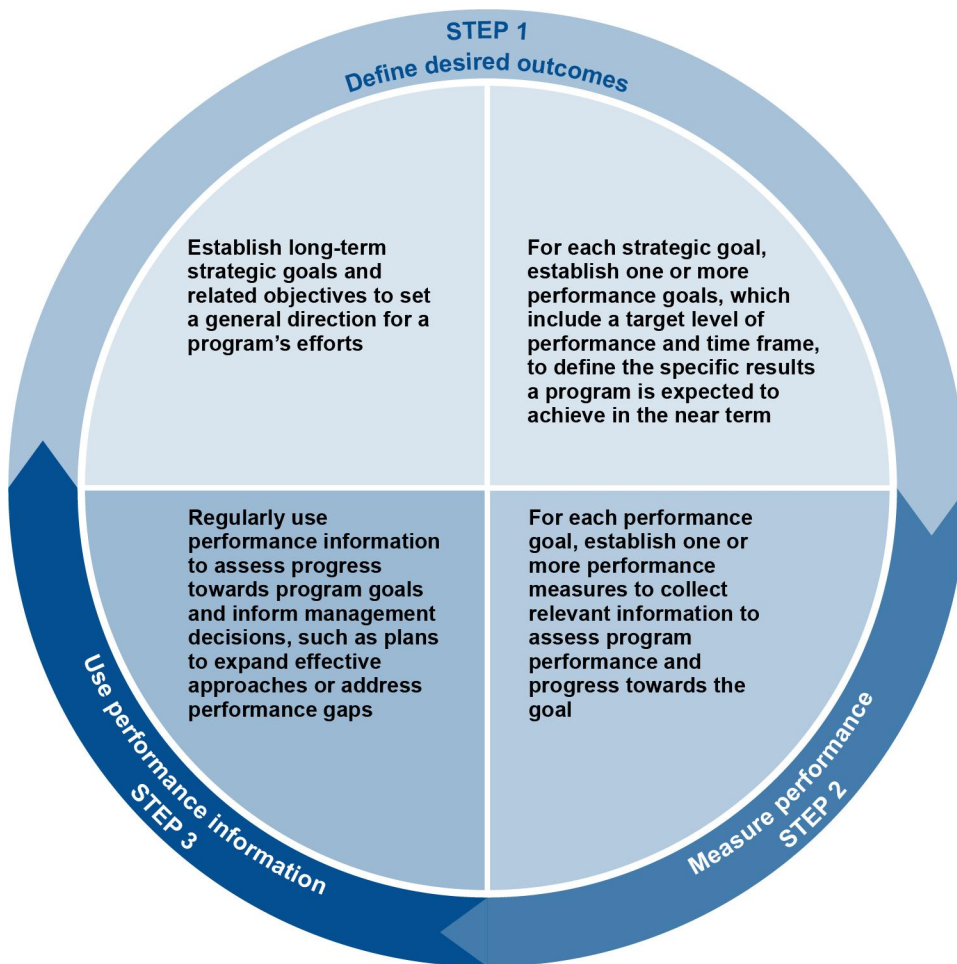
⁴⁷According to the Office of Management and Budget and the GPRA Modernization Act of 2010, a performance goal includes a performance indicator, a target, and a time period. This is the term that most federal agencies use to assess and report performance. The Coast Guard uses the term "performance measure" instead of "performance goal" to distinguish its performance measures from high-level mission goals. Since the Coast Guard uses the term performance measure as also comprising a measure, a target, and a time frame, it has all the elements of what we consider to be a performance goal.

⁴⁸The Coast Guard's maritime prevention objectives include preventing marine casualties and property losses and protecting the marine environment.

⁴⁹See U.S. Coast Guard, *Maritime Commerce Strategic Outlook*, (Washington, D.C.: Oct. 2018).

progress and inform decisions.⁵⁰ This process further provides that an agency is to establish performance goals, which include a target level of performance and a time frame, to define the results a program is expected to achieve in the near term.

Figure 6: Key Steps and Practices for Managing Performance



Source: GAO. | GAO-25-107139

Accessible Data for Figure 6: Key Steps and Practices for Managing Performance

- Step 1 - Define desired outcomes
 - Establish long-term strategic goals and related objectives to set a general direction for a program's efforts

⁵⁰In our prior work, we identified three key steps and additional practices within each step that federal agencies can implement to improve their overall performance. The steps and practices identified within this guide were drawn from our previous studies of leading public sector organizations that were successfully pursuing management reform initiatives and becoming more results-oriented. See GAO, *Evidence-Based Policymaking: Practices to Help Manage and Assess the Results of Federal Efforts*, [GAO-23-105460](#) (Washington, D.C.: July 12, 2023) and *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

- For each strategic goal, establish one or more performance goals, which include a target level of performance and time frame, to define the specific results a program is expected to achieve in the near term
- Step 2 - Measure performance
 - For each performance goal, establish one or more performance measures to collect relevant information to assess program performance and progress towards the goal
- Step 3 - Use performance information
 - Regularly use performance information to assess progress towards program goals and inform management decisions, such as plans to expand effective approaches or address performance gaps

Source: GAO. | GAO-25-107139

According to Coast Guard headquarters officials, the service has taken some steps toward establishing a system to measure TPO performance, but it has not yet established a plan with time frames for doing so. These officials said the Coast Guard had only filled a position to lead its efforts to develop and manage performance measures for TPOs in October 2024. They said their other efforts have included collecting key performance indicator data to provide baselines of TPO performance and coordinating with other flag states to explore developing a shared standard set of performance measures.

While these are positive steps toward developing a system that measures TPO performance, over 6 years have elapsed since the Coast Guard stated in its *Maritime Commerce Strategic Outlook* that the service must do so, and it remains unclear how and when it will complete this effort. By developing and implementing a plan with time frames to establish a system to measure the performance of TPOs that support the certification of inspected U.S.-flagged commercial vessels, the Coast Guard would be better positioned to identify the actions and resources that it needs to achieve its goal of ensuring effective TPO oversight.

Coast Guard Has Not Reassessed the Benefits and Risks of Using TPOs Since Their Use Expanded

The Coast Guard has not reassessed the benefits and risks of using TPOs to support the service's inspection and certification of U.S.-flagged commercial vessels since 2017. In 2017, the Coast Guard issued an analysis of commercial vessel compliance activities identifying various benefits and risks of using TPOs to support vessel safety certifications. Benefits included that the use of TPOs acts as a force multiplier alleviating the Coast Guard's need to significantly expand its workforce to meet inspection demands. Further, TPOs provide additional flexibility to vessel owners, managing operators, and operators previously reliant on direct Coast Guard inspection services.

This same Coast Guard analysis also cited several risks. They included the increased potential for catastrophic events without extensive Coast Guard oversight of TPOs and increased financial burden on the vessel industry due to the expense of using TPOs for certifications. In addition, the analysis noted that the service's reduced interactions with industry could decrease its understanding of and sensitivity to maritime industry issues, challenges, and perspectives.

However, since that 2017 analysis, Coast Guard headquarters officials said the service has not assessed the benefits and risks of using TPOs for the certification of inspected U.S.-flagged commercial vessels. Notably,

over this period, vessel owner, managing operator, and operator use of TPOs has grown considerably with the Coast Guard's implementation of requirements regarding the TPO-supported Towing Safety Management System option.

- Our analysis of the Coast Guard's annual *Flag State Control in the U.S.* reports indicated that this option helped contribute to a considerable increase in the use of TPOs to support Coast Guard certifications—from 483 vessels in 2018 to 3,786 vessels in 2023.
- Further, vessels using the Towing Safety Management System option accounted for 86 percent (3,274 of the 3,786) of the vessels using the three TPO-supported alternative inspection options during 2023.

Yet, the Coast Guard has not taken steps to assess the benefits and risks of using TPOs for this option after implementing it or more generally. Moreover, since its initial 2017 risk analysis, the Coast Guard has conducted various oversight efforts and obtained information on TPO activities and performance, which could provide new insights into the benefits and risks of using TPOs to certify inspected U.S.-flagged commercial vessels.

The Coast Guard's Guidelines for *Using Third Party Organizations to Ensure Regulatory Compliance* specify that a program office is to develop a maintenance plan to guide its programs that use TPOs. This plan is to address how the program office will periodically review and assess the program's benefits to the regulated entity and the public. This plan is also to detail how the program office will review changes in the information used to establish a third-party program, which is to include an assessment of the program's risks.

The Coast Guard established the Flag State Control Division in July 2018 to help manage and oversee TPOs that support the alternative vessel inspection options. According to Flag State Control Division officials, they had not made plans to conduct benefit and risk assessments since that time because they have developed a good understanding of the risks of using TPOs to help certify vessels from reviews by entities outside the service. Such reviews included a National Academies study issued in 2021. Further, they said that while they have not received direction from Coast Guard management to conduct such assessments, they agreed it would be beneficial to do so.

By developing and implementing a plan to periodically assess the benefits and risks of using TPOs to support the certification of inspected U.S.-flagged commercial vessels, the Coast Guard would be better positioned to take advantage of new opportunities and respond to risk-associated challenges that may affect the success of the TPO-supported certification options. Further, the Coast Guard's TPO oversight structure would be better designed to respond to risks on a continual basis.

Conclusions

The Coast Guard's inspection and certification of U.S.-flagged commercial vessels is critical to preventing the loss of life and property in the maritime sector. Since 2018, the Coast Guard has implemented various efforts to enhance its oversight of TPOs, including increasing direct observations of TPO activities aboard vessels. However, the service faces challenges ensuring it has accessible and complete data for assessing the effectiveness of its TPO oversight efforts. By updating its procedures for recording towing vessel audit observations, the Coast Guard would be better positioned to ensure it has accessible data on all its TPO oversight activities. Moreover, by developing and implementing a process to monitor the input of its TPO

oversight data, the Coast Guard would be better positioned to ensure it has complete data to monitor and assess the performance of TPOs that support the certification of inspected U.S.-flagged commercial vessels.

In addition, the Coast Guard has not established a system to measure the performance of TPOs that support the alternative vessel inspection options. By developing and implementing a plan with time frames to establish a system to measure the performance of TPOs that support the certification of inspected U.S.-flagged vessels, the Coast Guard would be better positioned to identify the actions and resources that it needs to achieve its goal of ensuring effective TPO oversight.

Finally, the Coast Guard has not reassessed the benefits and risks of using TPOs to support the service's inspection and certification of U.S.-flagged commercial vessels since 2017. However, from 2018 to 2023, the use of TPOs has grown considerably with the service's implementation of the TPO-supported Towing Safety Management System option. By developing and implementing a plan to periodically assess the benefits and risks of using TPOs to support the certification of inspected U.S.-flagged commercial vessels, the Coast Guard would be better positioned to take advantage of new opportunities and respond to risk-associated challenges that may affect the success of the TPO-supported certification options. Further, the Coast Guard's TPO oversight structure would be better designed to respond to risks on a continual basis.

Recommendations for Executive Action

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

The Commandant of the Coast Guard should ensure the Assistant Commandant for Prevention Policy updates its procedures for recording the Coast Guard's observations of third-party organizations performing audits on inspected U.S.-flagged towing vessels. (Recommendation 1)

The Commandant of the Coast Guard should ensure the Assistant Commandant for Prevention Policy develops and implements a process to monitor the input of data on the service's oversight of third-party organizations that support the certification of inspected U.S.-flagged commercial vessels. (Recommendation 2)

The Commandant of the Coast Guard should ensure the Assistant Commandant for Prevention Policy develops and implements a plan with time frames to establish a system to measure the performance of third-party organizations that support the certification of inspected U.S.-flagged commercial vessels. (Recommendation 3)

The Commandant of the Coast Guard should ensure the Assistant Commandant for Prevention Policy develops and implements a plan to periodically assess the benefits and risks of using third-party organizations to support the certification of inspected U.S.-flagged commercial vessels. (Recommendation 4)

Agency Comments

We provided a draft of this report to DHS and the Coast Guard for review and comment. In its comments, reproduced in appendix II, DHS concurred with all four of our recommendations and described the Coast Guard's planned actions to address them. DHS also provided technical comments, which we incorporated as appropriate.

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

If you or your staff have any questions about this report, please contact me at (202) 512-8777 or MacLeodH@gao.gov. Contact points for the 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 III.

A handwritten signature in black ink, appearing to read "H MacLeod". The signature is stylized and cursive.

Heather MacLeod
Director, Homeland Security and Justice

Appendix I: Coast Guard-Approved Recognized Classification Societies and Towing Vessel Third-Party Organizations

The Coast Guard authorizes two types of third-party organizations (TPOs) to support its issuance of certificates of inspection to U.S.-flagged commercial vessels—recognized classification societies and towing-specific TPOs.¹ Classification societies, such as the American Bureau of Shipping, are organizations that verify that vessels meet certain requirements and standards.² These organizations may become recognized classification societies when the Coast Guard finds that they meet minimum standards to perform certain vessel inspection and certification functions on the service’s behalf.³

Recognized classification societies may generally take part in all of the Coast Guard’s alternative inspection options that TPOs support, provided they receive the Coast Guard’s authorization to do so. These inspection options include the Alternate Compliance Program, Maritime Security Program, and the Towing Vessel Safety Management System option. In addition, the Coast Guard may authorize recognized classification societies that meet particular standards to issue certain international convention certificates to U.S.-flagged vessels on its behalf.⁴

Towing-specific TPOs are organizations that may receive Coast Guard approval to serve as TPOs strictly to support the certification of towing vessels.⁵ Table 2 lists the 14 TPOs that the Coast Guard authorized to support the certification of U.S.-flagged commercial vessels during 2023.

Table 2: Third-Party Organizations with Coast Guard Authorization to Support the Certification of U.S.-Flagged Commercial Vessels in 2023

| Recognized classification society ^a | Towing vessel only third-party organization |
|--|---|
| American Bureau of Shipping | Gallagher Marine Systems |
| Bureau Veritas | Inland Towing Operators Working Together |
| Det Norske Veritas | Quality Management International, Inc. |
| Indian Register of Shipping | International Register of Shipping |

¹See 46 U.S.C. § 3316; 46 C.F.R. §§ 8.100, 8.230, 139.115.

²See 46 C.F.R. § 2.45-1. Vessel classification societies are organizations that verify vessels meet requirements embodying the technical rules, regulations, standards, guidelines and associated surveys, and inspections covering the design, construction, and/or through life compliance of a ship’s structure and essential engineering and electrical system. See *id.*

³See *id.* §§ 8.100, 8.220, 8.230.

⁴*Id.* § 8.320. Recognized classification societies may generally issue applicable international convention certificates to vessels at the request of their owners or operators, provided they receive the Coast Guard’s authorization to do so. However, these vessels continue to be subject to the Coast Guard’s regular inspections to receive their certificate of inspections, unless they enroll in one of the Coast Guard’s alternative inspection options.

⁵*Id.* § 139.115(b).

**Appendix I: Coast Guard-Approved Recognized Classification Societies and Towing Vessel
Third-Party Organizations**

| | |
|---------------------|---------------------------------|
| Lloyd's Register | Sabine Surveyors |
| Nippon Kaiji Kyokai | Towing Vessel Inspection Bureau |
| Rina S.p.A | WaveCrest, Inc. |

Source: U.S. Coast Guard Flag State Control in the United States 2023 Domestic Annual Report. | GAO-25-107139

*Four recognized classification societies had the Coast Guard's authorization to participate in its Alternate Compliance Program and Maritime Security Program in 2023. These recognized classification societies were the American Bureau of Shipping, Det Norske Veritas, Lloyd's Register, and Nippon Kaiji Kyokai.

Appendix II: Comments from the Department of Homeland Security

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



**Homeland
Security**

BY ELECTRONIC SUBMISSION

January 10, 2025

Heather MacLeod
Director, Homeland Security and Justice
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548-0001

Re: Management Response to Draft Report GAO-25-107139, "COAST GUARD:
Actions Needed to Improve Oversight of Third-Party Organizations That Help
Certify U.S.-Flagged Vessels"

Dear Ms. MacLeod:

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

DHS leadership is pleased to note GAO's recognition that the U.S. Coast Guard initiated efforts in 2018 to enhance its oversight of third-party organizations (TPOs) which collectively support the certification of U.S.-flagged inspected vessels. These efforts include periodically inspecting vessels that TPOs help certify for operation, and observing TPO certification activities aboard vessels. The U.S. Coast Guard is committed to strengthening its policies and procedures for the inspection and certification of U.S.-flagged inspected vessels to better ensure effective TPO oversight and help prevent the loss of life and property in the maritime sector to the greatest extent possible.

The draft report contained four recommendations with which the Department concurs. Enclosed find our detailed response to each recommendation. DHS previously submitted technical comments addressing several accuracy, contextual, and other issues under a separate cover for GAO's consideration, as appropriate.

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 Digitally signed by JIM H
CRUMPACKER
Date: 2025.01.10 13:39:43 -05'00'

JIM H. CRUMPACKER
Director
Departmental GAO-OIG Liaison Office

Enclosure

**Enclosure: Management Response to Recommendations
Contained in GAO-25-107139**

GAO recommended the Commandant of the U.S. Coast Guard ensure the Assistant Commandant for Prevention Policy:

Recommendation 1: Updates its procedures for recording the Coast Guard’s observations of third-party organizations performing audits on inspected U.S.-flagged towing vessels.

Response: Concur. The Coast Guard Office of Commercial Vessel Compliance (CG-CVC-4) and the Towing Vessel National Center of Expertise (NCOE) are collaborating to update CVC-PR-033(2)¹ to address procedures for recording towing vessel audit observations. CG-CVC-4 and the Towing Vessel NCOE will also streamline related Coast Guard documents into one comprehensive procedure, such as merging Marine Information for Safety and Law Enforcement (MISLE) guidance from both GC-CVC-4 and NCOE to reduce duplication and potential conflict between program guidance and policy updates. Estimated Completion Date (ECD): June 30, 2025.

Recommendation 2: Develops and implements a process to monitor the input of data on the service’s oversight of third-party organizations that support the certification of inspected U.S.-flagged commercial vessels.

Response: Concur. CG-CVC-4 and the Towing Vessel NCOE are collaborating to consolidate and analyze all TPO activity data, which will provide Coast Guard with a complete picture of third-party services conducted on behalf of the Coast Guard regarding certification of U.S.-flagged inspected vessels. However, as this may be constrained by the current limitations on what data can be input into the existing MISLE database system, CG-CVC-4 will also determine what gaps exist in the existing MISLE system which need to be addressed in the planned Coast Guard Mission Case Management system when replacing MISLE. ECD: December 31, 2025.

Recommendation 3: Develops and implements a plan with time frames to establish a system to measure the performance of third-party organizations that support the certification of inspected U.S.-flagged commercial vessels.

Response: Concur. CG-CVC-4 will continue its work with other Flag administrations (i.e., foreign government agencies who oversee shipping responsibilities) and TPOs, as appropriate, to develop a plan with comprehensive measures and timelines that capture performance of TPOs which support the certification of inspected vessels. Specifically, CG-CVC-4 will use International Association of Classification Societies (IACS)

¹ “Guidance for Coast Guard Personnel Observing International Safety Management Code (ISM Code) and Towing Safety Management System (TSMS) Audits (Audit Observer),” dated February 1, 2022.

Rec.75/Rev.3 Corr.1 2020² as a model to produce standardized performance data of TPO to be measured through established agreements. ECD: December 31, 2025.

Recommendation 4: Develops and implements a plan to periodically assess the benefits and risks of using third-party organizations to support the certification of inspected U.S.-flagged commercial vessels.

Response: Concur. CG-CVC-4 will develop “Third-Party Organization Maintenance Plans” in accordance with COMDTINST 5760.16,³ that will periodically assess the benefits and risks of using third-party organizations to support the certification of U.S.-flagged inspected vessels. ECD: December 31, 2025.

² IACS Rec.75/Rev.3 Corr.1 2020: Rec 75, “Format for Electronic Exchange of Class and Statutory Data,” dated October 1, 2020; <https://iacs.org.uk/resolutions/recommendations/61-80/rec-75-rev3-corr1-cln>.

³ “U.S. Coast Guard Guidelines for Using Third Party Organizations To Ensure Regulatory Compliance,” dated July 2017; https://media.defense.gov/2017/Aug/08/2001790004/-1/-1/0/CIM_5760_16.PDF.

Text of Appendix II: Comments from the Department of Homeland Security

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Heather MacLeod

Director, Homeland Security and Justice

U.S. Government Accountability Office 441 G Street, NW

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Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Heather MacLeod, Director, Homeland Security and Justice, (202) 512-8777 or MacLeodH@gao.gov

Staff Acknowledgements

In addition to the contact named above, Jason Berman (Assistant Director), Jeffrey Love (Analyst-in-Charge), Laurie Barnes, Lilia Chaidez, Michele Fejfar, Paul Hobart, Briana Lalman, Janet Temko-Blinder, Carlin Van Holmes, and Christopher Zubowicz made key contributions to this report.

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