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Homeland Security

United States
Coast Guard



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CG-CVC Policy Letter

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From: J. F. Williams, CAPT
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To: Distribution

Subj: RISK-BASED DECISION MAKING (RBDM) FOR SMALL PASSENGER VESSEL
(SPV) ANNUAL INSPECTION ACTIVITY

Ref: (a) Title 46 Code of Federal Regulations (CFR) § 176.500(b)(1)
(b) Title 46 CFR § 115.500(b)(1)
(c) Marine Safety Manual (MSM) Volume II, COMDTINST M16000.7 (series),
Section B, Chapter 2
(d) ALCOAST 190/16: Risk-Based Domestic Vessel Inspections

1. **PURPOSE.** This policy letter provides operational flexibility to Officers in Charge, Marine Inspection (OCMIs) through guidance that authorizes the utilization of a risk-based approach to prioritize and manage passenger vessel annual activity as required by references (a) and (b), and in accordance with reference (c). This policy applies to vessels subject to Subchapters T and K.
2. **DIRECTIVES AFFECTED.** None.
3. **BACKGROUND.** As discussed in reference (d), rapidly evolving technical complexity and increased demand for marine inspection services require a process that empowers OCMIs to use their discretion, judgment, and experience to make risk-based resource allocation decisions. This guidance assists OCMIs in prioritizing their resources and managing risks against a variety of mission demands. The flexibility allowed by this policy and guidance must be balanced against the need to ensure that vessel inspections continue to uphold the required safety standards required by law and regulation. This is not blanket authority or discretion to defer or reduce the scope of inspections automatically and/or indefinitely. Vessels should individually be evaluated prior to each annual inspection to determine if reducing the scope is appropriate. OCMIs should consider several factors when managing vessel activities and in general, inspection priorities can be based on numerous factors, including – but not limited to – vessel type, vessel characteristics, route, maintenance, and compliance history.
4. **DISCUSSION.** To varying degrees throughout the Coast Guard, OCMIs are already scoping inspection activities based on risk, primarily due to workload outpacing the workforce's

capacity. The Office of Commercial Vessel Compliance (CG-CVC) acknowledges that OCMI's have the final decision on how best to manage the risks associated with vessels in their fleets and for this reason, we are allowing discretionary use of this RBDM Matrix for SPVs (enclosure (1)). In other words, the use of this Matrix is not mandatory but rather it serves as a job aid/tool to be utilized by Marine Inspectors (MIs) to assist OCMI's with determining the proper scope for annual inspections. It is national guidance intended to create consistency between ports by setting the minimum level of tasks for MIs to perform during inspections, which is consistent with the guidance provided in reference (c). As described therein, the focus for annual inspection should be more on the vessel's equipment and operating conditions, whereas inspections for certification should focus more on basic hull and machinery conditions. Moreover, during annual inspections, special attention must be given to lifesaving and firefighting equipment and watertight closures. MIs maintain discretion to perform additional tasks during inspections to ensure that he/she is reasonably satisfied as to the condition of the vessel and its equipment.

5. This RBDM Matrix is designed to incorporate the elements prescribed in reference (d) and to assist OCMI's with deciding the minimum scope for inspections while effectively allocating inspection resources. This approach is intended to recognize the gradient of operators from those who maintain their vessels in optimal condition to others who meet the minimum standards for compliance. The Matrix consists of two primary steps (Step 1: Vessel History Review, and Step 2: Scoring) and similar to the Port State Control regime, a tiered inspection approach (Tier 1, Tier 2, and Tier 3; with Tier 3 reserved for the best vessels) is used and points are assigned for each risk category/factor. When completing the matrix, if any of the situations in Step 1 apply, the MI should conduct the level of inspection indicated there while taking into consideration the corresponding notes listed, if applicable. After completing a review of the vessel's history and if none of the situations in Step 1 apply, the MI should proceed to Step 2 of the Matrix and assign points based on the criteria listed – vessel particulars (age, route, hull type, and if it is the 1st, 2nd, 3rd, or 4th annual inspection). Regardless of the inspection level indicated, the OCMI has discretion to upgrade/downgrade any inspection. The MI should then perform the tasks associated with the identified inspection level provided in Step 3 of the Matrix. Ideally, a vessel may be eligible to receive the following level of inspection between its inspections for certification:
 - For the 1st and 2nd annual inspection, a Tier 3 inspection - lowest level;
 - For the 3rd annual, a Tier 1 or Tier 2 inspection during the OCMI-designated “periodic” inspection; and
 - For the 4th annual, a Tier 3 inspection.
6. If contemplating the development of a local OCMI risk-based approach for SPV annual inspection activity, the requirements set forth in reference (d) must be met. It is discussed that the following non-exhaustive criteria shall be used when prioritizing vessels for inspection, and MIs must ensure to describe in MISLE how the criteria was applied, to include any other factors that were considered. See the criteria below:

A regular annual inspection is appropriate if answer is “yes” to any question below:

- a. Has the vessel’s current condition changed since that observed at the last inspection?
- b. Are there any maintenance issues outstanding?
- c. Have there been any modifications or significant repairs to the vessel since the last inspection?
- d. Has the vessel been involved in a serious marine incident that impacted the vessel’s material condition since the last inspection?
- e. Have there been any changes in the vessel’s conditions of carriage since the last inspection?
- f. Have there been changes in manning since the last inspection?
- g. Has the vessel been placed under operational controls since the last inspection?

The below factors should be considered when planning the scope of a vessel inspection:

- a. Knowledge of the owner or operator reliability, integrity, and Safety Management culture.
 - b. Vessel’s documented violation history, paying particular attention to lifesaving and firefighting readiness.
 - c. Entries in the vessel’s history that indicate actions on the vessel by another OCMI that were not disclosed (If this is the case, it may be appropriate to engage with the previous OCMI.).
 - d. Route, service, and any special operating considerations.
 - e. Vessel’s conditions of carriage.
 - f. Age and construction of the vessel.
 - g. Past observations of firefighting and lifesaving techniques.
 - h. Prior visits for other reasons that give insight into the vessel’s ongoing fitness.
 - i. Third party involvement in vessel oversight.
7. **ACTION.** In accordance with this policy and guidance, MIs should use the RBDM matrix, in enclosure (1), to assist the OCMI with determining the proper scope for a SPV annual inspection.
- a. MIs must document vessel prioritization and scoping decisions in the MISLE activity while also notating the scope/level of inspection conducted in a Special Note to include the inspection activity number and the annual inspection sub-activity type should be selected. The suggested language below should be used to facilitate uniformity in documenting the inspection within a Special Note:

“Conducted a Tier 2 level inspection for the vessel’s second annual on 01DEC16 in accordance with CG-CVC Policy Letter 16-05. For further details, please see inspection activity #1234567.”

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- b. OCMI should periodically report trends and areas of emphasis to District Prevention staffs resulting from the utilization of RBDM for SPV annual inspection activity to include:
 - i. The number of vessels in your fleet of responsibility and the percentage (or number) of vessels that received a reduced scope inspection during the reporting period;
 - ii. Information regarding deficiency trends found in each MISLE deficiency category (system, subsystem, and/or component) that prompted the OCMI to place emphasis on certain areas of the vessel during an inspection. The OCMI should also provide the average number of overall deficiencies issued for all reduced scoped inspections;
 - iii. The estimated amount (or percentage) of time saved when conducting a reduced scope inspection as opposed to when conducting an annual inspection in accordance with references (a) and (b); and
 - iv. Any recommendations, along with supporting documentation, for improvements to the RBDM Matrix for SPV annual inspection activity.
8. QUESTIONS. Questions concerning this policy and guidance should be directed to the Office of Commercial Vessel Compliance at CG-CVC-1@uscg.mil or (202) 372-1251.

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Encl: (1) RBDM Matrix for SPV Annual Inspection Activity

SPV Risk Based Inspection Matrix for Annual Oversight

This matrix is for annual inspections only, not for Inspections for Certification (i.e., COI Inspection)

Step 1: Review vessel history. If any of the below apply go to Step 3. See the notes for upgrading or downgrading the tiers indicated based on OCMI discretion. If none of these situations apply, go to Step 2.

Factor	Inspection Type	Factor	Inspection Type
SOLAS SPV as per 46 USC 3307	Tier 1	Outstanding 835s or deficiencies for primary systems (lifesaving or firefighting) including drills not subject to an operational control.	Tier 2 (OCMI may downgrade) <i>See Note 2</i>
Vessel Involved in Serious Marine Incident as defined in 46 CFR 4.03-2 that impacted the vessel since the last inspection.	Tier 1	Outstanding deficiencies for non-primary systems requiring on site Coast Guard clearance (e.g., prove proper operation of).	Tier 2 (OCMI may downgrade)
Vessel placed under an operational control such as a "no sail" since the last inspection.	Tier 1	Outstanding deficiencies for non-primary systems.	Tier 2 (OCMI may downgrade) <i>See Note 2</i>
Vessel involved in Reportable Marine Casualties as defined in 46 CFR 4.05-1 since the last inspection.	Tier 1 (OCMI may downgrade) <i>See Note 1</i>	2-year history showing 6 or more lifesaving or firefighting system related deficiencies over that period, in either system category, indicating a possible trend.	Tier 2
Modifications made to the vessel not observed and/or verified by the CG.	Tier 1	2-year history showing 5 or less lifesaving or firefighting system related deficiencies over that period, in either system category.	Tier 2 (OCMI may downgrade) <i>See Note 4</i>
Changes in condition of carriage since last inspection, not previously checked.	Tier 1 (OCMI may downgrade) <i>See Note 6</i>	2-year history showing 6 or more non-primary systems related deficiencies over that period, in a particular system category, indicating a possible trend.	Tier 2 <i>See Note 3</i>
New vessel owner and/or operator since last inspection.	Tier 2 (OCMI may downgrade) <i>See Note 5</i>	2-year history showing 5 or less non-primary system related deficiencies over that period, in a particular system category.	Tier 2 (OCMI may downgrade) <i>See Note 4</i>
Vessel's Safety Management System (SMS) was audited by a Third Party Organization.	Tier 3 (OCMI may upgrade) <i>See Note 7</i>		

Notes:

1. The OCMI should consider the nature of Reportable Marine Casualties to determine if they affected the material condition of the vessel and also take into account vessels that may be involved in multiple casualties since the last inspection (e.g., slips, trips and falls on a dinner cruise vessel).
2. The OCMI may downgrade if able to verify compliance through some form of objective evidence (pictures, receipts, etc.) sent by the owner/operator.¹
3. The OCMI may elect not to get the vessel underway and/or conduct lifesaving and firefighting drills.¹
4. The OCMI may downgrade if the view is that past deficiencies, in a particular category or prior to carrying passengers deficiencies, do not represent an absence of a maintenance program or some form of management oversight by the owner/operator.¹ Consider vessels with "prior to carrying passengers" defs during that time.
5. The OCMI may downgrade if the change of owner and/or operator does not impact the operation of the vessel (e.g., the operator becomes the new owner).
6. The OCMI may downgrade if the view is suitability for route and service can be effectively evaluated at Tier 2.
7. If the owner/operator provides a SMS audit report, consider the findings when determining the level of inspection.¹

¹OCMIs should not downgrade Tier 2 inspections if they are a periodic (2nd or 3rd annual) selected for an increased-in-scope inspection. In other words, no vessel should receive more than two consecutive Tier 3 annual inspections, including when a SMS audit report is provided. For the periodic inspection, the OCMI may upgrade to a Tier 1.

SPV Risk Based Inspection Matrix for Annual Oversight

This matrix is for annual inspections only, not for Inspections for Certification (i.e., COI Inspection)

Step 2: Score the vessel using the following criteria. See the notes for upgrading or downgrading a Tier based on OCMI discretion. The least points summed is favorable to a Tier 3 inspection. When completed, go to Step 3.

Factor	Points	Factor	Points
First annual inspection with no other conditions or changes to vessel making it a higher level.	0	Wood Hull	16
Second or third annual inspection with no other conditions or changes to vessel that would make it a higher level. See Note 3.	34	Steel Hull	4
Fourth annual inspection with no other conditions or changes to vessel making it a higher level.	0	Fiber Reinforced Plastic (FRP) Hull	12
Oceans route	16	Aluminum Hull	8
Limited Coastwise and Coastwise Routes	12	Age: 13+ years	10
Lakes, Bays, and Sounds Route	8	Age: 6 - 12 years	5
Rivers Route	4	Age: 1-5	1

Notes:

1. If the point total is within 10 points on either side of a Tier threshold, OCMI has discretion to raise or lower the Tier level.
2. When using this risk-based approach, knowledge of an owner's operation, including the use of Safety Management Systems or other quality assurance systems should be considered by the OCMI to determine the scope of a vessel's annual inspection.
3. The points assigned for a periodic inspection (2nd or 3rd annual) should only be added to one of the inspections, not both. For the other inspection, apply the points assigned for the 1st or 4th annual inspection (zero).

SPV Risk Based Inspection Matrix for Annual Oversight

This matrix is for annual inspections and not for an Inspection for Certification (i.e., COI Inspection)

Step 3: Use this chart to determine the minimum tasks to be performed at each Tier.

Tiers	# Points	Scope of the Annual Inspection	Focus Areas
Tier 1	67 and Over	Annual Inspection	CFR Requirements
Tier 2	34-66	Reduced Scope Inspection	On site vessel documentation verification ³
			On site mariner credential verification ³
			On site inspection ² of lifesaving systems including drills
			On site inspection ² of firefighting systems including drills
			On site observation ¹ of vessel's condition and spaces (e.g., engine compartment, lazarette, etc.) including watertight closures and sail rigging equipment prior to endorsing COI**
Tier 3	1-33	Reduced Scope Inspection	Vessel documentation may be submitted remotely
			Mariner credential verification ³ may be submitted remotely
			Documentation of quarterly drills may be submitted remotely
			No onsite verification ³ of drills required
			On site observation ¹ of vessel's condition and spaces (e.g., engine compartment, lazarette, etc.) including watertight closures and sail rigging equipment prior to endorsing COI**

Footnotes:

1. Observation - the act of watching carefully or witnessing.
2. Inspection - the act of examining officially; looking carefully at or over; viewing closely and critically.
3. Verification - the act of confirming or establishing the accuracy or truth of something.

****The Marine Inspector may focus on additional areas of the vessel during the inspection.**

Score Sheet

Vessel Name: _____

Inspection Date: _____

Official Number: _____

Criteria	Matrix Points	Points Assigned
SOLAS SPV as per 46 USC 3307	Tier 1	
Vessel Involved in Serious Marine Incident as defined in 46 CFR 4.03-2 that impacted the vessel since the last inspection.	Tier 1	
Vessel placed under an operational control such as a "no sail" since the last inspection.	Tier 1	
Vessel involved in Reportable Marine Casualties as defined in 46 CFR 4.05-1 since the last inspection.	Tier 1 (OCMI may downgrade) See Note 1	
Modifications made to the vessel not observed and/or verified by the CG.	Tier 1	
Changes in condition of carriage since last inspection, not previously checked.	Tier 1 (OCMI may downgrade) See Note 6	
New vessel owner and/or operator since last inspection.	Tier 2 (OCMI may downgrade) See Note 5	
Vessel's Safety Management System (SMS) was audited by a Third Party Organization.	Tier 3 (OCMI may upgrade) See Note 7	
Outstanding 835s or deficiencies for primary systems (lifesaving or firefighting) including drills not subject to an operational control.	Tier 2 (OCMI may downgrade) See Note 2	
Outstanding deficiencies for non-primary systems requiring on site Coast Guard clearance (e.g., prove proper operation of).	Tier 2 (OCMI may downgrade)	
Outstanding deficiencies for non-primary systems.	Tier 2 (OCMI may downgrade) See Note 2	
2 year history showing 6 or more lifesaving or firefighting system related deficiencies over that period, in either system category, indicating a possible trend.	Tier 2	
2 year history showing 5 or less lifesaving or firefighting system related deficiencies over that period, in either system category.	Tier 2 (OCMI may downgrade) See Note 4	
2 year history showing 6 or more non-primary systems related deficiencies over that period, in a particular system category, indicating a possible trend.	Tier 2 See Note 3	
2 year history showing 5 or less non-primary system related deficiencies over that period, in a particular system category.	Tier 2 (OCMI may downgrade) See Note 4	
First annual inspection with no other conditions or changes to vessel that would make it a higher level.	0	
Second or third annual inspection with no other conditions or changes to vessel that would make it a higher level.	34	
Fourth annual inspection with no other conditions or changes to vessel that would make it a higher level.	0	
Ocean route	16	
Limited Coastwise and Coastwise Routes	12	
Lakes, Bays, and Sounds Route	8	
Rivers Route	4	
Wood Hull	16	
Steel Hull	4	
Fiber Reinforced Plastic (FRP) Hull	12	
Aluminum Hull	8	
Age: 13+ years	10	
Age: 6 - 12 years	5	
Age: 1-5	1	
OCMI Discretion (See Notes 1 and 2 in Step 2)	+/- 10 Points	

Tier Assigned: _____

Total Points	
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