

Why GAO Did This Study

The Federal Protective Service (FPS) is a fee-funded agency in the Department of Homeland Security (DHS) responsible for providing physical security to over 9,000 federal facilities. In 2003 FPS transferred to DHS from the General Services Administration and for the first time was to fully recover its costs. GAO recently reported that stakeholders were concerned about FPS's ability to determine security costs, and the strategies used to address funding challenges had adverse effects on FPS. In this context, Congress directed GAO to evaluate FPS's resource levels. This report (1) analyzes FPS's fee design and proposed alternatives, and (2) examines how FPS's security fees challenge FPS and customer agency budget formulation and execution. GAO reviewed legislation and agency documentation and interviewed FPS and customer agency officials in headquarters and four FPS regions.

What GAO Recommends

GAO recommends that the Secretary of Homeland Security direct the Director of FPS to, among other things, conduct and make available regular fee reviews to improve its fee design, include capital investment costs in its rates, and evaluate its current and alternative funding and budget account structures to mitigate budget timing and other issues. DHS concurred with GAO's recommendations.

BUDGET ISSUES

Better Fee Design Would Improve Federal Protective Service's and Federal Agencies' Planning and Budgeting for Security

What GAO Found

FPS increased its basic security fee four times in 6 years to try to cover costs (an increase of over 100 percent). FPS has not reviewed its fees to develop an informed, deliberate fee design. GAO has found that timely, substantive fee reviews are especially critical for fee-funded agencies to ensure that fee collections and operating costs remain aligned. FPS is legally required to charge fees that cover its total costs, but it is not required to align specific fees with specific activities. Nevertheless, in its pricing documents FPS describes an alignment between specific fees and specific activities that does not exist.

FPS charges a basic security fee based on facility square footage. In addition, FPS charges facilities that have contractor-provided countermeasures, such as guards, the cost of the countermeasure plus an administrative fee that is a percentage of the countermeasure cost. Federal facilities vary in how much they cost to protect, but FPS does not know to what extent some facilities currently subsidize others. This contributes to expectation gaps with and unknown cross-subsidizations among payers. FPS officials said that basic security costs are meant to be "shared evenly" (i.e., based on square footage) among all payers while administrative fees for FPS-recommended or facility-requested countermeasures are meant to both (1) reflect the increased risk inherent to those facilities requiring or requesting additional countermeasures and (2) subsidize the aggregate cost of basic security services. Charging beneficiaries more or less than actual costs may help achieve policy goals, but FPS lacks data to determine whether this occurs as intended. Modifying the current fee structure or funding FPS through a combination of fees and direct appropriations may address equity and cross-subsidization issues and improve transparency to customers, but without detailed activity cost information and a full fee review the relative trade-offs in any particular proposal are unclear. Further, revising the fee structure alone will not address the variations in service levels reported by FPS's customer agencies or the overall level of services FPS is able to provide.

The design and implementation of FPS's fees affect agencies' and FPS's ability to budget for and timely implement security measures in multiple ways. First, FPS lacks a method to propose security fee rates prior to submitting its budget request and cannot finalize its rates each year until it receives congressional instructions about its staffing levels in its appropriation act. As a result, agencies annually request security funding without accurate security cost estimates. Second, FPS makes security recommendations to customer agencies based on current threats, but agencies budget for security costs in advance and therefore must reallocate funds to pay for countermeasures for which they had not planned. Although there are no obvious solutions for these and other budget timing disconnects, alternative budget account structures like a reimbursable account or a revolving fund could help mitigate budgeting and timing challenges for FPS and customer agencies without compromising accountability for federal funds.