

# GAO Highlights

Highlights of [GAO-19-678](#), a report to congressional committees

## Why GAO Did This Study

The FMS program is one of the primary ways the U.S. government supports its foreign partners, by annually selling them billions of dollars of items and services. According to DOD, the FMS program is intended to operate on a “no profit, no loss” basis, with purchasers not charged excessive fees and fee revenue covering operating costs. Foreign partners can arrange for their own transportation of FMS items or pay DOD a transportation fee to cover the costs of DOD transporting them. The fees are collected into transportation accounts in the FMS Trust Fund.

House Report 114-537 and Senate Report 114-255 included provisions that GAO review DSCA’s management of FMS fees. This report examines (1) the balances of the FMS transportation accounts for fiscal years 2007 through 2018, (2) DSCA’s management oversight of the accounts, and (3) DSCA’s processes for setting transportation fees. GAO analyzed DOD data and documents, and interviewed DOD officials.

## What GAO Recommends

GAO is making 10 recommendations to DOD, including six recommendations to strengthen DSCA’s oversight of the transportation accounts—such as by clarifying internal guidance—and four recommendations to improve its transportation fee setting processes. DOD concurred with all of the recommendations and identified actions it plans to take to address them.

View [GAO-19-678](#). For more information, contact Jason Bair at (202) 512-6881 or [BairJ@gao.gov](mailto:BairJ@gao.gov).

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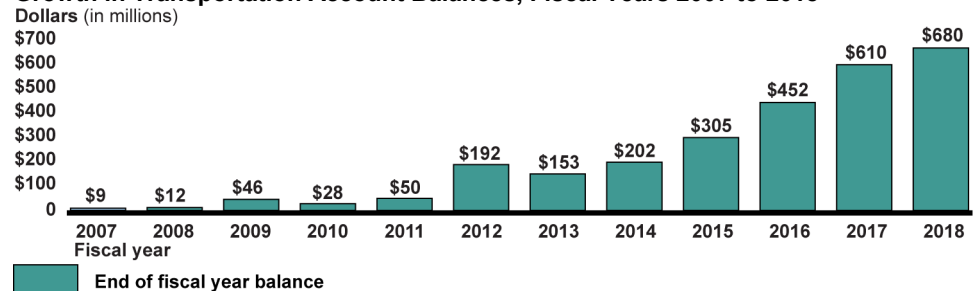
## FOREIGN MILITARY SALES

### DOD Should Strengthen Oversight of Its Growing Transportation Account Balances

## What GAO Found

Fees charged by the Department of Defense (DOD) for the transportation of defense items sold through the Foreign Military Sales (FMS) program are intended to approximate DOD’s transportation costs over time. However, GAO found that the FMS transportation accounts accrued a combined balance of \$680 million by the end of fiscal year 2018. Much of the growth occurred from the end of fiscal year 2011 through fiscal year 2018, when the account grew by approximately \$630 million.

#### Growth in Transportation Account Balances, Fiscal Years 2007 to 2018



Source: GAO analysis of Department of Defense data. | GAO-19-678

The Defense Security Cooperation Agency (DSCA) has developed limited management oversight guidance for the FMS transportation accounts, which has contributed to the substantial balance growth. DSCA internal guidance requires daily and annual reviews of the accounts to monitor for significant changes in account balances and to ensure the accounts maintain a “healthy” level. However, internal guidance does not define a significant change or “healthy” level, such as a target range for the account balances. This has led to inconsistent reviews and limited oversight of the recent balance growth. DSCA also has no internal guidance on how to perform certain aspects of its annual reviews or what information to include in the resulting reports. As a result, DSCA officials have produced reports with incomplete information, such as on the causes for trends in the account balances, undermining DSCA management’s ability to make informed decisions about the accounts.

DSCA’s processes for setting the FMS transportation fee do not ensure that aggregate fees approximate aggregate costs. For its transportation fee rate reviews, DSCA sends requests to the military departments for historical cost and fee data that lack specificity, such as on timeframes, sampling methodology, and data sources. As a result, DSCA has analyzed data that are not timely or systematically sampled. In addition, military department officials reported difficulty providing the requested data in part because DSCA’s guidance did not specify data sources. Consequently, for the most recent review, Air Force and Navy were unable to find sufficient matching cost and fee data for DSCA to consider them usable. Further, DSCA has established no goals for rate reviews and has no written procedures to follow in performing them. These factors together contributed to recent growth in the FMS transportation account balances and will continue to hinder DSCA’s ability to make appropriate rate-setting decisions moving forward.