

Why GAO Did This Study

From fiscal years 2007 to 2018, DOD collected about \$2.3 billion in fees into the FMS transportation accounts and expended about \$1.9 billion from the accounts. Foreign partners can pay DOD a fee to cover the costs of DOD transporting items. Fees are collected into transportation accounts in the FMS Trust Fund, and expenditures for related transportation are paid from those accounts. DSCA is responsible for financial oversight of the accounts, and DFAS—a service provider to DSCA—also has some accounting responsibilities related to the accounts.

House Report 114-537 and Senate Report 114-255 included provisions that GAO review DSCA's management of FMS fees. This report examines (1) DSCA's oversight of DOD components' activities that affect fees collected into the FMS transportation accounts, and (2) DSCA's financial oversight of expenditures from the FMS transportation accounts. GAO reviewed DOD guidance, analyzed 3 months of DOD expenditure data, and interviewed DOD officials.

What GAO Recommends

GAO is making five recommendations to DOD to strengthen financial oversight of the FMS transportation accounts, including two recommendations to strengthen DSCA's oversight of fees collected into the accounts, and three recommendations to strengthen DSCA's and DFAS's oversight of expenditures from the transportation accounts. DOD concurred with all of the recommendations and identified actions it plans to take to address them.

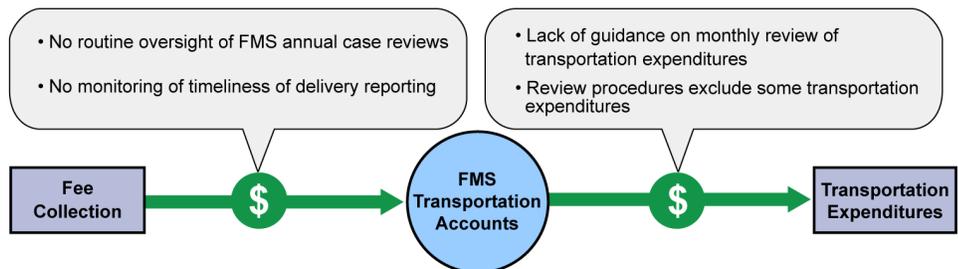
FOREIGN MILITARY SALES

DOD Should Further Strengthen Financial Oversight of Transportation Fees

What GAO Found

The Foreign Military Sales (FMS) program is one of the primary ways the U.S. government supports its foreign partners, by annually selling them billions of dollars of military equipment and services. However, gaps in the Defense Security Cooperation Agency's (DSCA) oversight of Department of Defense (DOD) components' activities increase the risk that fees collected into the FMS transportation accounts may be inaccurate. While DSCA requires components to perform annual reviews of FMS cases to verify the accuracy of transportation fees collected, DSCA does not routinely oversee these reviews. Additionally, DSCA lacks oversight of the timeliness of DOD components' reporting of deliveries, which should occur within 30 days. DSCA officials indicated that they are developing guidance and processes to help address these challenges, but had not completed them as of February 2020.

Gaps in Financial Oversight of the Foreign Military Sales (FMS) Transportation Fee



Source: GAO analysis of Department of Defense documents. | GAO-20-386

DSCA's financial oversight of expenditures from the FMS transportation accounts does not provide reasonable assurance that expenditures are allowable and paid from the correct account. In fiscal year 2016, DSCA established internal guidance for financial oversight of expenditures from the accounts. While that guidance includes a process to review expenditures on a monthly basis, DSCA has not established procedures for conducting that review, including how to analyze expenditure data, or identify and address discrepancies. As a result, DSCA may not review FMS transportation expenditures consistently or identify and address discrepancies. GAO found that approximately 19 percent of expenditures reported to DSCA over a 3-month period in fiscal year 2019 inconsistently identified the DOD component responsible for the transaction. For example, a transaction may indicate that both Navy and Air Force are responsible for the shipment. Further, DSCA has not documented how the Defense Finance and Accounting Service (DFAS) should generate the reports DSCA uses for its review, and DFAS's review of expenditures excludes some expenditures from two DOD components. Without a routine process to review expenditures and correct discrepancies, DSCA cannot provide reasonable assurance that all expenditures are allowable and paid from the correct account, raising the risk of misuse of funds. DSCA officials told GAO that they are developing guidance to help address these challenges, and expect to implement it in 2020.