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Washington, DC 20548

## Accessible Version

March 1, 2021

The Honorable J. Luis Correa  
Chairman  
Subcommittee on Oversight, Management, and Accountability  
Committee on Homeland Security  
House of Representatives

## Federal Protective Service: Projected Outcomes of the New Fee Structure on Tenant Agencies' Costs

Dear Mr. Chairman:

The Federal Protective Service (FPS) within the Department of Homeland Security (DHS) is responsible for protecting more than 9,000 federal buildings and ensuring the safety of the people within them—federal employees, contractors, and visitors, including members of the public. FPS is completely funded by the fees it charges agencies for its services—such as the basic security fee it charges to agencies for buildings under its protection—and does not receive a direct appropriation. We reported in June 2008 and May 2011 that FPS had not analyzed its basic security fee structure and did not know the extent to which the structure resulted in some facilities subsidizing others.<sup>1</sup> Since that time, FPS took steps to improve its oversight of its basic security fee and in fiscal year 2020 implemented fundamental changes to the fee structure.<sup>2</sup>

In response to FPS's fiscal year 2020 change, you asked us to provide information on the new fee structure. This report describes:

- the change FPS made in fiscal year 2020 to its basic security fee structure, and
- how this change affects tenant agencies' costs.<sup>3</sup>

To describe the change to the fee structure, we reviewed FPS documentation, such as information on how the fee is calculated. We also interviewed FPS officials with knowledge of the change and how FPS implemented it to date. To describe how the new fee structure affects

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<sup>1</sup> We found that because the basic security fee did not account for the risk faced by specific buildings or the level of service provided, some buildings may not have paid amounts commensurate with actual costs. GAO, *Homeland Security: The Federal Protective Service Faces Several Challenges that Hamper Its Ability to Protect Federal Facilities*, [GAO-08-683](#) (Washington, D.C.: June 11, 2008) and GAO, *Budget Issues: Better Fee Design Would Improve Federal Protective Service's and Federal Agencies' Planning and Budgeting for Security*, [GAO-11-492](#) (Washington, D.C.: May 20, 2011).

<sup>2</sup> In April 2014, FPS finalized its *Activity Based Cost Model Independent Verification and Validation Report* that, along with FPS's fiscal year 2015 congressional budget justification, outlined the purpose and rate-setting procedures for FPS fees and demonstrated FPS's ability to conduct regular, substantive fee reviews. DHS also conducts biennial reviews of its fee-based programs, including a review of the basic security fee administered by FPS.

<sup>3</sup> We did not assess whether the change in how FPS calculates the basic security fee better aligns charges with actual costs, as the change is too recent to conclusively reach such a determination. According to FPS officials, FPS plans to reassess the model for fiscal year 2023.

tenant agencies' costs, we compared FPS data on fiscal year 2019 basic security fees to the average of 3 years of basic security fees: actual fees in fiscal year 2020 and the anticipated fees for fiscal years 2021 and 2022, as calculated by FPS.<sup>4</sup> To assess the reliability of these FPS data, we compared these data to other sources of this information, such as congressional budget justifications. We also searched for missing data and outliers, and interviewed FPS officials to resolve any questions that arose. We determined that the data were sufficiently reliable to calculate projected changes in agencies' basic security fees.

We conducted this performance audit from November 2019 to February 2021 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.

### Background

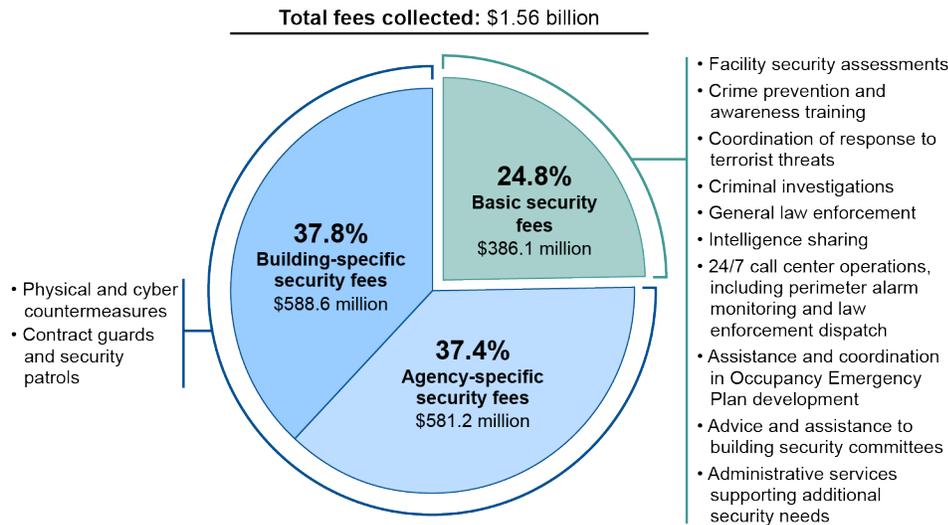
FPS has three funding streams: the basic security fee; building-specific security fees; and agency-specific security fees. Basic security fees are charged to agencies for each building, and cover a variety of fundamental security services (see fig. 1). Building-specific fees are for additional security measures shared by all tenants of a building, such as contract guards at the main employee entrance. Agency-specific fees are charged to a single agency in a multi-tenant building, such as when a public-facing agency requires a contract guard in a reception area not used by other building tenants. Agency-specific and building-specific fees collected by FPS are used by FPS to pay contractors for needed security equipment or services. Consequently, the basic security fee is the primary source of funding for FPS operations.<sup>5</sup>

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<sup>4</sup> We used this 3-year average because FPS is phasing in cost changes from the basic security fee over this timeframe, and it would not be accurate to compare fiscal year 2019 solely to fiscal year 2020. The anticipated fees may change in the future. In addition, we also accounted for a change in how FPS charges overhead. In fiscal year 2019, FPS collected an 8 percent overhead charge for agency-specific and building-specific security services, such as protective security officer contracts. Starting in fiscal year 2020, overhead is included in the basic security fee. To account for this change, we adjusted the fiscal year 2019 basic security fee data to include the overhead fees paid by each agency in fiscal year 2019.

<sup>5</sup> According to FPS officials, payments from a few separate reimbursable agreements (such as those for law enforcement activities that are not covered under a building-specific or agency-specific agreement); carryover funds; contract recoveries; and special assessments can also be used to support FPS's operations; however, the basic security fee is the primary source of funding for FPS operations.

**Figure 1: Federal Protective Service Fees Collected and Activities for Fiscal Year 2020**



Source: GAO analysis of Federal Protective Service information. | GAO-21-311R

**Data table for Figure 1: Federal Protective Service Fees Collected and Activities for Fiscal Year 2020**

Fee type	Basic security fees	Agency-specific security fees	Building-specific security fees
Dollars in millions	386.1	581.2	588.6
Percentage	24.8	37.4	37.8

The Office of Management and Budget (OMB) establishes an annual limit on FPS’s budget authority for basic security fee collections<sup>6</sup>—the maximum total amount that FPS can collect for the basic security fee from all its customer agencies—while FPS determines the approach used to calculate each agency’s share of the total basic security fee.<sup>7</sup> In fiscal year 2019, OMB permitted FPS to collect a maximum of \$359.1 million in basic security fees. OMB raised the maximum limit to \$387.5 million starting in fiscal year 2020.<sup>8</sup>

### **FPS Created a New Fee Structure Based on Past Use of Security Services instead of Square Footage**

As of fiscal year 2020, FPS determines the basic security fee for any given building—which covers a variety of security planning, administration, and law enforcement response services—using a model that accounts for each building’s historical use of FPS resources. Previously,

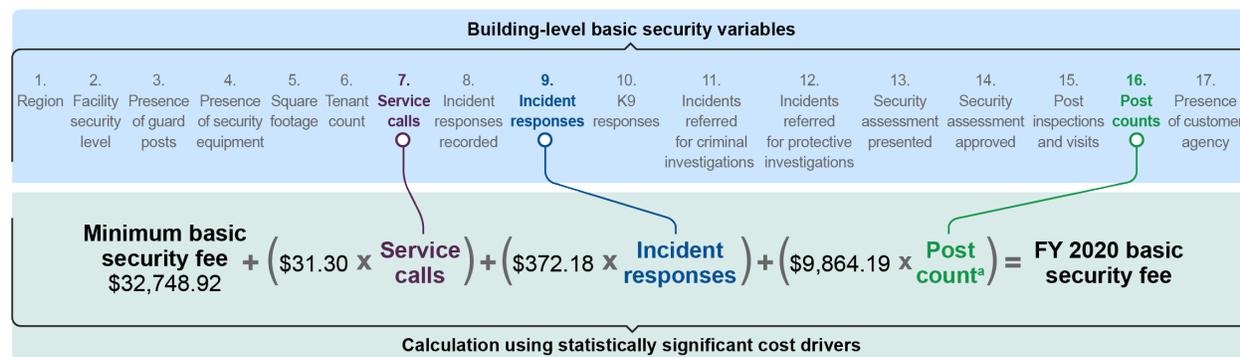
<sup>6</sup> Under Federal Management Regulations, any executive agency other than GSA providing space and services is authorized to charge the occupant for the space and service at rates approved by the Administrator of General Services and the Director of the Office of Management and Budget. 41 C.F.R. § 102-85.135.

<sup>7</sup> FPS officials said there are times when it levies a special assessment charge, such as when a new building is added to an agency’s inventory after FPS prepared its cost estimates. In these instances, FPS notifies OMB of the special assessment and requests OMB approval for the increased budget authority.

<sup>8</sup> Historically, increases are not uncommon. FPS increased its basic security fees six times between fiscal years 2004 and 2017.

FPS calculated the basic security fee according to each facility’s square footage.<sup>9</sup> Several factors drove FPS to make this change. In 2008, we recommended assessing the fee structure to determine if another approach could better align charges with costs, and in 2011, we reiterated the need to study alternatives.<sup>10</sup> In addition, OMB directed FPS to use its existing data—such as facility security level, region, and the number of contract guard posts in a building—to understand which factors drive security costs and to change the basic security fee to align the fee with those costs. In response to these recommendations and OMB’s directive, in September 2017 FPS formed an internal working group to develop a new fee structure. The working group identified factors that they believed might align costs with usage of FPS resources and placed 17 factors into a regression model. The model identified three factors as cost drivers: service calls, incident responses, and post counts (i.e., the number of contract guard posts in a building).<sup>11</sup> FPS used the regression model to determine that each building should be charged a minimum basic security fee of \$32,748.92, and to assign a dollar value to each of the three significant factors. Each building is charged the minimum basic security fee, and charges for the three factors are added on, as needed. The resulting calculation for fiscal year 2020, as well as the factors considered in the regression model, are shown in figure 2, below.<sup>12</sup>

**Figure 2: Variables Used by the Federal Protective Service to Develop the Fiscal Year (FY) 2020 Basic Security Fee Equation**



Source: GAO analysis of Federal Protective Service information. | GAO-21-311R

**Text of Figure 2: Variables Used by the Federal Protective Service to Develop the Fiscal Year (FY) 2020 Basic Security Fee Equation**

Minimum basic security fee \$32,748.92	+ (\$31.30 x Service Calls)	+ (\$372.18 x Incident responses)	+ (\$9,864.19 x Post count /a/)	= FY 2020 basic security fee
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<sup>9</sup> In fiscal year 2019, FPS charged agencies 78 cents per square foot of protected space.

<sup>10</sup> [GAO-08-683](#) and [GAO-11-492](#).

<sup>11</sup> Regression analysis is a statistical process for measuring the relationship between variables. In this case, FPS sought to determine the mathematical relationship between the costs of protecting buildings and the factors identified by the working group.

<sup>12</sup> To calculate the basic fee for fiscal year 2020, FPS used data from fiscal years 2015, 2016, and 2017. FPS officials noted that the regression model will be re-run in fiscal year 2022 using 5 years of historic data on all 17 factors. At that time, the cost drivers could change and the model would be adjusted accordingly, according to FPS officials. FPS intends to communicate the basic security fee cost to customers about 15 or 16 months before each yearly assessment takes effect. According to FPS officials, FPS reached out to all customers in July 2018 to communicate the new fee structure and provide them with their fiscal year 2020 assessment.

<sup>a</sup> Post count is the number of contract guard posts in a building

For multi-tenant buildings, the basic security fee costs are distributed among the tenants based on the square footage they occupy in the building. For example, if two agencies each occupy 50 percent of the square footage in a building, the basic security fee is evenly split between the agencies. If one agency only occupies 25 percent of the square footage and the other agency occupies 75 percent, the former pays 25 percent of the basic security fee, while the latter pays 75 percent.

While the method for calculating basic security fee *payments* changed, the *services* FPS provides under the basic security fee remain essentially the same. FPS did not reduce any services associated with the basic security fee, and it added administrative support for buildings that opt for additional security measures.<sup>13</sup> In fiscal year 2019, FPS helped pay for administrative support via an 8 percent overhead charge for additional security measures. However, starting in fiscal year 2020, the cost of administrative support is included in the basic security fee. Furthermore, according to FPS officials, the fee structure change was not designed to increase revenue. As previously discussed, OMB caps the maximum amount that FPS can charge for basic security fees, regardless of the fee structure FPS uses.

### **Projected Basic Security Costs to Decrease for Most but Not All Tenant Agencies**

Our analysis indicates that under the new fee structure, most agencies that pay basic security fees are projected to pay lower average basic security fees in fiscal years 2020 through 2022 than they did in fiscal year 2019, although three agencies—the Social Security Administration (SSA), DHS, and the Federal Mediation and Conciliation Service (FMCS)—are projected to experience significant cost increases.<sup>14</sup> Based on the average of FPS’s actual and anticipated charges for fiscal years 2020-2022:

- Of the 59 agencies that pay a basic security fee to FPS, 40 of these—more than two-thirds—are projected to experience an average decrease in annual basic security fee charges when compared to the amount charged in fiscal year 2019.
- The agencies projected to have the largest average dollar-value decreases are the Judiciary, at \$6.9 million, and the Department of Treasury, with \$4.1 million. Most projected decreases, however, are relatively modest, with a median of approximately \$266,000.
- Overall, 23 agencies’ basic security costs are projected to change, on average, less than \$100,000 above or below what they paid in fiscal year 2019.

Conversely, 19 agencies are projected to experience an increase in the basic security fees during the same time period (as shown in fig. 3). While the projected median increase is

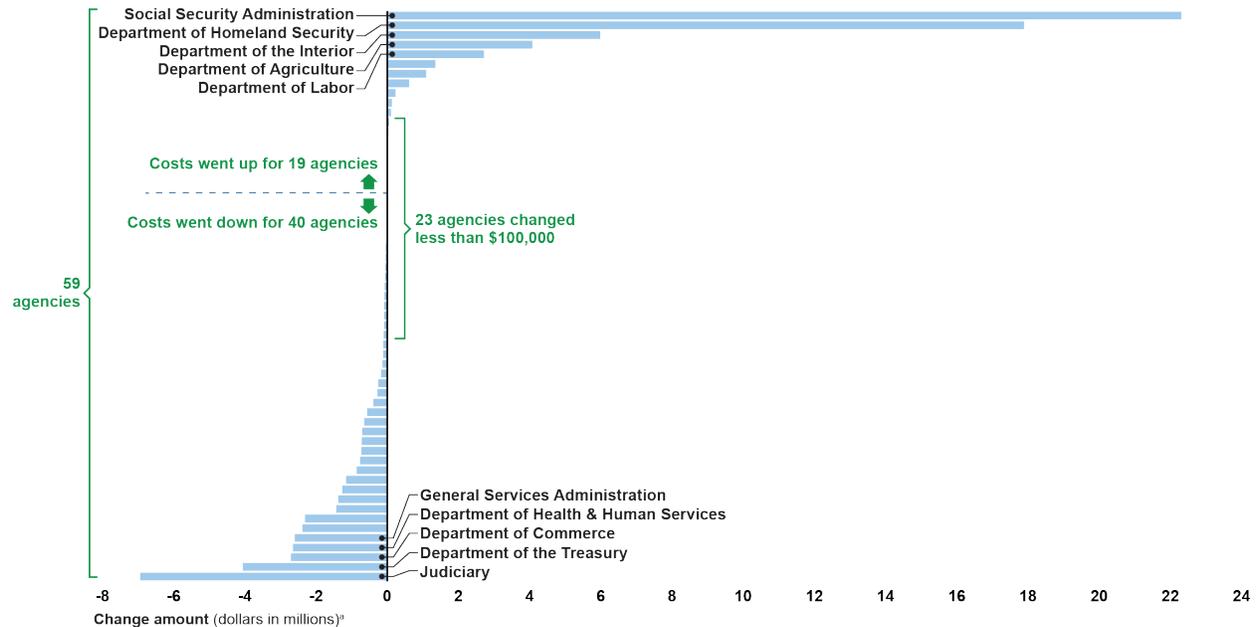
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<sup>13</sup> These additional security measures arise when an agency or the tenants of a building require additional protection, such as contract guards or security equipment. FPS acquires these agency-specific or building-specific measures on an agency’s behalf, and the agency reimburses FPS for the cost.

<sup>14</sup> We defined significant projected increases as a function of both dollar-value and percentage change. We analyzed agencies with at least \$10 million in projected dollar-value increases or a projected percentage change at or above 100 percent (i.e., doubling the previous cost). However, we excluded any agencies with high percentage changes if the dollar-value of the projected change was below the minimum basic fee of \$32,748.92. Two agencies experienced a projected percentage change in excess of 100 percent but with a projected dollar-value below the \$32,748.92 threshold: the Selective Service System and the Medicaid & CHIP Payment & Access Commission.

approximately \$132,000, the projected average dollar-value increases at two agencies—SSA and DHS—would comprise 71 percent of the total basic security fee increase over the 3-year period. SSA would experience an average annual increase of \$22.3 million, and DHS would experience an average annual increase of \$17.8 million.

**Figure 3: Projected Change in the Dollar Amount of Basic Security Fees, by Agency, from Fiscal Year 2019 to the Projected Average of Fiscal Years 2020 through 2022**



Source: GAO analysis of U.S. Federal Protective Service data from fiscal years 2019 through 2022. | GAO-21-311R

**Data table for Figure 3: Projected Change in the Dollar Amount of Basic Security Fees, by Agency, from Fiscal Year 2019 to the Projected Average of Fiscal Years 2020 through 2022**

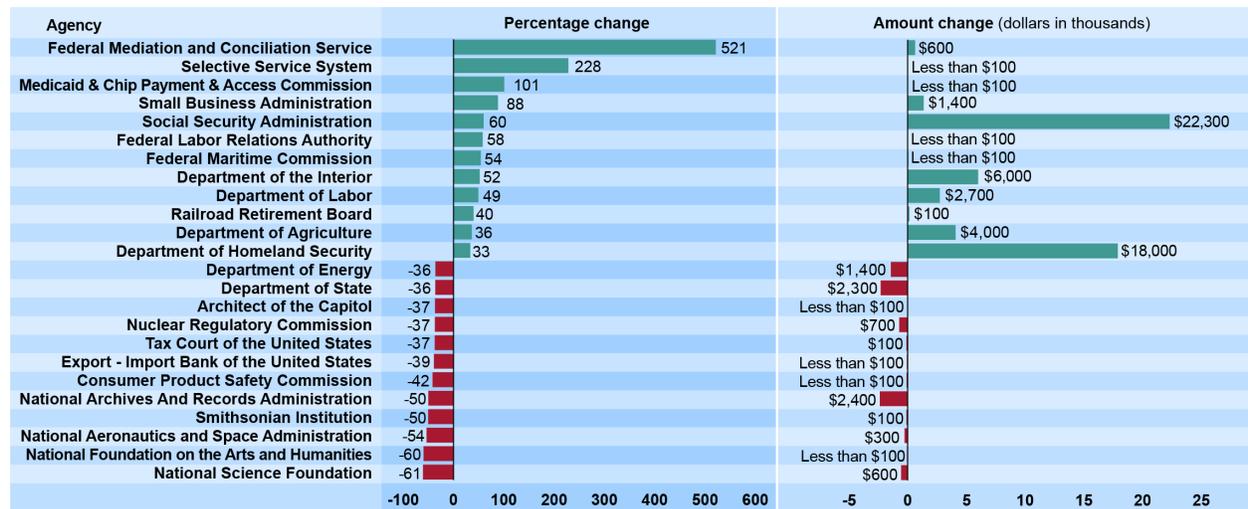
Agency Name	Amount change (dollars in millions)
Social Security Administration	22.3076
DHS Office of the Secretary	17.8914
Department of the Interior	5.98813
Department of Agriculture	4.07542
Department of Labor	2.717
Small Business Administration	1.35402
Office of the Secretary of Defense	1.09599
Federal Mediation And Conciliation Service	0.616808
Office of Personnel Management	0.234152
Railroad Retirement Board	0.131693
Executive Office of the President	0.104524
Federal Maritime Commission	0.05314
Government Accountability Office	0.0342103
Federal Labor Relations Authority	0.0287335
Selective Service System	0.0283672
Merit Systems Protection Board	0.0279139

<b>Agency Name</b>	<b>Amount change (dollars in millions)</b>
Medicaid & Chip Payment & Access Commission	0.00647671
American Battle Monuments Commission	0.00473757
U.S. Office of Special Counsel	0.00248537
Government Publishing Office	-0.00245857
Miscellaneous U.S. Commissions	-0.00929969
Equal Employment Opportunity Commission	-0.0147263
Library of Congress	-0.018647
Federal Retirement Thrift Investment Board	-0.0276134
National Labor Relations Board	-0.0455801
International Trade Commission	-0.0464018
Architect of the Capitol	-0.0590099
National Foundation On the Arts And Humanities	-0.0638098
Securities And Exchange Commission	-0.072145
Export - Import Bank of the United States	-0.080602
United States Congress	-0.0861516
Department of Air Force	-0.0889089
United States Postal Service	-0.0896768
Consumer Product Safety Commission	-0.0997309
Tax Court of the United States	-0.110738
Smithsonian Institution	-0.113005
Federal Communications Commission	-0.134233
Federal Trade Commission	-0.175997
Department of Navy	-0.257587
National Aeronautics And Space Administration	-0.275315
Department of Transportation	-0.391441
National Science Foundation	-0.56906
Independent U.S. Government Offices	-0.647894
Department of Education	-0.706946
Agency for International Development	-0.716316
Nuclear Regulatory Commission	-0.729543
Department of Army	-0.765972
Department of Housing And Urban Development	-0.860437
Department of Veterans Affairs	-1.15574
Environmental Protection Agency	-1.26369
Department of Justice	-1.37914
Department of Energy	-1.43406
Department of State	-2.31147
National Archives And Records Administration	-2.38475
General Services Administration	-2.59837
Department of Health & Human Services	-2.64853
Department of Commerce	-2.70688
Department of the Treasury	-4.05833
Judiciary	-6.94293

<sup>a</sup> In fiscal year 2019, FPS charged agencies an 8 percent overhead fee for agency-specific and building-specific security services, such as protective security officer contracts. These overhead fees were separate from the basic security fee. Starting in fiscal year 2020, FPS no longer charges the 8 percent overhead fees and recoups overhead costs through the basic security fee. To account for this change, we adjusted the fiscal year 2019 basic security fee data to include the overhead fees paid by each agency in fiscal year 2019. In addition, we compared the fiscal year 2019 data to the average of 3 years of cost information: actual agency charges in fiscal year 2020 and the anticipated charges for fiscal years 2021 and 2022, as calculated by FPS. The anticipated charges may change in the future.

The largest projected *dollar-value* changes were not necessarily associated with the largest *percentage* increase and decrease projections, as shown in figure 4. For example, FMCS is projected to experience a 521 percent average increase in fiscal years 2020 through 2022, although the average dollar-value of the projected change is less than \$617,000. Similarly, of the twelve largest projected percentage change increases, four were associated with average dollar-value changes of less than \$100,000. Furthermore, the five agencies averaging the largest projected *dollar-value* decreases (Judiciary, the Departments of Commerce and Treasury, Health and Human Services, and GSA) were not among the 12 agencies averaging the largest projected *percentage change* decreases.<sup>15</sup>

**Figure 4: The 12 Largest and Smallest Projected Percentage Changes in Basic Security Fees from Fiscal Year 2019 to the Average of Fiscal Years 2020 through 2022, Compared to Projected Dollar Amount Change**



Source: GAO analysis of U.S. Federal Protective Service data from fiscal years 2019 through 2022. | GAO-21-311R

**Data table for Figure 4: The 12 Largest and Smallest Projected Percentage Changes in Basic Security Fees from Fiscal Year 2019 to the Average of Fiscal Years 2020 through 2022, Compared to Projected Dollar Amount Change**

**Percentage Change**

Agency Name	Percentage change
Federal Mediation And Conciliation Service	521.253
Selective Service System	228.195
Medicaid & Chip Payment & Access Commission	100.599

<sup>15</sup> These five agencies averaged a projected 17 percent decrease in their basic security charges. For the 40 agencies with a projected decrease, the average was 26 percent.

<b>Agency Name</b>	<b>Percentage change</b>
Small Business Administration	88.1041
Social Security Administration	59.7755
Federal Labor Relations Authority	57.9071
Federal Maritime Commission	54.0734
Department of the Interior	51.8456
Department of Labor	49.2905
Railroad Retirement Board	39.7969
Department of Agriculture	36.0585
DHS Office of the Secretary	33.291
Department of Energy	-35.9588
Department of State	-36.3614
Architect of the Capitol	-36.9408
Nuclear Regulatory Commission	-37.1496
Tax Court of the United States	-37.3374
Export - Import Bank of the United States	-38.9927
Consumer Product Safety Commission	-41.6555
National Archives And Records Administration	-49.9825
Smithsonian Institution	-50.3114
National Aeronautics And Space Administration	-53.5968
National Foundation On the Arts And Humanities	-59.5777
National Science Foundation	-60.7782

### **Amount Changed**

<b>Agency Name</b>	<b>Amount change (dollars in thousands)</b>
Federal Mediation And Conciliation Service	0.616808
Selective Service System	0.0283672
Medicaid & Chip Payment & Access Commission	0.00647671
Small Business Administration	1.35402
Social Security Administration	22.3076
Federal Labor Relations Authority	0.0287335
Federal Maritime Commission	0.05314
Department of the Interior	5.98813
Department of Labor	2.717
Railroad Retirement Board	0.131693
Department of Agriculture	4.07542
DHS Office of the Secretary	17.8914
Department of Energy	-1.43406
Department of State	-2.31147
Architect of the Capitol	-0.0590099
Nuclear Regulatory Commission	-0.729543
Tax Court of the United States	-0.110738

<b>Agency Name</b>	<b>Amount change (dollars in thousands)</b>
Export - Import Bank of the United States	-0.080602
Consumer Product Safety Commission	-0.0997309
National Archives And Records Administration	-2.38475
Smithsonian Institution	-0.113005
National Aeronautics And Space Administration	-0.275315
National Foundation On the Arts And Humanities	-0.0638098
National Science Foundation	-0.56906

Note: In fiscal year 2019, FPS charged agencies an 8 percent overhead fee for agency-specific and building-specific security services, such as protective security officer contracts. These overhead fees were separate from the basic security fee. Starting in fiscal year 2020, FPS no longer charges the 8 percent overhead fees and recoups overhead costs through the basic security fee. To account for this change, we adjusted the fiscal year 2019 basic security fee data to include the overhead fees paid by each agency in fiscal year 2019. In addition, we compared the fiscal year 2019 data to the average of 3 years of cost information: actual agency charges in fiscal year 2020 and the anticipated charges for fiscal years 2021 and 2022, as calculated by FPS. The anticipated charges may change in the future. We rounded the amount changes, given that they are derived from projections.

As previously discussed, in fiscal year 2020, FPS began charging each building a minimum basic security fee of \$32,748.92, which is then divided among tenants in cases where a building is occupied by more than one agency. Under the 2019 fee structure of 78 cents per square foot, a building would need to be approximately 42,000 square feet in order to be charged an amount comparable to the new basic security fee.<sup>16</sup> By extension, any buildings smaller than 42,000 square feet will be charged more—due to the minimum basic security fee—under the new fee structure.<sup>17</sup> In the case of all three of the agencies projected to experience significant increases—FMCS, DHS, and SSA—in many cases they are the sole tenants (i.e., the agencies pay the full basic security fee) in buildings that are significantly smaller than 42,000 square feet. Specifically, in fiscal year 2017:

- Approximately half of FMCS’s 51 buildings were facilities smaller than 6,000 square feet where FMCS was also the sole tenant.
- DHS was the sole tenant in approximately 60 percent of the approximately 2,100 buildings that it occupied, with an average building size of approximately 13,200 square feet.
- SSA was the sole tenant in more than three-quarters of the approximately 1,600 buildings that it occupied, with an average building size of approximately 16,400 square feet.<sup>18</sup>

<sup>16</sup> Because buildings are added to and removed from FPS’s protection on an ongoing basis, we used FPS’s fiscal year 2017 building-level data (the last of the 3 years FPS used to calculate fiscal year 2020 charges) to conduct this aspect of our analysis.

<sup>17</sup> According to FPS’s model—which established the fees per building—a facility’s square footage is not a significant factor in the costs associated with protecting that building.

<sup>18</sup> In addition, approximately 87 percent of all SSA buildings had at least one guard post, which also contributes to their fee increase. The majority of federal buildings protected by FPS did not have any guard posts.

## Agency Comments

We provided a draft of this report to the Department of Homeland Security for review and comment. DHS did not have any comments.

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

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or [lathamC@gao.gov](mailto:lathamC@gao.gov). Contact points for our 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 were Maria Edelstein (Assistant Director), Alison Snyder (Analyst-in-Charge), Melissa Bodeau, Geoff Hamilton, Tim Kinoshita, Terence Lam, Jaclyn Mullen, Sue Murphy, Kelly Rubin, and Josh Ormond.

Sincerely yours,

A handwritten signature in cursive script that reads "Catina Bradley Latham".

Catina Bradley Latham

Acting Director, Physical Infrastructure

(104654)