

Why GAO Did This Study

The AQI program guards against agriculture threats by inspecting international passengers and cargo at U.S. ports of entry, seizing prohibited material, and intercepting foreign agricultural pests. The program, which cost \$861 million in 2011, is funded from annual appropriations and user fees. GAO has reported several times on the need to revise the fees to cover program costs as authorized. In 2010, APHIS initiated a review of AQI costs and fee design options. APHIS and CBP are considering options for a new fee structure. Pending departmental approval, APHIS expects to issue a proposed rule in fall 2013. GAO was asked to examine issues related to the AQI fees. This report examines 1) the fees currently charged and proposed revisions; 2) how fee revenues are allocated between the agencies; and 3) the extent to which fee collection processes provide reasonable assurance that all AQI fees due are collected. To do this, GAO reviewed AQI fee and cost data, and relevant laws, regulations, and policies; observed inspections at ports of entry; and interviewed APHIS and CBP officials.

What GAO Recommends

GAO is making a number of recommendations aimed at more fully aligning fees with program costs, aligning the division of fees between APHIS and CBP with their respective costs, and ensuring that fees are collected when due. Further, GAO suggests Congress amend the AQI fee authority to allow the Secretary of Agriculture to set fee rates to recover the full costs of the AQI program. USDA and DHS generally agreed with the recommendations.

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AGRICULTURAL QUARANTINE INSPECTION FEES

Major Changes Needed to Align Fee Revenues with Program Costs

What GAO Found

GAO's analysis of the Agricultural Quarantine Inspection (AQI) fee and cost data revealed a more than \$325 million gap between fee revenues and total program costs in fiscal year 2011, or 38 percent of AQI program costs. The program, which is co-administered by the Department of Agriculture (USDA) Animal and Plant Health Inspection Service (APHIS) and Department of Homeland Security (DHS) Customs and Border Patrol (CBP), has a gap for several reasons: 1) APHIS's authority does not permit it to charge all persons seeking entry to the United States (e.g., pedestrians) and does not permit it to charge the costs of those inspections to others; 2) APHIS has chosen not to charge some classes of passengers, citing administrative fee collection difficulties; 3) CBP does not charge a portion of all primary inspections to agriculture functions, as required by CBP guidance; 4) APHIS does not consider all imputed costs (that is, costs incurred by other agencies on behalf of the AQI program) when setting fees; and 5) the allowable rates for overtime services are misaligned with the personnel costs of performing those services. APHIS is considering fees that would better align many, but not all, AQI fees with related inspection activity costs. APHIS and CBP can take additional steps to better align fees with costs; however, additional authority will be needed to fully recover all program costs.

Contrary to APHIS-CBP agreements and APHIS policy, the distribution of fee collections between CBP and APHIS is significantly misaligned with AQI costs. In 2005, CBP and APHIS agreed to divide AQI collections in proportion to each agency's share of AQI costs. However, in fiscal year 2011, for example, CBP incurred over 80 percent of total program costs but received only 60 percent of collections, while APHIS incurred 19 percent of program costs but retained 36 percent of collections. CBP bridges the gap between its AQI costs and its share of the fee revenues with its annual appropriation. In keeping with its authorities and with good practices for fee-funded programs, APHIS carries over a portion of AQI collections from year to year to maintain a shared APHIS-CBP reserve to provide a cushion against unexpected declines in fee collections. APHIS's stated goal is to maintain a 3- to 5-month reserve but the preliminary fee proposal would fund the reserve at a level higher than the 5 month maximum. Further, the 5-month maximum target balance is the amount officials say they would need to completely shut down the program, and therefore does not reflect realistic program risks. Further, this is more than the amount required to cover shortfalls during both the 2009 financial crisis and the events of September 11, 2001, and would increase reliance on appropriated funds to cover current program costs.

APHIS's and CBP's collection processes do not provide reasonable assurance that all AQI fees due are collected. Specifically, APHIS does not collect AQI fees for railcars consistent with its regulations, resulting in a revenue loss of \$13.2 million in 2010. Further, CBP does not verify that it collects fees due for every commercial truck, private aircraft, and private vessel, resulting in an unknown amount of revenue loss annually. CBP has tools available to help remedy these issues but does not require their use. Until APHIS and CBP improve oversight of these collection processes, they will continue to forgo revenue due the government, which will increase reliance on appropriated funds to cover program costs.