

Audit of NARA's Public Transit Subsidy Program

OIG Audit Report No. 12-17

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Executive Summary

On April 21, 2000, President Clinton signed Executive Order 13150 (the Order), establishing the transportation fringe benefit program. This Order was established to reduce Federal employees' contribution to traffic congestion, air pollution, and to expand commuting alternatives. The Order allows Federal agencies to offer qualified Federal employees benefits to cover employee commuting costs incurred through the use of mass transportation. In May 2007, the Office of Management and Budget (OMB) issued Memorandum 07-15, *Federal Transit Benefits Program*, which identified and documented Transit Benefits Internal Controls to improve the administration of the program.

The National Archives and Records Administration (NARA) Office of Inspector General (OIG) performed an audit of NARA's Public Transit Subsidy Program (transit program) to determine the adequacy of internal controls over the administration of the transit program.

We found evidence that all OMB internal controls were addressed in NARA policies or in NARA's newly implemented monthly internal reviews of transit benefits processes. However, we identified these controls had not been implemented adequately or effectively to reduce the likelihood of fraud, waste, and abuse. Specifically, we found the following:

- NARA officials did not verify the completeness and accuracy of information in employee transit benefit applications. Incomplete and inaccurate applications and overstated commuting costs result in the inappropriate disbursement of Federal funds.
- NARA employees did not renew their transit benefits annually as required. Of the 29 in our sample, five did not meet this requirement. Thus, these employees should have been ineligible to participate in the transit program until a renewal application was received.
- Based on NARA policy "If you regularly use subsidized parking supplied by a Federal agency, you are not eligible to participate in the PTSP. If you receive subsidized (or free) parking, you must relinquish your parking permit before receiving the subsidy." Of the 74 transit participants at Archives II (AII), seven redeemed \$8,008 in transit benefits from October 2009 through May 2011 while also on NARA's parking lists.
- NARA has not implemented an effective process to determine whether employees adjust their benefits based on travel, telework, or change of address.
- Exit procedures were not effective to prevent separated employees from receiving transit benefits to which they are not entitled. For example, of the 25 transit participants that have separated from NARA, almost half continued to receive transit benefits after they left NARA.

- NARA's listing of transit program participants is not accurate. The Department of Transportation (DOT) system includes NARA employees that no longer are on NARA's list or have cancelled their benefits.

We identified several improvements to be made to NARA's Public Transit Subsidy Program. We made nine recommendations to assist the agency in strengthening the transit program to address OMB internal control requirements and to improve the effectiveness of NARA's Public Transit Subsidy Program.

The issuance of this report was delayed due to staffing shortages and other higher priority projects. We believe this report is still timely and relevant for management to take action.

Background

Executive Order 13150 dated April 21, 2000, established the Federal Workforce Transportation program to reduce Federal employees' contribution to traffic congestion, air pollution, and to expand commuting alternatives. Each Federal agency is permitted to provide a non-taxable transit subsidy designed to encourage its employees to use mass transit for their daily commute.

In April 2007, the Government Accountability Office (GAO) reported numerous instances of fraud and abuse of the Federal Workforce Transportation program by Federal employees. To prevent and deter further abuse, the Office of Management and Budget issued a memorandum on May 14, 2007, listing 10 minimum internal controls and requiring all Federal agencies to confirm, no later than June 30, 2007, that they had implemented these controls.

Transit benefit subsidies at NARA are disbursed in several ways due to the various geographical areas covered. Transit passes come in the form of Metrochek, vouchers or SmarTrip® downloadable cards in the Washington, DC area. Other major cities use TranBen Checks, vouchers, debit cards or CommuterChecks. At the time of our audit, the maximum benefit amount was \$230¹ per month. However, an individual employee may not receive benefits exceeding their actual public transit commuting cost.

In FY 2009, responsibility of the transit program moved from the Performance and Accountability Staff to the Facilities and Property Management Division (BF). NARA's Facility and Property Management Office (BF), under the Chief Operating Officer, administers the Transit Program. The National Transit Coordinator (NTC) in BF manages the transit program at NARA, which includes maintaining current policies, procedures, and internal controls adequate to the scope of the program. The Local Transit Coordinators (LTC) at NARA facilities, including Washington DC area locations, Presidential Libraries, Regional Archives, and Regional Records Service Facilities provide assistance to participants as necessary to complete forms and resolves any problems with receipt of correct subsidy amounts.

In FY 2010, the local transit coordinator at AII left NARA. While they were updating the transit program, BF found they cannot rely on NARA-wide controls over parking or exit procedures to assist in managing the transit program because these controls may be inadequate.

BF performs monthly internal review on participant files and transit benefits received over a three month period. BF randomly selects 10 participants including at least two

¹ A provision in the American Recovery and Reinvestment Act of 2009 that temporarily increased transit subsidy benefits to \$230 has expired. The monthly transit subsidy benefit decreases from \$230 to \$125 effective January 1, 2012.

participants from outside the Washington, DC area. BF reviews participant’s files to make sure files are current. BF contacts the participant’s supervisor and reviews GSA Form 873 Annual Attendance Record for leave data and transit data to determine how much was downloaded for a specified time period and compares it to their approved amount. BF also inquires with BX whether the employee also has a parking permit.

At the time of this audit, 613 NARA employees were participating in the Transit Program. These participants were authorized to receive up to \$82,825 in total monthly benefits. In January 2011, NARA participants received or downloaded \$64,415.95 worth of transit benefits.

NARA’s List of Public Transit Subsidy Program Participants

Geographical Location	Authorized Monthly Transit Benefits	Number of Participants	Average Monthly Transit Benefits
Washington, DC	\$65,827	434	\$151.68
San Francisco and San Bruno, CA	\$4,368	31	\$140.90
St. Louis, MO	\$3,264	48	\$68.00
Philadelphia, PA	\$3,165	34	\$93.09
New York	\$2,464	17	\$144.94
Boston, MA	\$1,895	25	\$75.80
Chicago, IL	\$430	5	\$86.00
Dayton, Ohio	\$400	7	\$57.14
Atlanta, GA	\$320	4	\$80.00
Denver, CO	\$237	3	\$79.00
Anchorage, AK	\$188	2	\$94.00
Kansas City, KS	\$147	2	\$73.50
Seattle, WA	\$120	1	\$120.00
Total	\$82,825	613	\$135.11

Objectives, Scope, Methodology

The objective of this audit was to determine the adequacy of internal controls over the administration of the NARA Public Transit Subsidy Program. Specifically, our review focused on whether transit controls identified by OMB were adequately implemented by NARA.

To understand the requirements for the Public Transit Subsidy Program, we reviewed applicable documents including (a) Executive Order 13150, *Federal Workforce Transportation*; (b) OMB Memorandum 07-15, *Federal Transit Benefits Program*; (c) NARA Interim Guidance 741-1A, *Changes in Public Transit Subsidy Program*, February 5, 2009; (d) NARA 701, *Public Transit Subsidy Program and Qualified Transportation Fringe Benefits*, April 7, 2005; (e) NARA Notice 2008-254, *Public Transit Program Changes*, August 20, 2008; (f) NARA Notice 2007-268, *Implementation of the Mandatory SmartBenefits® Program*; (g) Interagency Agreement between NARA and DOT for Transit Subsidy Program support; and (h) DOT's *Oversight Guidelines for Transit Benefit Coordinators*.

To accomplish our objectives we did the following:

- Reviewed NARA's Public Transit Benefit Program against requirements set forth in OMB Memorandum 07-15, *Federal Transit Benefits Program*.
- Evaluated the completeness of NARA's list of participants.
- Compared NARA's list of participants at Suitland Parking and Archives II (AII) to parking permit data and NARA's new Parking system.
- Obtained transit benefit data from Department of Transportation.
- Recalculated commuting expenses for reasonableness.
- Reviewed transit benefit participants for ineligible persons, such as contractors using data from Human Capital Office.
- Evaluated recertification process.
- Evaluated controls over independent verification of eligibility and commuting costs.
- Evaluated controls over canceling transit benefits and identified overpayments to separated employees.
- Obtained a list of employees that left NARA from October 1, 2009 through March 31, 2011 from the Human Capital Office.
- Evaluated Facilities and Property Management's monthly internal review process.
- Held discussion with from Facilities and Property Management (BF), Security Management (BX), and several local transit coordinators across the country.

We judgmentally selected at least two applicants from the top nine locations for a sample of 29 transit applicants out of 613 transit participants on NARA's List of Transit Benefit Participants.

Our audit work was performed between February 2011 and November 2011. All audit work was performed at Archives II (AII) in College Park, MD. We conducted this

performance audit 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.

The issuance of this report was delayed due to staffing shortages and priority of other projects. We believe this report is still timely and relevant for management to take action.

Audit Results

Key OMB internal controls and NARA internal controls were not effectively implemented

NARA has established key controls identified by OMB (See Appendix A) in their policies and procedures; however, many of these controls have not been implemented effectively. This occurred because management's review of applications did not include effective verification of information on transit applications including commuting costs. NARA implemented a monthly internal review process over transit activity; however, key controls were not included in their review. As a result, unauthorized disbursements of Federal funds could be made to ineligible transit participants.

Application and Independent Verification Requirements Not Met

During the course of our review, we sampled 29 transit benefit applications to determine whether controls over transit benefit applications were effective. We found:

- Four applications were incomplete and missing data such as work phone number, name of company used to support their projection of monthly public transit, signature for employee certification of eligibility, signature for employee certification of the warning against making false statements in benefit application, and the national transit coordinator's signature approving the application.
- Nine applicants contained inaccurate commuting costs.
- Five participants enrolled in the program did not renew their transit benefit application annually, as required by NARA.

Controls over the review of applications were weak because no actual verifications were performed to determine the completeness and accuracy of information on the application. The NTC said she does not verify commuting costs; rather she reviews the application for reasonableness of commuting costs. Controls over renewing applications were weakened during the transition of the transit program moving from Performance and Accountability Staff to the Facilities and Property Management Division.

Without complete applications, a strong annual renewal process, and appropriate verifications ineligible employees may receive transit benefits and commuting costs may be overstated without risk of detection resulting in unauthorized disbursement of Federal funds.

Applicants Not Checked Against Parking Benefits Records

NARA employees that receive transit benefits also have a record of parking benefits. NARA 701.12 states that “If you regularly use subsidized parking supplied by a Federal agency, you are not eligible to participate in the PTSP. If you receive subsidized (or free) parking, you must relinquish your parking permit before receiving the subsidy.”

BF is concerned there is no way to monitor participants that park at AII if participants do not register their vehicle in the automated License Plate Recognition system. The automated License Plate Recognition system deployed by NARA is not properly functioning. Previously, NARA used parking permits that were logged in the badge system. NARA started to collect parking permits and then stopped collecting them. Parking permit information in the badge system may not be accurate because NARA may not have updated the system when parking permits were collected.

We reviewed all 74 transit participants from AII against NARA’s Badge System with parking permit identification numbers and found seven participants potentially received \$8,008 in benefits they were not entitled to. Authorized benefits for AII participants from October 2009 through May, 2011 are estimated at \$228,480. BF followed-up with six participants and was told they already handed in their parking permit or the employee left NARA. However this may not have been updated in the parking system.

List of transit benefits potentially received from October 2009 through May 2011 for those AII transit participants that also have a record of having a parking permit

<i>Employee Count</i>	<i>Benefits Received</i>
<i>1</i>	<i>2,309.30</i>
<i>2</i>	<i>1,616.75</i>
<i>3</i>	<i>1,428.00</i>
<i>4</i>	<i>1,355.60</i>
<i>5</i>	<i>716.00</i>
<i>6</i>	<i>460.00</i>
<i>7</i>	<i>122.40</i>
<i>Total</i>	<i>8,008.05</i>

The name of employees on NARA’s parking lists and on NARA’s list of transit program participants has been referred to our Office of Investigations for further review.

Benefits Adjusted Due to Travel, Telework, or Change of Address Not Verified

Transit participants may not be adjusting their benefits for travel, telework, or change of address. In its monthly internal review process, the supervisor is notified when their employee is selected for the internal review of transit activity and the supervisor provides

any work address changes or information needed. BF did not request information from other NARA offices supporting travel, telework, and change of address information to determine the effect on the participant's transit benefits.

The NTC stated she did not know how to get travel or address information. The NTC was concerned this type of personally identified information could not be provided to their office so BF was not using 'outside sources' other than the supervisor.

Offices within NARA need to communicate and share information to successfully administer the transit program. NARA's initiative to create a One NARA provides pillars that employees should stand by, including working as one NARA and not just as component parts, taking responsibility for meeting customer needs even internally, insisting 'support' offices enable the success of 'program' offices and making internal information accessible to staff by default. Personally identified information may be shared internally as long as there is a business need and information is secured in accordance with NARA guidance.

Without testing whether employees adjust their benefits based on travel, telework, or change of address during BF's monthly internal reviews, participants may be receiving ineligible transit benefits.

At the end of our fieldwork, Washington DC Metro's SmartBenefits program changed the way participants load transit benefits on their SmarTrip® card. Instead of participants self-loading benefits to their SmarTrip® card, after reducing the eligible amount based on the number of days of non-use of mass transit in the prior month, their eligible benefits will automatically be loaded on their SmarTrip® card starting December 1, 2011. This is important because participants in this area will no longer need to adjust their benefits each month for days they did not use mass transit (telework, travel, leave) in the previous month. Unused monthly benefits will be credited back to NARA's account.

Separated employees continue to download transit benefits

Separated employees continued to download transit benefits after they left NARA. NARA transit policy requires participants of the transit benefit program to fill out NA Form 6041c to cancel their transit benefits and return all unused benefits. In addition, NARA exit clearance process includes a provision for the supervisor or administrative officer to email the transit program when an employee is leaving NARA.

Participants are not submitting the NA Form 6041c to cancel their benefits prior to leaving NARA. The Washington area LTC said she rarely receives emails regarding separating employees so transit benefits can be cancelled. Based on the FY 2011 Financial Statement Audit Report (OIG Report #12-03, December 15, 2011) a recommendation remains open based on a finding that supervisors did not always adhere to the policy of processing employee exit clearance forms and recommended supervisors receive training in their exit clearance process responsibilities.

We compared NARA’s listing of transit participants to a list of employees that left NARA from October 1, 2009 through March 31, 2011. Authorized transit benefits were estimated at \$1.6 million for the same period. We identified 25 transit participants that left NARA during that time. Our review of those 25 transit participants separated from NARA revealed 12 received, in total, \$1,254 after they left NARA.

List of transit benefits received after participants left NARA

<i>Employee Count</i>	<i>Benefits Received</i>
1	315.00
2	222.90
3	113.00
4	110.00
5	104.00
6	93.90
7	70.00
8	58.00
9	57.40
10	56.15
11	33.00
12	21.00
Total	1,254.35

This has been referred to our Office of Investigations for further review.

NARA’s List of Transit Benefit Participants and DOT’s Transit Database are not Accurate

NARA’s list of transit benefit participants and DOT’s alphabetical list include names of NARA employees who no longer participate in the transit program. GAO’s “*Standards for Internal Control in the Government*” requires transactions to be promptly recorded to maintain their relevance and value to management in controlling operations. In addition, “Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations...It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.”

In FY 2009, responsibility of the transit program moved from Performance and Accountability Staff to the Facilities and Property Management Division. In addition the previous LTC in Washington, DC left NARA. As a result of all the transition, the NARA listing of transit participants, participant files and DOT data were was not kept up-to-date by adding new participants, and/or removing employees who were no longer eligible for the benefit or who left NARA. As a result, NARA records were not maintained and information was not passed on to DOT to keep their records accurate.

Recommendations

1. The Executive for Business Support Services develop a process to ensure applications are completely filled out before supervisors, LTC's and the NTC approve transit benefit applications. Applications with missing information and applicants that do not sign the Employee Certification of Eligibility or the Warning Against Making False Statements on the transit benefit application should not be approved. The LTC and NTC signatures should be on the transit benefit application.
2. The Executive for Business Support Services should enforce the requirement that transit benefits not be paid unless annual renewal applications are approved.
3. The Executive for Business Support Services require employees to affix a copy of the applicable state or local transit authority online trip planner or other documentation supporting their commuting expenses to their application for transit benefits.
4. The Executive for Business Support Services should require LTC's and NTC to document their review of verifying each applicant's commuting expenses.
5. The Executive for Business Support Services should coordinate with BF and BX to develop a strategy to ensure employees with transit benefits are not abusing the system by parking in NARA parking lots.
6. The Executive for Business Support Services should coordinate with BF and BX to allow the LTC at AII to review parking activity in the automated License Plate Recognition system of transit participants during their monthly internal review and for any unusual parking activity noted.
7. The Executive for Business Support Services should develop standard operating procedures describing BF's monthly internal review process. Further, BF's monthly internal review processes should include the following for considering transit related activity for applicants selected:
 - Request day's traveled from participant's supervisor.
 - Request day's teleworked from participant's supervisor.
 - Confirm with the Human Capital Office the home address of the participant and whether participants have separated from NARA.
 - Confirm work address with participants' supervisor.

Note: Attributes tested may be adjusted based on relevant controls in various locations. For example, testing days not using mass transit for travel or telework may not be necessary in the Washington DC area where benefits are auto-loaded and unused benefits returned to NARA at the end of the month.

8. The Executive for Business Support Services should work with the Human Capital Office (H) to obtain a monthly list of separated employees to reduce the risk that employees separating from NARA collect subsidies to which they are not entitled until the exit clearance procedures can be relied upon.

9. The Executive for Business Support Services should reconcile the NARA list of transit program participants and DOT participant data to ensure accuracy at least annually. Based on the results of this comparison, Transit participant files should be updated also.

Management Response

Management concurred with the recommendations.

Appendix A – OMB Memorandum 07-15

Federal Transit Benefits Program

Key internal controls to improve the administration of the transit program:

Application

- Employee Home Address
- Employee Work Address
- Commuting Cost Breakdown
- Employee Certification of Eligibility
- Warning Against Making False Statements in Benefit Application

Independent Verification

- Commuting Cost Verified by Approving Official
- Eligibility Verified by Approving Official

Implementation

- Applicants Checked Against Parking Benefits Records
- Benefits Adjusted Due to Travel, Leave, or Change of Address
- Removal from Transit Benefits Program Included in Exit Procedures

Appendix B – IMPLEMENTATION OF OMB PRESCRIBED INTERNAL CONTROLS

OMB Prescribed Internal Controls	NARA Policy	Effectively Implemented	Report Finding
Application Requirements			
1. Employee Home Address	Yes	Yes	
2. Employee Work Address	Yes	Yes	
3. Commuting Cost Breakdown	Yes	No	Page 9
4. Employee Certification of Eligibility	Yes	No	Page 9
5. Warning Against Making False Statements in Benefit Application	Yes	No	Page 9
Independent Verification of Eligibility			
6. Commuting Cost Verified by Approving Official	Yes	No	Page 9
7. Eligibility Verified by Approving Official	Yes	Yes	
Implementation			
8. Applicants Checked Against Parking Benefits Records	Yes	No	Page 10
9. Benefits Adjusted Due to Travel, Leave, or Change of Address	Yes	No*	Page 10
10. Removal from Transit Benefits Program Included in Exit Procedures	Yes	No	Page 11

* NARA does review benefits to make sure they are adjusted for leave.

Appendix C – Acronyms and Abbreviations

AII	National Archives and Records Administration, College Park, MD
BF	Facilities and Property Management
BX	Security Management
DOT	Department of Transportation
GAO	Government Accountability Office
LTC	Local Transit Coordinator
NARA	National Archives and Records Administration
NTC	National Transit Coordinator
OIG	Office of Inspector General
OMB	Office of Management and Budget
PEPCO	Potomac Electric Power Company
PTSP	Public Transit Subsidy Program

Appendix D - Management's Response to the Report



Date: AUG 13 2012
To: Paul Brachfeld, Inspector General
From: David S. Ferriero, Archivist of the United States
Subject: OIG Draft Audit 12-17, Audit of NARA's Public Transit Subsidy Program

Thank you for the opportunity to provide comments on the draft Transit Subsidy audit report. We appreciate the auditor's willingness to work with us to resolve questions and comments.

We concur with the nine recommendations in this audit, and will begin work on an action plan when the final report is issued.

If you have any questions or need additional information on these comments, please contact Mary Drak by phone at 301-837-1668 or via email at mary.drak@nara.gov.


David S. Ferriero
Archivist of the United States

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Appendix E - Report Distribution List

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Executive for Business Support Services (B)