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# Controls Over the Department's Transit Benefits Program

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## FINAL AUDIT REPORT



**ED-OIG/A19I0001**  
**June 2010**

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Our mission is to promote the efficiency, effectiveness, and integrity of the Department's programs and operations.



U.S Department of Education  
Office of Inspector General  
Washington, DC

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## **NOTICE**

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

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**UNITED STATES DEPARTMENT OF EDUCATION**  
**OFFICE OF INSPECTOR GENERAL**

June 1, 2010

**Memorandum**

**TO:** Winona Varnon  
Delegated the Authority of the Assistant Secretary  
Office of Management

**FROM:** Keith West /s/  
Assistant Inspector General for Audit

**SUBJECT:** Final Audit Report  
Controls Over the Department's Transit Benefits Program  
Control Number ED-OIG/A19I0001

Attached is the subject **final audit report** that covers the results of our audit to determine whether controls over the Department's transit benefits program effectively ensure program integrity and accountability. We received the Office of Management's comments and its corrective action plan for each of the recommendations in our draft report.

Corrective actions proposed (resolution phase) and implemented (closure phase) by your office will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System (AARTS). Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the findings and recommendations contained in this final audit report.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given us during this review. If you have any questions, please call Michele Weaver-Dugan at (202) 245-6941.

Enclosure

cc: Victoria Bateman, Director, Facilities and Management Services, Office of Management  
Jeanie Banks, Audit Liaison Officer, Office of Management  
Donna Butler, Chief of Staff, Office of Management

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## EXECUTIVE SUMMARY

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In Fiscal Year 2000, Executive Order 13150 required Federal agencies to establish transportation fringe benefit programs for employees. The program encourages Federal employees to use mass transportation and vanpools by providing them with tax-free transit benefits up to the amount of the employees' monthly commuting costs. Until the passage of the American Recovery and Reinvestment Act of 2009 (ARRA), public transit and vanpooling benefits were set at no more than \$120 per month for Calendar Year 2009. Under ARRA, from March 1, 2009, through December 31, 2010, the public transit and vanpooling maximum benefit is set at \$230 per month.

Within the Department of Education (Department), the Office of Management's (OM) Support Services Team is responsible for managing the Department's transit benefits program to include assuring all transit distributions are within the allowable benefit for individual employees. OM also receives assistance from the Department of Transportation (DOT) in administering the program and distributing transit benefits to Department employees.

The objective of our audit was to determine whether controls over the Department's transit benefits program effectively ensure program integrity and accountability. Overall, our audit found that the Department's controls over the transit benefits program were inadequate. Specifically, the Department's controls did not ensure that only current employees received transit benefits, employees were not participating simultaneously in the transit benefits and subsidized parking programs, and that employees on extended leave adjusted their benefits accordingly. As a result, the Department paid \$118,982 in benefits to individuals who were not entitled to them.

We also noted a need for improvement in controls over the application, withdrawal, and recordkeeping processes. We found the Department did not always perform verifications to ensure that data on transit benefits applications were valid and accurate. In addition, the Department failed to maintain adequate records as well as a proper audit trail over excess funds collected from employees withdrawing from the program. As a result, the program is at increased risk for fraud, waste, and abuse.

Lastly, we found the Department did not ensure the data maintained in the transit benefits database were accurate. The Department relies on these data to manage its transit benefits program and identify employee program participants. Inaccurate data can compromise the integrity of the program. Without an effective verification process in place, the Department continues to run the risk of paying costs that are inappropriate.

To correct the weaknesses identified, we recommend that the Assistant Secretary for Management, among other things:

- Review the transit benefits database to ensure only current Department employees are included. Immediately remove former employees.
- Implement a process to perform monthly comparisons of the DOT transit benefits database with the listing of separated employees to ensure all separated employees have been removed from the program and are properly noted as such in DOT's database.
- Ensure the process for comparing transit benefits and parking participants is fully implemented and includes secondary carpool participants.
- Obtain periodic reports of employees on extended periods of leave and compare to transit benefits participant data.
- Determine whether to proceed with recapturing benefits inappropriately received by individuals noted in this report.
- Require Approving Officials to validate employees' home addresses listed on the enrollment applications and verify that commuting costs were correctly calculated.
- Develop and implement formal procedures related to the calculation of the amount of excess benefits to be returned and documentation of the amount of excess transit benefits received from individuals that withdraw from the program.
- Develop and implement policies and procedures regarding the storage and retention of transit benefits records.
- Develop and implement policies and procedures addressing the verification of the monthly invoices provided by DOT.

In its response to the draft audit report, OM concurred with each of the recommendations with the exception of draft recommendation 4.2, related to the designation of employee supervisors as the first line Approving Officials to review and approve employee enrollment applications. OM stated the recommendation introduces unnecessary risk to the Federal Personnel Payroll System and requires DOT to implement a system change to its transit system database. As OM's planned corrective actions related to the other recommendations in Finding 4 address the intent of draft recommendation 4.2, we have removed the recommendation from the final report. As a result of the deleted recommendation, draft recommendation 4.3 is now recommendation 4.2.

In addition, after reviewing OM's comments to Finding 2, we have modified the number of employees that appear to have received transit benefits during the same time period they were participating in the parking program. We have not made any other changes to our findings or recommendations. OM's comments are summarized at the end of each applicable finding. The full text of OM's response is included as Attachment 2 to this report.

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## BACKGROUND

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In Fiscal Year (FY) 2000, Executive Order 13150 required Federal agencies to establish transportation fringe benefit programs for qualified employees. The goal of these programs is to reduce Federal employees' contribution to traffic congestion and air pollution and expand their commuting alternatives. Federal agencies are required to encourage the use of mass transportation and vanpools by providing their qualified employees with tax-free transit benefits up to the amount of the employee's commuting costs, not to exceed the maximum level allowed by law, which was \$110 per month in Calendar Year (CY) 2007 and \$115 per month in CY 2008. Until the passage of the American Recovery and Reinvestment Act of 2009 (ARRA), public transit and vanpooling benefits were set at no more than \$120 per month for CY 2009. Under ARRA, from March 1, 2009, through December 31, 2010, the public transit and vanpooling maximum benefit is set at \$230 per month.

To participate in the Department of Education's (Department) transit benefits program, Department employees must complete an application, certifying the amount of their expected monthly commuting costs. Employees may not receive transit benefits from the Department if they are also receiving any other form of commuter benefit, such as reduced-rate parking in any Federal building. In addition, they may only receive and use benefits for that part of their commute for which they use mass transit, which includes rail, bus, metro, para-transit (for employees with disabilities), or certified vanpools. The amount requested by eligible employees may not exceed their average monthly commuting costs, based on a 20-day month.

Employees must submit revised transit benefits applications if changes in employment, residence, or commuting costs occur. Any employee that transfers to another regional office, leaves his or her job at the Department, or withdraws from the transit benefits program, is required to return the prorated amount of unused transit benefits to the Department.

The Support Services Team within the Office of Management (OM) is responsible for managing the Department's transit benefits program to include assuring all transit distributions are within the allowable benefit for individual employees. Each year, OM contracts with the Department of Transportation (DOT) to assist it in administering the program and distributing transit benefits to Department employees. DOT provides assistance to OM by processing enrollment applications, maintaining a database that identifies participants, providing monthly invoices with reports on employee participation, and distributing transit benefits to qualified Department employees. OM retains key management responsibilities for the program, which include ensuring internal controls safeguard against waste, fraud, abuse, mismanagement, or misappropriation of government funds.

For FYs 2007 and 2008, the Department's transit benefits program averaged \$3.3 million, with an average of 3,342 employees participating in the program each year.

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## AUDIT RESULTS

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Overall, our audit found the Department's controls over the transit benefits program were inadequate. Specifically, the Department's controls did not ensure that only current employees received transit benefits, that employees were not participating simultaneously in the transit benefits and subsidized parking programs, and that employees on extended leave adjusted their benefits accordingly. We found the Department did not always perform verifications to ensure that data on transit benefits applications were valid and accurate, and that it failed to maintain adequate records as well as a proper audit trail over excess funds collected from employees withdrawing from the program. In addition, the Department did not ensure the data maintained in the transit benefits database were accurate. As a result, the Department is paying for benefits for individuals who are not entitled to them and the program is at increased risk for fraud, waste, and abuse.

### **FINDING NO. 1 – The Department Did Not Ensure That Only Current Employees Received Transit Benefits**

The Department did not ensure only current employees received transit benefits. We identified 126 individuals that had separated from the Department that were still noted as current transit benefits program participants as of March 2008. Of these 126 individuals, 97 (77 percent) received benefits after their separation date totaling \$82,477. We also identified three individuals that had separated from the Department that were noted as withdrawn from the transit benefits program, but had still received a total of \$281 after their separation date.<sup>1</sup>

In addition, we noted 23 current program participants who were not listed in the personnel database as either current or former Department employees. We found 22 of the 23 individuals (96 percent) received benefits totaling \$29,572. We noted one additional individual who was listed as withdrawn from the program who also was not listed in the personnel database. This individual received \$475 in transit benefits.<sup>2</sup>

Departmental Directive OM: 2-102 (Directive), *Transit Benefits Program*, dated November 4, 2005, Section VI, Part A, states<sup>3</sup>

ED [Department of Education] will use internal controls and/or the Department of Transportation's established procedures to safeguard against waste, fraud, abuse, mismanagement, or misappropriation of government funds. These procedures provide for...:

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<sup>1</sup> Amounts noted include benefits received from separation date through October 2008.

<sup>2</sup> Amounts noted include benefits received from October 2006 through October 2008.

<sup>3</sup> The Directive was updated on April 21, 2009. The previous version of the Directive is cited throughout this report as it is the version in effect during our scope period. Any changes to the Directive that impact the findings are noted where warranted.



4. Ensuring that participants leaving ED or the Federal service do not continue receiving benefits....

#### Appendix A of the Directive states

In addition, the system also checks transit benefits participants against names in the personnel database. As employees' demographic information is entered into the system, the record is flagged if it... does not appear in the personnel database.... This new procedure is necessary to guard against non-employees realizing the benefits of the program.

According to OM staff, contrary to what was noted in the Directive, the transit benefits and personnel databases are not connected and there is no easy way to compare them. In addition, there is no periodic cross-referencing between the transit benefits participant data and separated employees data maintained by Human Resources Services (HR). We also noted there is no specific procedure in place for removing separated employees from the DOT transit benefits database.

OM staff stated that monthly billings from DOT are used to create reports for each Principal Office (PO). These reports are sent to each respective Executive Officer (EXO) for verification. However, the EXOs stated that reports are sent sporadically and they are unsure of their responsibilities regarding these reports. There have been no specific directions or guidance provided for reviewing the reports.

As a result, ineligible participants are continuing to receive benefits under the transit benefits program or have the ability to do so. The Department is paying for benefits for non-employees.

The Department recently moved to an electronic application process and redefined some of the associated procedures. This includes having the EXOs review each application prior to submission to OM to ensure the individual is an employee assigned to their PO. This process should help to ensure participants are actually Department employees.

#### **Recommendations**

We recommend that the Assistant Secretary for Management:

- 1.1. Review the transit benefits database to ensure only current Department employees are included. Determine whether the 126 separated employees and the 23 program participants not listed in the personnel database as noted above are former Department employees and immediately remove the former employees from the transit benefits program.
- 1.2. Implement a process to perform monthly comparisons of the DOT transit benefits database with the HR listing of separated employees to ensure all separated employees have been removed from the program and are properly noted as such in DOT's database.

- 1.3 Distribute program participation reports provided by DOT to EXOs on at least a quarterly basis along with specific guidance regarding their responsibilities for reviewing the reports. Ensure this process, to include related responsibilities, is incorporated into the applicable Directive.
- 1.4 In consultation with the Office of the General Counsel (OGC), determine whether to proceed with recapturing benefits inappropriately received by individuals noted in this report.

### **OM Comments**

OM concurred with the recommendations. OM stated it has begun performing monthly reconciliations between the DOT transit benefits database and the HR listing of separated employees and has included this process in its applicable standard operating procedures (SOP). OM plans to reconcile the 126 identified separated employees with the DOT transit benefit database to ensure they are not included in the program and has removed the 23 program participants not found in the personnel database. OM also plans to determine whether any of the 126 separated employees continued to receive benefits after separating from the Department, and OM plans to consult with OGC to determine whether to proceed with recapturing benefits.

In addition, OM stated it has begun providing monthly DOT transit benefits participation reports to EXOs. Revisions to the Directive and SOP include procedures for distributing these reports and applicable guidance regarding EXO responsibilities for reviewing the reports.

### **FINDING NO. 2 – The Department Did Not Ensure That Transit Benefits Participants Were Not Participating in the Parking Program**

The Department did not ensure that transit benefits program participants were not simultaneously participating in the parking program. We found 28 employees located in the Department's Washington, D.C., headquarters offices noted as current transit benefits program participants that were also included on the listing of parking program participants provided by the Department's parking coordinator. We subsequently reviewed the quarterly parking permit distribution logs for the five headquarters buildings for FYs 2007 and 2008.<sup>4</sup> We identified that 11 of the 28 Department employees picked up quarterly parking permits, as evidenced by signatures in the log books. We found that 2 of the 11 employees (18 percent) received transit benefits that applied to the same time period as the parking passes, totaling \$775.

We also reviewed approved parking permit applications for FYs 2007 and 2008 parking program participants and noted they included secondary carpool participants that were not listed on the parking permit distribution logs. We identified two secondary carpool participants who were Department employees and were also listed as current transit benefits program participants. These two employees received \$1,078 in transit benefits while participating in the parking program.

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<sup>4</sup> OM could only provide 15 of the 40 logs applicable to the time period and buildings being reviewed. As a result, our finding could be understated.

We also reviewed parking program participants from two regional offices that have a parking program that is subsidized with Federal funds. We found three participants who appeared to also be current participants in the transit benefits program. We noted one employee that was listed as a current parking program participant as of April 2, 2008, had picked up transit benefits each month during CY 2008, totaling \$214. One employee picked up \$710 during this time period while also having a parking contract on file. One of the employees, although listed as a current transit benefits participant, did not appear to have picked up transit benefits while in the parking program.

Section II, Part C of the Directive states

ED employees may not receive ED transit benefits if they are also receiving any other form of commuter benefit, such as reduced-rate parking.

Appendix A of the Directive states

In an effort to maintain the integrity of the program, DOT staff randomly selects names in the transit database to compare with names of employees parking at federally sponsored reduced-rate parking facilities. In addition, ED conducts its own inspection of parking facilities at ED owned or leased buildings. This process is automatically completed via a database that cross checks names in the transit benefits system with those names in the parking system.

According to OM staff, contrary to what is stated in the Directive, the transit benefits and parking databases are not connected and there is no easy way to compare them. However, OM staff said a manual comparison is usually performed of parking program participants and transit benefits program participants each year during the parking program open season.

A former Transit Benefits Coordinator stated that a Microsoft Access database was once maintained for the transit benefits and parking programs. The former coordinator said this database was used to perform monthly checks for employees participating in both programs. However, the database is no longer in use. The former Transit Benefits Coordinator said the employee who created the database refused to allow others access to make changes when needed, and the database eventually became outdated.

We noted the parking program list and the parking permit distribution logs only included the names of the primary participants and not any secondary participants, such as members of a carpool. Therefore, OM did not check secondary parking participants against transit benefits program participants.

As a result, employees are inappropriately receiving benefits under both programs.

The Department recently implemented a process to compare the names of the employees enrolled in the Department's parking program to those employees who receive transit benefits from DOT. According to the Sunflower Enterprise: Transit Administrator Guide (Guide), dated May 2009, an interface was established between the Department and DOT, by which employee data pertaining to transit benefits are received and stored in the parking database. The Guide states this database also stores data relating to employees enrolled in the Department's parking

program. In addition, the Guide states at the beginning of each month, the Transit Administrator will run a report which will identify those employees who, according to the data in the parking database, are in receipt of both transit and parking benefits. This process should serve as an appropriate control for ensuring employees do not receive benefits from both programs.

### **Recommendations**

We recommend that the Assistant Secretary for Management:

- 2.1 Ensure the interface established between the Department and DOT is fully implemented and that reports identifying recipients that are inappropriately receiving both transit and parking benefits are generated and reviewed each month.
- 2.2 Ensure the parking database includes secondary carpool participants and that the monthly reports that are generated include secondary carpool participants that are inappropriately receiving both transit and parking benefits.
- 2.3 In consultation with OGC, consider taking appropriate disciplinary action against and/or recapturing transit benefits received by individuals identified above that were also participating in the parking program.
- 2.4 Ensure parking permit logs are appropriately maintained and available for review.

### **OM Comments**

OM concurred with the recommendations. OM stated that a Dual Enrollment Report is now created each month to identify employees who are receiving both transit and parking benefits. OM has confirmed that the Asset Management Database System which supports the parking program includes secondary carpool participants. OM provided additional information concerning some of the employees questioned in our finding and noted it plans to consult with OGC as necessary regarding recapturing benefits from employees identified as receiving both parking and transit benefits. Finally, OM stated that all parking permit logs are now filed by fiscal year, building, and last name, within the Management Services Division file cabinet workspace.

### **OIG Response**

After reviewing OM's comments to Finding 2, we have slightly modified the number of employees that appear to have received transit benefits during the same time period they were participating in the parking program and any associated benefit amounts.

### **FINDING NO. 3 – Department Employees Continued to Receive Transit Benefits While on Extended Leave**

We identified 94 employees who took extended leave of 30 consecutive days or more between October 2006 and January 2008 while also participating in the transit benefits program. We selected a sample of 20 employees (21 percent) and determined 15 of these employees (75 percent) picked up \$3,400 in benefits applicable to the period they were on leave. We were able to locate applications for 13 of the 20 employees and noted none had adjusted their benefits level related to their period of extended leave.<sup>5</sup>

Office of Management and Budget (OMB) Memorandum M-07-15, *Federal Transit Benefits Program*, states

The certification that each recipient signs on the Transportation Subsidy Benefit Program application form states...:

I acknowledge that it is my responsibility to return any unused transportation subsidy to the component (e.g., subsidy unused due to leave taken or separation).

Appendix A of the Directive states

Their signature (on the application) further signifies that they are aware of ...the requirement to provide information regarding a change in circumstances that would affect their eligibility or benefit level.

OM staff stated the Department is encountering problems in attempting to track employees taking extended leave and whether they are adjusting their transit benefits accordingly. A former Transit Benefits Coordinator mentioned problems with employees taking extended leave and misusing their transit benefits. She stated that a former manager of the transit benefits program did not want to “police” the program.

As a result, employees are receiving benefits that they are not entitled to receive.

### **Recommendations**

We recommend that the Assistant Secretary for Management:

- 3.1 Develop and distribute clear guidance on accounting for extended periods of leave.
- 3.2 Coordinate with HR to obtain periodic reports of employees on extended periods of leave and compare to transit benefits participant data.
- 3.3 In consultation with OGC, consider recapturing transit benefits received by individuals identified above who were collecting benefits while on extended leave.

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<sup>5</sup> Five of the seven employees for whom applications could not be located picked up benefits applicable to the period they were on leave. We could not confirm whether their applications had been adjusted to reflect a reduced level of benefits during the period of extended leave.

## **OM Comments**

OM concurred with the recommendations and stated that guidance on accounting for extended periods of leave is currently addressed in the Department-wide Integrity Awareness Training. Related guidance has also been incorporated into recent revisions to the Directive and SOP, along with the process to compare HR extended leave reports to transit benefits data.

OM plans to consult with OGC to determine whether to proceed with recapturing benefits from the 15 employees noted as receiving benefits while on extended leave.

## **OIG Response**

OM provided a copy of the revised Directive and SOP referenced above with its comments to the draft report. Our review of the documents noted that while the revised Directive provides guidance on accounting for extended periods of leave, the SOP does not include any specific procedures. We also noted that neither the Directive nor SOP include a process to compare reports of employees on extended leave with transit benefits participant data.

## **FINDING NO. 4 – Controls Over the Application Process Need Improvement**

The Department needs to improve its controls over the transit benefits program application process. Specifically, we found the Department did not always perform verifications to ensure the validity and accuracy of transit benefits application data before submitting the applications to DOT for processing. We found the Department's transit benefits application did not require applicants to break down their actual commuting costs to demonstrate that they were entitled to benefits requested. Furthermore, the amount of transit benefits requested on the applications was not verified by an Approving Official, such as the employee's supervisor, but rather submitted directly to the Transit Benefits Coordinator for processing.

On May 14, 2007, OMB issued a Memorandum for the Heads of Departments and Agencies, "Federal Transit Benefits Program," in response to Government Accountability Office (GAO) testimony that reported fraud and abuse unchecked by ineffective controls in the Federal Transit Benefits Program. OMB specified that agencies confirm in writing, no later than June 30, 2007, that they have implemented (at a minimum) internal controls listed in the Memorandum attachment, "Transit Benefit Internal Controls." The listed internal controls included:

- Application Requirements – Employee home address, employee work address, commuting cost breakdown, employee certification of eligibility, warning against making false statements
- Independent Verification of Eligibility – Applicant eligibility and commuting cost verified by Approving Official

The Department's response to OMB, dated June 18, 2007, stated it had already implemented the minimum internal controls noted. The Department also attached a copy of its transit benefits application and its recently developed Transit Certification Expense Worksheet, which required

employees to break down their commuting costs. However, we found the transit benefits application did not request a breakdown of the commuting costs, only the average monthly commuting cost and amount of benefits requested. The expense worksheet was used only by employees that were selected as part of a random review performed by OM in June 2007. We never saw the worksheets attached to applications maintained by OM, nor were they required to be completed as part of the application process. OM confirmed this stating that the expense worksheet had been used only once – during the random sampling of 200 benefit recipients in June 2007.

In addition, the Department's policies did not provide for an independent verification of eligibility or commuting costs by a designated Approving Official. In fact, its own Directive in place at that time noted the EXO had been removed from the screening process and the Department was relying on an automated check with the personnel database to determine eligibility,<sup>6</sup> and self-certifications from employees that the information provided on the application was correct.

In June 2008, the Department implemented a new online transit benefits application process in coordination with DOT in an attempt to make the process more efficient. EXOs were designated as the first-level Approving Officials. Although the Department made improvements to the application process by requiring employees to break down their commuting costs, the Approving Officials are still not held responsible for verifying commuting costs provided in the applications. They are only required to validate that employees are assigned to the correct PO, applications are completed correctly, and amounts provided in the application match. The Department has also designated the Transit Benefits Coordinator as a second-level Approving Official and DOT as a third-level Approving Official. Neither verifies commuting costs.

*GAO Standards for Internal Control in the Federal Government* states that control activities are an integral part of an entity's accountability of government resources and help ensure that actions are taken to address risks. It also states control activities, including verifications, help to ensure that all transactions are completely and accurately recorded.

OMB Memorandum M-07-15 requires that agencies implement a number of internal controls, to include applications that provide for a breakdown of employee commuting costs, and independent verification of eligibility and commuting costs by an Approving Official.

Prior to June 2008, applications did not require information that would provide for a breakdown of commuting costs and facilitate an independent verification of commuting costs. We also noted there were no specific written policies identifying the procedures to be followed by the Transit Benefits Coordinators when processing applications.

During the scope of our review, there were three different individuals that occupied the Transit Benefits Coordinator position. One former coordinator said when she received the applications, she reviewed them for any "out of the ordinary" items. She added that she would look at the home address and calculate commuting costs to ensure the requested benefits were appropriate. Another former Transit Benefits Coordinator stated verifications of applicant commuting costs were not performed because of a lack of resources. He said transit data needed to be linked to

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<sup>6</sup> See Finding 1 regarding related weaknesses noted.

HR data so that employee address and commuting costs could easily be verified. The third former Transit Benefits Coordinator said she also reviewed the entire application to ensure it was complete, and then sent the application information to DOT. She said sometimes she randomly performed spot-checks of addresses and associated costs when reviewing transit benefits applications. However, we found no evidence in the transit benefits files that these random checks were performed.

The current Transit Benefits Coordinator stated that when an electronic application is submitted for approval, he ensures the three total monthly expense figures match. He said he does not verify commuting costs, home addresses, or whether the applicant is a current Department employee because these checks are not part of his responsibilities. The Transit Benefits Coordinator said when employees submit transit benefits applications, they are certifying that they will not request more transit benefits than their actual commuting costs.

In addition, previous policies did not provide for an Approving Official. Although Approving Officials were added to the process in June 2008, they are still not reviewing applications to verify commuting costs.

Without sufficient internal controls over the initial application process, the Department has no assurance that data on transit benefits applications are valid and accurate. A lack of written policies leads to inconsistent procedures being employed by staff responsible for processing applications. By not verifying the validity and accuracy of each transit benefits application, the Department is at an increased risk of paying benefits in excess of employees' daily commuting costs.

## **Recommendations**

We recommend that the Assistant Secretary for Management:

- 4.1 Establish and implement written procedures regarding expectations for application review and approval.
- 4.2 Require Approving Officials to validate employees' home addresses listed on the enrollment applications and verify that commuting costs were correctly calculated. This could include a requirement for applicants to submit appropriate supporting documentation for their claimed monthly commuting costs.

## **OM Comments**

OM concurred with the recommendations, with the exception of draft recommendation 4.2 related to the designation of employee supervisors as the first line Approving Officials to review and approve employee enrollment applications. OM stated that draft recommendation 4.2 would introduce unnecessary risk to the FPPS and require DOT to implement a system change to its transit system database. Currently, 21 EXOs have FPPS access to validate applications. Implementing this recommendation would require access to FPPS for approximately 500 additional users (first-line supervisors).



OM stated approval procedures are now included in the revised SOP. The revised Directive and SOP include the verification of home addresses via the Federal Personnel Payroll System (FPPS) and the verification of commuting costs. OM's revised SOP includes a biannual process that will require a randomly selected sample of transit benefits participants to provide supporting documentation for their claimed monthly commuting costs.

### **OIG Response**

As OM's planned corrective actions related to the other recommendations in Finding 4 address the intent of draft recommendation 4.2, we have removed the recommendation from the final report. As a result of the deleted recommendation, draft recommendation 4.3 is now recommendation 4.2.

### **FINDING NO. 5 – Improvements Are Needed in the Transit Benefits Withdrawal Process**

We reviewed data for 48 Department employees who withdrew from the transit benefits program as of March 2008. We attempted to locate transit benefits program withdrawal forms for the 48 employees to compare benefit amounts owed and returned on the withdrawal forms with amounts noted as owed<sup>7</sup> and returned in the DOT database. OM staff was unable to provide us with the withdrawal forms for 20 of the 48 employees. For the 28 employees with a corresponding withdrawal form on file, we compared these forms to DOT data and found 5 discrepancies, including the following:

- DOT data showed no benefits were owed for one of the five employees; the corresponding withdrawal form noted benefits were owed and the amount returned by the employee;
- DOT data noted no benefits were returned for one of the five employees; the corresponding withdrawal form noted benefits were returned; and
- For three of the five employees, the two sources noted different amounts of benefits returned by the employee.

In addition, we selected for further review 21 of the 48 employees that actually owed or returned benefits based on our analysis of withdrawal forms and DOT data. We reviewed copies of checks and money orders maintained by OM's Executive Office to compare the check and money order amounts with amounts of benefits owed and returned per the withdrawal forms. We could not confirm whether four individuals returned transit benefits amounts owed, as follows:

- One employee's withdrawal form stated \$50 was returned. We located a copy of the employee's check for \$20 but could not confirm that the remaining \$30 was returned to the Department or DOT. DOT data showed nothing was returned by the employee.

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<sup>7</sup> DOT data only noted if no benefits were required to be returned. In addition, amounts noted as returned only pertained to actual farecards sent back to DOT.

- Three employees owed benefits upon withdrawal from the program based on DOT data.<sup>8</sup> However, DOT data showed no benefits were returned, and we did not locate copies of checks from these individuals.

We also identified one individual that, according to DOT, did not owe any benefits. However, the corresponding withdrawal form noted \$100 was owed. We were able to locate a copy of a check written by the employee for \$10.

To test withdrawal calculations, we selected 10 of the 48 employees noted above and performed our own calculations of the amount of benefits owed based on the withdrawal date and the amount of benefits received that would be applicable to periods occurring after the withdrawal date. We compared our calculations with amounts noted on withdrawal forms and data provided by DOT. We identified five employees who owed benefits. The other five employees were correctly noted as not owing any benefits. Of the five that did owe benefits per our calculations:

- One employee returned \$45 less than the amount owed according to our calculation.
- One employee owed \$225 per our calculation but returned nothing.

Section V.B.5 of the Directive states participating employees shall

Return to ED/Office of Management (OM) Management Services (MS) in Room 2E107, FB6 [Federal Building 6], the prorated amount of unused transit benefits when any of the conditions listed below occur. The prorated amount returned will be based on the number of months/days remaining in the distribution period after the employee withdraws and the employee's daily benefit. If fare cards are not available for return, the employee shall write a personal check made payable to the U.S. Department of Education for the amount due and submit it to the office listed at the beginning of this paragraph.

- a. Upon transfer to another ED regional office;
- b. Leave their jobs at ED; or
- c. Upon withdrawal from the program.

Section V.C. states

Executive Officers shall require employees in the transit benefits program to submit a withdrawal form (see Appendix C), cleared by OM MS, in conjunction with attachment/form Clearance of Personnel for Separation or Transfer directive.

Section VI.A, Monitoring Controls, states

ED will use internal controls and/or Department of Transportation's established procedures to safeguard against waste, fraud, abuse, mismanagement, or misappropriation of government funds. These procedures provide for:

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<sup>8</sup> Withdrawal forms were unable to be located for two employees; the withdrawal form for the remaining employee did not indicate whether or not an amount was owed or returned.

1. Recording and accounting for expenditures to permit the proper maintenance of accounts and the preparation of reliable financial reports.

All three former Transit Benefits Coordinators and the current coordinator stated that employees are required to submit a transit benefits withdrawal form before separating from the Department. Once they received a withdrawal form, the coordinators said they contacted DOT to request the employee's transit benefits pickup history and then calculated the amount of excess benefits the separating employee owed to the Department.

A former coordinator said OM relies heavily on the EXOs, as well as the honor system, to cancel transit benefits before an employee separates from the Department. The former coordinator also stated that while the EXOs are responsible for ensuring the exit packages and transit benefits withdrawal forms are completed, employees often visit the transit benefits office the afternoon they are separating from the Department to withdraw from the program. One former coordinator stated that many separating employees leave the Department without settling their outstanding transit benefits balances. Another former coordinator stated it was unclear how the Department could track separated employees that never settled their excess transit benefits balances with the Department. The former coordinators said the excess benefits could be returned in the form of unused farecards, personal check, or money order. They also stated they forwarded the personal checks and money orders to OM's Executive Office and unused farecards were returned to DOT.

The current Transit Benefits Coordinator stated EXOs are supposed to notify OM at least 2 weeks prior to an employee separating from the Department so that the employee can submit a hardcopy withdrawal form. The coordinator said it is possible for an employee to leave the Department without the transit benefits program ever being notified of the separation.

Since becoming the Transit Benefits Coordinator in June 2008, the current coordinator stated that when he receives a check or money order for returned benefits, he makes copies of the payment and the employee's withdrawal form. He said one copy is given to the separating employee as a receipt and another copy is given to OM's Executive Office when he turns in the payment. The coordinator said an Executive Office staff member signs this copy acknowledging receipt of the checks and money orders. He said he maintains the signed copy in a binder.

The coordinator also said when he receives unused farecards for returned benefits, he completes a media return form, identifying the employee's name, last four digits of the Social Security Number (SSN), and the amount returned. He said a copy of the form is provided to the separating employee as a receipt. The coordinator said the original media return form and unused farecards are forwarded to DOT. He said DOT does not provide a receipt when it receives the unused farecards. The coordinator said all checks and money orders are processed and forwarded to OM's Executive Office as soon as they are returned to him.

Executive Office staff stated copies are made of the personal checks and money orders received from the transit benefits office and then are forwarded to the Office of the Chief Financial Officer. Staff stated there is no standard timeframe established (quarterly, monthly, etc) for receiving the personal checks and money orders. Staff also said the timeframe depends on the number of employees withdrawing from the transit benefits program at any given time.

A lack of clear guidance regarding the withdrawal process in various Departmental policies and procedures may contribute to inconsistencies in the return of excess benefits. For example, the “Outprocessing Point of Contact List” of the Department’s Exit Clearance Package states employees must return farecards to the Executive Office on the employee’s last day of employment. As noted above, the Department’s Transit Benefits Program Directive indicates the employee should return any excess benefits directly to OM. No guidance is provided specifically noting who is to calculate and/or verify the amount of benefits owed, who is responsible for forwarding the checks and farecards to OM’s Executive Office or DOT, or any specific timeframes for doing so.

We also noted no clear audit trail associated with the collection of excess benefits. Checks and farecards returned are not formally logged, and withdrawal forms are often incomplete or unavailable, making it difficult to determine whether amounts were owed and subsequently paid, and whether the returned benefits were ever forwarded to the appropriate offices. No process is in place to periodically reconcile withdrawal data, to include benefits owed, benefits noted as repaid, and amounts forwarded to DOT or OM’s Executive Office. We also noted the data maintained by DOT only include the amount of benefits returned in the form of farecards. Amounts returned in the form of a check or money order to the Department are not captured in the transit benefits database.

Failure to provide clear guidance may lead to confusion, individual interpretation, and inconsistent oversight as well as a lack of accountability over benefits. Failure to maintain a proper audit trail over excess funds collected increases the risk that farecards are never actually returned to DOT or checks are never submitted to OM’s Executive Office. This increases the risk of fraud, waste, and abuse in the transit benefits program.

Inconsistencies between transit benefits data maintained by DOT and data maintained by the Department compromise the integrity of the program. [See Finding No. 7]

## **Recommendations**

We recommend that the Assistant Secretary for Management:

- 5.1 Review the Department’s Exit Clearance Package and the Department’s Directive on the Transit Benefits Program and make revisions, as necessary, to ensure consistency of guidance with regard to the responsibilities of employees withdrawing from the transit benefits program, EXOs, and Transit Benefits Coordinators, to include timeliness of notification, method of notification to the transit benefits office, and actual return of excess transit benefits.
- 5.2 Develop and implement formal procedures related to the calculation of the amount of excess benefits to be returned and documentation of the amount of excess transit benefits received, to include the method of payment.
- 5.3 Develop and implement formal procedures related to the submission of personal checks and money orders to OM’s Executive Office. Develop and implement similar procedures for submission of unused farecards to DOT. These procedures should include timeframes for submission to the respective offices as well as a periodic reconciliation of amounts

owed, collected, and returned. Reconciliation should be performed by an individual independent of the process.

### **OM Comments**

OM concurred with the recommendations, noting it has included formal procedures related to the withdrawal process and calculation of excess benefits to be returned in revisions to the Directive and SOP. In addition, procedures regarding the submission of personal checks, money orders, and unused fare cards have been included in the SOP.

### **FINDING NO. 6 – Controls Over Recordkeeping Need Improvement**

The Department needs to improve its controls over recordkeeping of the transit benefits program. We reviewed the transit benefits files maintained by the Transit Benefits Coordinator to locate transit applications for employees included in our samples. We could not locate transit benefits applications for 30 of the 80 transit benefits program participants included in our samples (38 percent). OM staff was subsequently able to locate 23 of the applications. Overall, OM could not provide us with the transit benefits applications for seven program participants (9 percent).

We also attempted to review transit benefits withdrawal forms for employees included in our samples. We were unable to locate withdrawal forms for 30 out of 48 employees (63 percent). OM staff was subsequently able to locate 10 of the withdrawal forms. OM staff noted an additional 17 employees did not pick up benefits for two consecutive distribution periods and were therefore withdrawn from the program automatically. Withdrawal forms would not be available for these employees. Ultimately, OM staff could not locate withdrawal forms for three program participants (6 percent).

The National Archives and Records Administration (NARA) General Records Schedule 9, “Travel and Transportation Records,” Section 7 states

Federal employee transportation subsidy records include documents in paper or electronic form that relate to the disbursement of transportation subsidies to employees, including applications of employees no longer in the program, superseded applications, certification logs, vouchers, spreadsheets, and other forms used to document the disbursement of subsidies.

NARA Regulations in the Code of Federal Regulations, Title 36, Subchapter B, Section 1220.36(a) state

Agencies must institute adequate records management controls over the maintenance and use of records regardless of their location or format, to ensure that all records are organized, classified, and described to promote their accessibility, and make them available for use by all appropriate agency staff for their authorized retention period.

The former Transit Benefits Coordinator said she maintained the transit benefits applications and withdrawal forms alphabetically in binders that were kept in a file cabinet in her cubicle. However, when we first made a request to review the binders, the Transit Benefits Coordinator

stated she could not provide us access to the files because she did not have a key to the file cabinet. She stated the keys were locked in the office of her supervisor, who was out of the office at the time.

We were also told by OM staff that older transit benefits applications and withdrawal forms (those prior to 2007) were maintained in three large moving boxes. We reviewed the three boxes of transit benefits records and noted the documents were in no particular order. A former Transit Benefits Coordinator mentioned that at one point she was asked to file the applications by PO but was later told not to continue organizing them that way. In addition, as previously stated, employees are automatically withdrawn from the program if they do not pick up their benefits for two consecutive distribution periods, and as a result, do not have completed withdrawal forms on file.

Though NARA guidance clearly notes the retention policy regarding transportation subsidy records, we found neither OM nor the Department has policies regarding the storage and retention of records specifically related to the transit benefits program.

Without adequate records management controls, transit benefits records are not easily accessible and available for use by all appropriate agency staff. Missing records call into question the integrity of the transit benefits program.

Without adequate documentation to support withdrawals from the transit benefits program, the Department lacks assurance of whether applicable employees owed and returned any excess transit benefits.

Beginning in June 2008, the application process was automated. All applications and changes to applications are now stored in the DOT transit database. The Transit Benefits Coordinator does not print any of the electronic applications. He said he has the capability to pull a listing of all employees currently participating in the transit benefits program, along with the initial applications, changes to the applications, and recertifications since that time. This should enhance recordkeeping with regard to applications, as DOT is responsible for maintaining billing records and other information in accordance with NARA guidelines.

## **Recommendations**

We recommend that the Assistant Secretary for Management:

- 6.1 Develop and implement policies and procedures regarding the storage and retention of transit benefits records, to include withdrawal forms, in accordance with NARA guidance.
- 6.2 Ensure records are easily accessible by employees responsible for the program.
- 6.3 Implement a process to identify individuals that have been automatically withdrawn from the program and determine whether any benefits should be returned to the Department. To ensure accountability, withdrawal forms should be completed for these individuals.

## OM Comments

OM concurred with the recommendations, noting it would maintain files in accordance with NARA guidance. OM also provided detailed information concerning the filing system it is using for transit benefits records and stated all records are easily accessible by employees responsible for the transit benefits program. A process for identifying individuals that have been automatically withdrawn from the program and determining whether benefits should be returned to the Department has been included in the SOP.

## FINDING NO. 7 – Transit Benefits Database Contains Inaccurate Data

The Department did not ensure the data maintained in the transit benefits database were accurate. DOT maintains a database that identifies Department employees that are either current or have withdrawn from the program. OM relies on these data to manage the Department's transit benefits program and identify employees who participate in the program. We found that information on Department employees was often inaccurate or missing. Specifically, we identified cases in which:

- Last names were misspelled;
- Names were inconsistent with those used in the Department's personnel database (e.g., using a maiden name instead of a married name);
- The last four digits of the SSN were incorrect or missing; and
- The Departmental PO was incorrect.

In one specific instance, we noted a transit benefits recipient identified as "ED Flexpass" which we determined was an account used to distribute benefits to more than 50 employees in one regional office. We determined this account had been coded with the wrong PO. As a result, a total of \$126,063 in benefits was charged to the wrong PO from FY 2006 to 2008. This particular PO is one that is funded through an individual appropriation. POs with individual appropriations are charged for their portion of transit benefits costs through the Department's common support process based on information maintained in the DOT database.

The annual Transit Benefits Program Partnership Agreement (Agreement) between the Department and DOT states that DOT will provide a monthly invoice with detailed reports to the Department on employee participation in the transit benefits program. These reports include a description of specific services provided that month such as the name of each employee who received transit benefits and the fare media expenses.

The Agreement also states

...U.S. Department of Education retains key management responsibilities for its transit benefit program...TRANServe [U.S. Department of Transportation - Transportation Services] does not assume responsibility for ensuring U.S. Department of Education internal controls over the Program, nor does it take responsibility for ensuring recipient integrity with regard to the Program.

Section V.A.7 of the Directive states

OM shall provide each Executive office with a quarterly report indicating all transit benefits participants within their Principal Office.

We found that the Department did not have any policies or procedures in place to verify the monthly invoices provided by DOT. OM staff stated the Department receives billings from DOT on a monthly basis. These billings include: the last four digits of the employee's SSN, employee name, assigned PO, region, amount of transit benefits received, and the date benefits were last picked up by the employee. OM staff stated for each PO, staff cut and pasted the data from the monthly bills into separate spreadsheets and sent the information to the respective EXO for verification. OM staff also stated the EXOs were responsible for confirming the information related to their POs.

We spoke with EXOs from the five POs with the largest number of transit benefits participants in headquarters. The EXOs stated they generally received the transit benefits reports on a quarterly basis, but occasionally did not receive the reports at all. The EXOs also stated there were no specific instructions on what they should do with the report once it was provided by OM. One EXO stated she has identified individuals on the reports that either were not assigned to the PO or were no longer Department employees. She said OM was notified of the discrepancies, but the individuals' names continued to show up on subsequent reports.

The most recent transit benefits directive dated April 21, 2009, does not include any provision for reports to be provided to EXOs for review.

The account manager at DOT stated that before he took over the Department's transit benefits program at DOT during the summer of 2007, applications were faxed to DOT. The data were manually entered into the system by DOT using the faxed copies. Since faxes are not always clear and employees do not always write clearly, typos were likely to occur. The process was later revised, with the Department emailing Excel files with the applicant data to DOT. However, the information was still manually entered into the DOT database by the DOT account manager. The account manager stated that if the last four digits of a SSN were missing, X's or 0's could be used in their place.

Inaccurate data can compromise the integrity of the program. Costs being charged to individual POs may be under or overstated since the transit benefits participants are not always listed under the correct PO. POs with separate appropriations may end up paying for benefits associated with employees from another PO. Without an effective verification process in place, the Department continues to run the risk of paying costs that are inappropriate.

With the implementation of the online application process, employees are providing the information directly to DOT's transit database, which should assist in alleviating some of the data integrity problems noted.



## **Recommendations**

We recommend that the Assistant Secretary for Management:

- 7.1 Develop and implement policies and procedures addressing the verification of the monthly invoices provided by DOT, to include who is responsible, how frequently the invoices are verified, and how the verification should be performed.
- 7.2 Ensure all EXOs are provided with copies of the monthly invoices in a timely manner to review and verify, including verification that individuals are listed under the appropriate PO.

## **OM Comments**

OM concurred with the recommendations, noting written procedures regarding the verification of monthly invoices provided by DOT have been included in the revised Directive and SOP.

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## OTHER MATTERS

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During our audit, we reviewed parking permit applications maintained by OM for FYs 2006/2007 and FYs 2007/2008 in order to identify individuals that may have been inappropriately participating in the parking and transit benefits programs simultaneously. As part of this review, we identified parking program applications that were subsequently approved for participation that did not provide all required information, contained questionable information, and/or were not completed properly. Specifically, the following was noted:

- Many of the applications did not provide all requested information;
- Five applications had questionable addresses in terms of carpooling feasibility;
- Thirty-one applications were not signed by all applicants.

Although our review noted several employees that were simultaneously participating in both programs, we are also concerned that some individuals may be inappropriately participating in the parking program based on the issues noted with the applications. The applicable Department Directive notes that after an employee has been assigned a parking space, each car pool member must personally sign the parking form in the Parking Coordinator's presence. The Parking Coordinator will issue the permit when all car pool members have signed the application. We suggest OM ensure parking applications are filled out completely, to include all required signatures, before being approved for participation. In addition, we suggest OM review the addresses of the potential car pooling applicants to identify those that may not seem conducive to a carpooling arrangement.

Our work also identified participants in a parking program in one region that was not federally subsidized and, therefore, does not preclude an individual from also receiving transit benefits. However, we used these data to determine whether participants were appropriately reducing the amount of transit benefits requested on their applications, where applicable. We calculated estimates of monthly commuting costs for 11 employees we noted as participating in both programs. We found none of the applications included an adjustment for an estimate of the days they would be driving to work. We suggest OM ensures employees are aware of the need to appropriately adjust transit benefits applications to reflect days when public transportation will not be used, especially under this particular situation that would suggest the intent to not use public transportation on a daily basis.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The objective of our audit was to determine whether controls over the Department's transit benefits program effectively ensure program integrity and accountability. To accomplish our objective, we gained an understanding of internal control applicable to the Department's management of the transit benefits program. We reviewed applicable laws and regulations, Department policies and procedures, to include transit benefits application and withdrawal forms and processes, GAO *Standards for Internal Control in the Federal Government*, and OMB Memorandum M-07-15, *Federal Transit Benefits Program*. We also reviewed the Department's annual Customer and Partnership Agreements with DOT for FYs 2007 through 2009. We conducted interviews with Department officials in OM responsible for administering and monitoring the program, as well as EXOs from five POs with the largest number of participating employees. We also held limited discussions with DOT personnel responsible for managing the Department's transit benefits account. We identified other Federal agency Office of Inspector General audit reports relating to transit benefits programs from the period 2003 to 2008 and subsequently reviewed these reports to identify possible vulnerabilities.

To perform our audit, we relied on automated data provided by DOT identifying Department employees that were currently participating in or had withdrawn from the transit benefits program as of March 2008.<sup>9</sup> DOT's data identified a total of 7,510 current or withdrawn transit benefits participants,<sup>10</sup> of which 2,956 were current participants from both headquarters and regional offices. To test the reliability and completeness of these data, we compared DOT's transit benefits participant data with the Department's hardcopy transit benefits applications and withdrawal forms. Although our tests and assessments identified some data inaccuracies [see Finding No. 7], we concluded that the data were sufficiently reliable for use in the assessment of our audit objective.

DOT also provided data identifying the amount of transit benefits received by each participant for the 12 months prior to March 2008. Although we were unable to assess the data's completeness and accuracy because of a lack of alternative data sources, DOT's database is the official system of record for the Department's transit benefits program, used and relied on by Department officials, and we considered it to be the best available data for the purpose of our audit.

We relied on data obtained from FPPS. Specifically, we obtained a listing, as of February 2008, of all employees who were current with or separated from the Department after October 1, 2006. The Department's data identified a total of 4,732 employees, of which 634 were separated. An alternate data source was not available to directly test the accuracy or completeness of these data. However, FPPS is the official system of record for the Department's personnel data, is widely

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<sup>9</sup> Because of the nature of DOT's transit benefit database, DOT was unable to provide a list of employees who were current in or withdrawn from the program during a defined period of time. Instead, DOT provided all employees who were current or withdrawn as of the date of our request. As a new record is created each time a withdrawn employee reenters the program the numbers noted above provide duplicate listings for some employees.

<sup>10</sup> 5,043 were identified as headquarters employees.

used and relied on by Department officials, and we considered it to be the best available data for the purpose of our audit.

Details on the various data comparisons and sampling methodology used in the audit are as follows:

### **Current and Separated Department Employees**

To determine whether transit benefits participants were current Department employees when benefits were received, the following analyses were performed:

- We compared the universe of current and withdrawn transit benefits participants to the universe of separated Department employees to identify any separated employees that were listed as current or withdrawn transit benefits participants as of March 2008. For the 510 participants identified that had separated from the Department and were noted as either current or withdrawn transit benefits participants, DOT provided the total amount of benefits received by each participant after their separation date through October 10, 2008.
- We compared the universe of current and withdrawn transit benefits participants to the universe of separated and current Department employees to identify participants that were not identified as either separated or current Department employees. For those participants that could not be found in FPPS, DOT provided the amount of benefits received by each participant from October 1, 2006 through October 10, 2008.

### **Parking Program Participants**

To determine whether transit benefits participants simultaneously participated in a federally subsidized parking program, the following analyses were performed:

- We compared the universe of current and withdrawn transit benefits participants to the universe of participants in the Department's headquarters parking program as of February 2008, as identified in a listing provided by OM. We identified 247 individuals that participated in each program at one time or another. We identified 28 of the 247 individuals that were noted as currently participating in both programs.
- We reviewed the quarterly distribution parking permit logs for the five headquarters buildings for FYs 2007 and 2008 and compared individuals included in the logs with the 28 individuals noted above to determine those that actually obtained parking permits.
- We reviewed the approved FYs 2007 and 2008 parking permit applications to identify secondary carpool participants in headquarters that were not listed on the parking permit distribution logs. We compared the names of the secondary carpool participants to the universe of current and withdrawn transit benefits participants.
- We contacted 10 regional office parking coordinators to identify parking programs that are subsidized with Federal funds. We compared the names of the 32 employees that were participating in these regional programs, as provided by the parking coordinators, with the universe of current and withdrawn transit benefits participants provided by DOT.

For individuals identified as simultaneously participating in the transit and parking programs, we reviewed data from DOT's database to determine the amount of transit benefits received by these individuals during the respective overlapping timeframes.

We also identified a region that operated a parking program that was not subsidized with Federal funds. We compared its parking program participants to the Department's transit benefits participants. We calculated estimates of the participants' monthly commuting costs and compared the costs to the transit benefits applications to determine whether participants were adjusting their transit benefits for an estimate of the days they would be using a parking permit.

### **Transit Benefits Participants on Extended Leave**

To determine whether employees continued to receive transit benefits while on extended leave, we obtained data from FPPS identifying Department employees who began an extended leave of absence of 30 consecutive business days or more between October 1, 2006, and December 31, 2007. The data identified 137 Department employees. We compared these employee names to the universe of current and withdrawn transit benefits participants. We identified 94 employees as transit benefits participants. We randomly selected 11 of the employees (12 percent) that took extended leave on one occasion and judgmentally selected all 9 employees who took extended leave on more than one occasion, for a total sample size of 20 employees (21 percent). We compared the leave start and end dates with data from DOT's database to determine whether the employees received benefits applicable to the period they were on leave. We also reviewed the transit benefits applications to determine whether the sampled employees adjusted their benefit level related to their period of extended leave.

### **File Maintenance and Recordkeeping**

To perform an analysis of controls over recordkeeping of the transit benefits program, we reviewed transit benefits files to locate transit applications and withdrawal forms for employees in the following samples:

- Headquarters Transit Benefits Participants – We selected a random sample of 20 of the 5,043 (.4 percent) current and withdrawn participants identified as headquarters employees from the listing provided by DOT as described above.
- Separated Transit Benefits Participants – We selected a random sample of 20 of the 510 participants (4 percent) noted above that separated from the Department and were transit benefits participants at one time.
- Extended Leave Participants – We selected a sample of 20 participants as described above.
- Parking Program Participants – We selected a random sample of 20 of the 229 participants (9 percent) that were identified as headquarters parking program participants that had previously participated in the transit benefits program.

### **Transit Benefits Withdrawal Process**

To determine whether excess benefits were returned by participants upon withdrawing from the transit benefits program, we selected all 48 Department employees from the 4 samples above who withdrew from the program. We reviewed the transit benefit withdrawal forms that could be located and compared the amounts of benefits owed and returned on the forms to the amounts noted as owed and returned in the DOT database. For further review, we selected 21 of the 48 (44 percent) employees that actually owed and/or returned benefits based on our analysis of withdrawal forms and DOT data. We compared the benefit amounts owed and/or returned to copies of checks and money orders paid to the Department.

To determine whether withdrawal calculations were computed accurately by OM, we judgmentally selected a sample of 10 of the 48 employees (21 percent) who withdrew from the transit benefits program after October 1, 2006. The sample consisted of all four employees that had conflicting information between their withdrawal forms and the DOT database, and six employees that were haphazardly selected. We calculated the amount of benefits owed based on the withdrawal date and the amount of benefits received applicable to periods occurring after the withdrawal date. We compared our calculations to amounts noted on withdrawal forms and data provided by DOT.

Our review included the application of the same procedures and analyses noted above to transit benefits participants within the Office of Inspector General (OIG). Since OIG is not independent of its own activities, the results of the review are not included in this report. Results of the review of OIG activity will be provided to appropriate Department officials in OM who have oversight over the transit benefits program. In addition, the results will be reported to OIG management responsible for implementing corrective actions.

We conducted fieldwork at Department offices in Washington, D.C., from February 2008 through October 2009. We provided our audit results to OM staff during an exit conference conducted on November 5, 2009. 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.

**Acronyms/Abbreviations Used in this Report**

Agreement	Transit Benefits Program Partnership Agreement
ARRA	American Recovery and Reinvestment Act of 2009
CY	Calendar Year
DOT	U.S. Department of Transportation
Department	U.S. Department of Education
ED	U.S. Department of Education
Directive	Departmental Directive Office of Management: 2-102, <i>Transit Benefits Program</i>
EXO	Executive Officer
FPPS	Federal Personnel Payroll System
FY	Fiscal Year
GAO	Government Accountability Office
Guide	Sunflower Enterprise: Transit Administrator Guide
HR	Human Resources Services
MS	Management Services
NARA	National Archives and Records Administration
OGC	Office of the General Counsel
OIG	Office of Inspector General
OM	Office of Management
OMB	Office of Management and Budget
PO	Principal Office
SSN	Social Security Number



**OM Response to Draft Report**  
UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF MANAGEMENT

**Attachment 2**

MAR 17 2010

**MEMORANDUM**

**TO:** Keith West  
Assistant Inspector General for Audit

**FROM:** Winona H. Varnon  
Principal Deputy Assistant Secretary for Management  
Delegated the Authority to Perform the Functions and Duties of the  
Assistant Secretary for Management

**SUBJECT:** Comments on Draft Audit Report  
"Controls Over the Department's Transit Benefits Program"  
Audit Control Number: ED-OIG/A19I0001

Thank you for the draft audit report, *Controls Over the Department's Transit Benefits Program*. The Office of Management (OM) has thoroughly reviewed the report and concurs with its recommendations, with the exception of recommendation 4.2.

Recommendation 4.2 reads as follows, "Designate employee supervisors as the first-line Approving Officials to review and approve employee enrollment applications." OM does not concur with this recommendation. Currently the Executive Officers (EXOs) have access to the Federal Personnel Payroll System (FPPS) database and can verify the applicant's address via FPPS. To have the supervisor validate the address would require access to FPPS for approximately 500 first-line supervisors. This introduces unnecessary risk to the FPPS. Second, this would require a system change in the Department of Transportation's Transit System.

Attached please find OM's comments on the report, which addresses each recommendation. If you have any questions regarding these documents, please direct them to Jeanie Banks, OM's Audit Liaison Officer, who can be reached at (202) 401-1699 or Delores J. Barber at (202) 401-1995.

Attachments

Cc: Victoria Bateman, Director, Facilities and Management Services, Office of Management  
Wanda Davis, Director, Management Services Division

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www.ed.gov

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## Office of Management's Comments

### “Controls Over the Department's Transit Benefits Program” Audit Control Number: ED–OIG/A19I0001

March 10, 2010

**Finding No. 1—The Department Did Not Ensure That Only Current Employees Received Transit Benefits.**

#### **Recommendation**

- 1.1. Review the transit benefits database to ensure only current Department employees is included. Determine whether the 126 separated employees and the 23 program participants not listed in the personnel database...are former Department employees and immediately remove the former employees from the transit benefits program.

#### **Comment**

**Concur.** By September 30, 2010, the Office of Management (OM) will reconcile the 126 identified separated employees in the Department of Education's (ED) transit benefit database with the Department of Transportation's (DOT) transit database to ensure only current ED employees are included. A findings report will be issued after the reconciliation analysis is completed and added to the audit evidence case file. Additionally, the 23 program participants not listed in the personnel database who were former employees have been removed.

#### **Recommendation**

- 1.2. Implement a process to perform monthly comparison of the DOT transit benefits database with the HR listing of separated employees to ensure all separated employees have been removed from the program and are properly noted as such in DOT's database.

#### **Comment**

**Concur.** Since January 8, 2010, OM has performed monthly reconciliations between the DOT transit benefits database and the Department's listing of separated employees generated by Human Resources. This ensures all ED separated employees are properly withdrawn from the DOT database. This process has been included in March 2010 revisions to the Department's "Transit Benefits Program Standard Operating Procedures" (SOP), and will be placed in the audit evidence case file.

## **Recommendation**

- 1.3. Distribute program participation reports provided by DOT to Executive Officers (EXOs) on at least a quarterly basis along with specific guidance regarding their responsibilities for reviewing the reports. Ensure this process, to include related responsibilities, is incorporated into the applicable Directive.

### **Comment**

**Concur.** Since October 2009, OM has provided monthly DOT transit benefits participation reports to the Department's EXOs. This process, along with guidance regarding EXOs responsibilities in reviewing the reports, has been incorporated as a revision to Departmental Directive OM: 2-102, "Transit Benefit Program. While currently in draft, a copy of the revised Directive will be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.

## **Recommendation**

- 1.4. In consultation with the Office of the General Counsel (OGC), determine whether to proceed with recapturing benefits inappropriately received by individuals noted in this report.

### **Comment**

**Concur.** By September 30, 2010, OM will determine if the 126 identified separated employees in the DOT transit database continued to receive transit benefits after separation from ED. A findings report will be issued after the reconciliation analysis is completed and added to the audit evidence case file. Additionally, the 23 program participants not listed in ED's personnel database who were former employees have been removed from the DOT transit database. Once the analysis is complete, OM will consult with OGC to determine whether or not to proceed with recapturing benefits inappropriately received. The completed report will be placed in the audit evidence case file.

## **Finding No. 2—The Department Did Not Ensure That Transit Benefits Participants Were Not Participating in the Parking Program**

### **Recommendation**

- 2.1. Ensure the interface established between the Department and DOT is fully implemented and that reports identifying recipients that are inappropriately receiving both transit and parking benefits are generated and reviewed each month.

### **Comment**

**Concur.** Effective May 2009, OM implemented an interface with the Asset Management Database System which supports the Department's Parking Program. On the first day of each month, ED automatically receives a file from

DOT containing the names of all ED employees who are active in the DOT's TRANServ (Transit) database. After the first of each month, the ED Transit Administrator runs this report. The Dual Enrollment Report will retrieve the names of those employees who, according to the data in the Asset Management Database System, are in receipt of BOTH transit and parking benefits. Any discrepancies are reported to the Facilities and Management Services (FMS) Director, Management Services Director (MSD) Director, and the Asset Management Database System Administrator via email with attached withdrawal forms from the Department's parking or transit programs. A copy of the Design Document: Department of Transportation TRANServ Interface, dated April 2009, will be included in the audit file as evidence this process has been documented. In addition, a processed monthly report with supporting documentation will be included in the audit file as evidence this process has been fully implemented.

## **Recommendation**

- 2.2. Ensure the parking database includes secondary carpool participants and that the monthly reports that are generated include secondary carpool participants that are inappropriately receiving both transit and parking benefits.

### **Comment**

**Concur.** OM has confirmed with Administrative Services that the Asset Management Database System which supports the Department's Parking Program includes secondary carpool participants in order to determine whether they are inappropriately receiving both transit and parking benefits. A copy of the Design Document: Department of Transportation TRANServ Interface dated April 2009 will be included in the audit file as evidence this process has been documented and implemented.

Of the three employees identified as secondary car pool participants, one employee was a participant in a registered vanpool until recently retiring as of December 31, 2009. This employee does not owe any transit benefits to the Department.

The other two employees were receiving benefits and listed as secondary car pool participants. OM will consult with OGC to determine whether to proceed with recapturing transit benefits owed to the Department.

## **Recommendation**

- 2.3. In consultation with OGC, consider taking appropriate disciplinary action against and/or recapturing transit benefits received by individuals identified that were participating in the parking program.

## **Comment**

**Concur.** In March 2008, OM addressed and resolved the issue for two of the four employees. The two employees had been given authorization by the prior Director of Management Services to receive transit benefits and subsidized parking based on their conditions of employment. However, the e-mail from the former Director clearly stated that the transit benefits were to be limited to the days in which public transportation was used. One employee submitted a withdrawal application from the Parking Program, while the other employee submitted a withdrawal application for the Transit Benefits Program. Copies of the e-mail messages from Office of the Secretary, which outlined the past practice, and withdrawal forms for the two employees in question will be placed in the file as evidence this issue has been resolved and the two employees do not owe any transit benefits to the Department.

DOT has no record of the third employee's participation in the Transit Benefits Program. Therefore, the third employee does not owe any transit benefits to the Department.

According to Department files, the fourth employee did not pick up a parking permit since her application does not have a signature. All employees are required to sign prior to picking up a parking permit.

In summary, all four of the employees identified above do not owe transit benefits to the Department. However, OM will consult with OGC about possible disciplinary action and/or recapturing transit benefits, if applicable, for three additional regional employees identified as receiving transit benefits and participating in the department's parking program. Research is ongoing and scheduled to conclude by June 30, 2010. Upon completion of the research, a report will be submitted to OM leadership and if necessary, OGC, to determine whether to proceed with recapturing benefits owed to the Department, if applicable.

## **Recommendation**

- 2.4. Ensure parking permit logs are appropriately maintained and available for review.

## **Comment**

**Concur.** Since January 4, 2010, all Parking Permit Logs for FY 2007 - FY 2010 are filed by fiscal year, by building, and by last name (annual allocation ONLY), within the Management Services Division file cabinet workspace.

## **Finding No. 3—Department Employees Continued to Receive Transit Benefits While on Extended Leave**

### **Recommendation**

- 3.1. Develop and distribute clear guidance on accounting for extended periods of leave.

### **Comment**

**Concur.** This issue is currently addressed in the Department-wide Integrity Awareness Training and has been incorporated in March 2010 revisions to the Transit Benefits ACS Directive and the revised March 2010 Transit SOP. A copy of the Integrity Awareness Training Guide and revised March 2010 Transit SOP will be included in the audit file as evidence this process has been documented and implemented. The revised ACS Directive will also be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.

### **Recommendation**

- 3.2. Coordinate with HR to obtain reports of employees on extended periods of leave and compare to transit benefits participant data.

### **Comment**

**Concur.** This process has been included in the revised March 2010 Transit Benefits SOP and the revised March 2010 ACS Transit Benefit Directive. The revised March 2010 Transit SOP will be placed in the audit file as evidence this process has been implemented and documented. The revised ACS Directive will also be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.

### **Recommendation**

- 3.3. In consultation with OGC, consider recapturing transit benefits received by individuals who were collecting benefits while on extended leave.

### **Comment**

**Concur.** 15 employees were identified as receiving transit benefits while on extended leave. By June 30, 2010, OM will consult with OGC to determine whether to proceed with recapturing benefits owed to the Department.

## **Finding No. 4—Controls Over the Application Process Need Improvement**

### **Recommendation**

- 4.1. Establish and implement written procedures regarding expectations for application review and approval.

### **Comment**

**Concur.** In June 2008, the Department implemented an electronic Web-based transit benefits application process for all ED headquarters employees participating in the Transit Benefits Program. Regional implementation was

completed in January 2009. The process requires transit benefits participants to electronically recertify their applications annually and to complete an online Integrity Awareness Training. The approval process has to go through three levels of approval (i.e., Approving Official, Manager/Funds Certifier, and Department of Transportation (DOT). The Approving Official (Executive Officer) approves the application within three business days of receipt. Once approved, the application is routed to the Manager/Funds Certifier. Manager/Funds Certifier (Transit Benefits Coordinator) approves the application within two business days of receipt. The application is then routed to the DOT contact. The DOT Contact approves/processes the application within five business days. E-mail notifications are submitted to each employee per level if application is approved or disapproved. These procedures are included in the Department's March 2010 Transit Benefit Program SOP.

## **Recommendation**

- 4.2. Designate employee supervisors as the first-line Approving Officials to review and approve employee enrollment applications.

### **Comment**

**Non Concurrence.** OM does not concur with this recommendation. It introduces unnecessary risk to the Federal Personnel Payroll System (FPPS) and requires DOT to implement a system change to its transit system database. Currently 21 EXOs have access to validate applications for employees within their Principal Offices. Implementing the recommendation would require access to FPPS for approximately 500 additional users (first-line supervisors).

## **Recommendation**

- 4.3. Require Approving Officials to validate employees' home addresses listed on the enrollment applications and verify that commuting costs were correctly calculated. This could include a requirement for applicants to submit appropriate supporting documentation for their claimed monthly commuting costs.

### **Comment**

**Concur.** The revised March 2010 Transit ACS Directive and revised March 2010 SOP includes the verification of home addresses via Federal Personnel Payroll System (FPPS) and verification of commuting costs by Executive Officers as part of their approval process. Copy of the revised March 2010 Transit SOP will be placed in the audit file as evidence this process has been documented and implemented. The revised ACS Directive will also be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.

## **Finding No. 5—Improvements Are Needed in the Transit Benefits Withdrawal Process**

### **Recommendation**

- 5.1.** Review the Department's Exit Clearance Package and the Department's Directive on the Transit Benefits Program and make revisions, as necessary, to ensure consistency of guidance with regard to the responsibilities' of employees withdrawing From the transit benefits program, EXOs, and the Transit Benefits Coordinator, to include timelines for notification, method of notification to the transit benefits office, and actual return of excess transit benefits.

#### **Comment**

**Concur.** This process has been included in the March 2010 revisions to the Transit Benefits ACS Directive and revised March 2010 Transit Benefits SOP. A copy of the revised March 2010 Transit SOP will be placed in the audit file as evidence this process has been documented and implemented. The revised ACS Directive will also be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.

### **Recommendation**

- 5.2.** Develop and implement formal procedures related to the calculation of the amount of excess benefits to be returned and documentation of the amount of excess transit benefits received, to include the method of payment.

#### **Comment**

**Concur.** This process has been included in the revised March 2010 Transit Benefit ACS Directive and revised March 2010 Transit Benefit SOP. A copy of the revised March 2010 Transit SOP (to include an example of the process) will be placed in the audit file as evidence this process has been documented and implemented. The revised ACS Directive will also be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.

### **Recommendation**

- 5.3.** Develop and implement formal procedures related to the submission of personal checks and money orders to OM's Executive Office. Develop and implement similar procedures for submission of unused fare cards to DOT. These procedures should include timeframes for submission to the respective offices as well as a periodic reconciliation of amounts owed, collected, and returned. Reconciliation should be performed by an individual independent of the process.

## **Comment**

**Concur.** The written process for the submission of personal checks, money orders, and transit media has been included in the revised March 2010 Transit Benefits SOP and a copy will be placed in the audit file as evidence this action has been completed. The written process of the periodic reconciliation will be included in the revised March 2010 Transit Benefits SOP.

## **Finding No. 6—Controls Over Record Keeping Need Improvement**

### **Recommendation**

- 6.1.** Develop and implement policies and procedures regarding the storage and retention of transit benefits records, to include withdrawal forms, in accordance with NARA guidance.

## **Comment**

**Concur.** In Accordance with the General Records Schedule (GRS) 9, Item 7, Federal Employee Transportation Subsidy Records may be destroyed when 3 years old. These records include documents in either paper or electronic form relating to the disbursement of transportation subsidies to employees, including applications of employees no longer in the program, superseded applications, certification logs, vouchers, spreadsheets, and other forms used to document the disbursement of subsidies. OM will maintain all files related to the transit benefit program until the audit is closed. Upon closure of the Transit Audit, OM will maintain files in accordance with NARA guidance.

### **Recommendation**

- 6.2.** Ensure records are easily accessible by employees responsible for the program.

## **Comment**

**Concur.** Transit Benefits Program Records are stored in file cabinets in the Management Services Division as follows:

- Withdrawal Forms – stored in binders for all by Headquarters/Regional Office, Fiscal Year, and alphabetized by name with a copy of check, money order or media;
- Media Return Forms - filed by month with a copy of the media returned;
- ED Repayments Form - filed by month with an excel spreadsheet of expenditures and a copy of the check or money order;
- Federal Benefits Transit Benefits Certification Forms - filed by quarter and by location; and
- Transit Benefit Program Delivery Receipt Records - filed by region and by quarter.

All records are easily accessible by employees who are responsible for the effective implementation and management of the Department's Transit Benefits Program.



## **Recommendation**

- 6.3.** Implement a process to identify individuals that have been automatically withdrawn from the program and determine whether any benefits should be returned to the Department. To ensure accountability, withdrawal forms should be completed for these individuals.

### **Comment**

**Concur.** This process has been documented in the revised March 2010 Transit Benefits SOP as part of the 'Employees Separated from ED' Process. The revised March 2010 Transit Benefits SOP will be placed in the audit file as evidence this process has been documented and implemented by June 2010.

## **Finding No. 7—Transit Benefits Database Contains Inaccurate Data**

### **Recommendation**

- 7.1.** Develop and implement policies and procedures addressing the verification of the monthly invoices provided by DOT, to include who is responsible, how frequently the invoices are verified, and how the verification should be performed.

### **Comment**

**Concur.** This process has been implemented since October 2009. Written procedures about this process have been included in the March 2010 revisions to the Transit Benefits ACS Directive and the revised March 2010 Transit Benefits SOP. A copy of the revised March 2010 Transit Benefit SOP will be placed in the audit file as evidence this process has been documented and implemented. The revised ACS Directive will also be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.

### **Recommendation**

- 7.2.** Ensure all EXOs are provided with copies of the monthly invoices in a timely manner to review and verify, including verification that individuals are listed under the appropriate PO.

### **Comment**

**Concur.** This process has been implemented since October 2009. Written procedures about this process have been included in the March 2010 revisions to the Transit Benefits ACS Directive and revised March 2010 Transit Benefits SOP. A copy of the revised March 2010 Transit Benefit SOP will be placed in the audit file as evidence this process has been documented and implemented. The revised ACS Directive will also be included in the audit file once it is approved through the Department's ACS Clearance Process by June 30, 2010.