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Statement
of

Mr. Thomas F. Gimble
Acting Inspector General
Department of Defense

before the

Permanent Subcommittee on Investigations
Senate Committee on Homeland Security and
Governmental Affairs

on

Department of Defense Transit Benefit Program

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before this committee to discuss the Department of Defense National Capitol Region (NCR) Transit Subsidy Program.

The DoD Transit Subsidy Program was established in October 2000 as directed by Executive Order 1350. Work performed by the DoD IG as well as by the Government Accountability Office (GAO) indicates that the program does not yet have the controls needed to limit the susceptibility of transit benefits to fraud, waste, and abuse. My testimony this morning will describe the work my office is performing to assess the effectiveness of internal controls for this program.

DoD NCR Transit Subsidy Program

The NCR Transit Subsidy Program allows eligible employees to receive “transit passes” in amounts equal to their commuting costs, not to exceed \$110/month. The Washington Headquarters Services (WHS) manages this program for DoD in the National Capitol Region and is assisted by the Department of Transportation (DoT) in its implementation. As of September 30, 2006, 33,750 DoD employees were enrolled in the Transit Subsidy Program and \$35.9 million in benefits were paid out in FY 2006.

To participate in the DoD NCR Transit Subsidy Program, employees must complete an application that requires an employee to self certify:

- That he is employed by the U.S. Department of Defense;

- That he is not using Federally subsidized workplace parking;
- That he will use the benefit for his daily commute and will not transfer the benefit to anyone else;
- That the monthly benefit received does not exceed monthly commuting costs; and
- The amount of usual (or estimated) monthly commuting costs.

The form also includes a warning that individuals making a false, fictitious or fraudulent certification are subject to criminal prosecution under Title 18 of the United States Code, Section 1001, Civil Penalty Action, and/or agency disciplinary action up to and including dismissal.

Employees submit the applications to the Pentagon Force Protection Agency (PFPA) which checks the Pentagon parking database to determine whether employees are currently listed in that database. If PFPA determines the employee is not in the Pentagon parking database, it sends the application to DoT. The Department of Transportation processes the application to enroll employees into the program, maintains the enrollment database, orders and maintains fare cards (known as Metrocheks) and distributes Metrocheks to employees on a quarterly basis.

DoD Transit Subsidy Abuse

The DoD Inspector General became aware of potential abuse of the Transit Subsidy Program through complaints received through the DoD Hotline. These allegations involved employees transferring Metrocheks to friends and selling

Metrocheks on the internet or to coworkers. The allegations were referred to the agency within DoD for whom the employee worked.

In response to a Hotline complaint received in January 2003, we conducted an audit on “Allegations Concerning Controls Over DoD Transit Subsidies Within the National Capital Region.” We issued the final report (Report number D-2004-009) on October 14, 2003. We substantiated allegations that there was no verification of an applicant’s employment and that DoD employees could be selling or giving away their transit subsidies. We partially substantiated allegations that controls had not been established to ensure employees do not receive transit subsidies while receiving subsidized parking and that billing information received from DoT did not include sufficient detail to facilitate the reconciliation of quarterly DoD billings. We recommended that the Military Departments and the Defense Logistics Agency develop procedures to require the reconciliation of all transit subsidy billings received from DoT, and that DLA develop a policy to check transit subsidy applications against its parking permit roster.

DoD Management concurred with the audit finding and recommendations. We have monitored the followup actions taken in response to the audit recommendations and, as of today, the only open action is for the Department of the Army to develop policies and procedures for reconciling transit subsidy billings. Draft guidance is currently being coordinated within the Army.

We have been meeting regularly with GAO on data mining issues. During a meeting in early 2005, we discussed allegations of abuses in the transit benefit program, including Metrocheks being offered for sale on eBay and Craigslist. We then initiated a preliminary review of a sample universe to assess the risk of misuse. Based on the results of this preliminary review, in February 2006, we announced a data mining review to research this issue on a DoD-wide basis.

The data mining review looked at DoD program enrollment and disbursement databases, in addition to DoD parking databases. The data included 47,357 individuals enrolled in the program and \$31 million in benefits paid in 2005. We performed tests to determine whether the data substantiated the individual's eligibility for the Metrochek program and the amount of the benefit received by the individual.

The data mining review identified areas of vulnerability in the DoD Transit Subsidy Program as well as potential abuses by program users. Specific issues identified for further review include:

- Employees receiving Metrocheks while using subsidized parking;
- Over reliance on the honor system – employees self-certify and submit the program application without review;
- Individuals receiving benefits in excess of monthly costs;
- Individuals outside the NCR receiving NCR benefits; and

- Insufficient data to validate benefits
 - Benefits for over 28% of active participants are not verifiable

We have continued to coordinate and share information with the Government Accountability Office which has been conducting an investigation of Transit Benefit Programs in the National Capital Region.

Audit of Internal Controls over the DoD Transit Subsidy Program within the National Capital Region

Based on the data mining review we conducted and investigative work by GAO, we announced an audit in November 2006 of internal controls over the DoD transit subsidy program within the NCR. The audit will examine further the vulnerabilities identified by the data mining review as well as provide additional information on potential cases of fraud which can then be referred to the Defense Criminal Investigative Service, the criminal investigative arm of the DoD IG.

Specifically, we are reviewing internal control activities over:

- the transit subsidy application process, which includes processing of initial enrollment application, status changes, and de-enrollment from the program;
- management of the enrollment database used by the Department of Transportation to verify participant eligibility and make distributions to DoD participants as part of a contractual agreement with DoD; and
- retention of supporting documentation to comply with audit requirements.

We have also performed analyses to test the accuracy and completeness of data elements within the enrollment database, including calculation of the allowable monthly

transit subsidy benefit by DoD participants. Further, we have reviewed transit subsidy policies and procedures. We are currently writing our draft audit report and plan to issue the final report in July 2007.

Follow-on Investigative Referrals

As discussed above, we have been coordinating with GAO on investigating abuses of transit benefits by federal employees in the National Capital Region. The GAO has identified participant abuse of Government agency transit subsidy programs, including abuse by participants in the DoD Transit Subsidy Program. We have met recently with GAO investigators and anticipate receiving information on specific abuses they have identified as a result of their investigation. These cases will be referred to the appropriate investigative agency within DoD for further investigation. Additionally, we also expect to make referrals to the DCIS as a result of our current audit work. If the allegations are substantiated, appropriate corrective actions will be taken which could include criminal prosecution under Title 18, Section 1001, as well as administrative action.

Conclusion

The Transit Benefit Program is a valuable program that, if properly administered can help alleviate traffic congestion and reduce automobile emissions. However, continuing abuses in the use of transit benefits make clear the need for additional controls to help prevent fraud, waste and abuse. We believe the work we are performing will assist the Department in identifying areas where further improvements can be made.