



# Office of Inspector General

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**The FDIC's Transit Subsidy Program**

*Office of Evaluations*





## Background and Purpose of Evaluation

The Federal Employees Clean Air Incentives Act required federal agencies to implement transit benefit programs for eligible employees.

The FDIC implemented its Transit Subsidy Program in April 2000 to encourage employees to use mass transit in an effort to reduce the use of petroleum-based products, air pollution, noise, and traffic congestion in major metropolitan areas when commuting from their residence to their permanent duty station. The FDIC utilizes the Department of Transportation (DOT) to distribute fare media nationally to FDIC employees. DOA's Security and Emergency Preparedness Section (SEPS) is responsible for administering the Transit Subsidy Program.

We conducted this review because the U.S. Government Accountability Office (GAO) and other federal Inspectors General have recently reported instances of federal employees abusing transit benefit programs.

Our evaluation objective was to review the FDIC's efforts to monitor and efficiently administer its transit subsidy program. To accomplish our objective, we assessed the extent to which the FDIC has (1) established policies and procedures necessary to ensure that only qualified employees receive the subsidy and that they receive the correct amount; and (2) implemented controls and ensured that FDIC employees are complying with established procedures.

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## The FDIC's Transit Subsidy Program

### Results of Evaluation

The FDIC has established policy for the transit subsidy program that addresses employee eligibility requirements, program office and employee responsibilities, and procedures for employees to follow when participating in the program. This policy addresses most of the controls suggested by GAO and the Office of Management and Budget to ensure that qualified employees receive the correct subsidy amount. However, the policy does not include, nor did we identify, sufficient operating procedures for the headquarters or Dallas transit subsidy programs.

The FDIC has also implemented program controls that help to ensure that employees comply with procedures. Our evaluation testing identified no instances of employee abuse of the transit subsidy program, such as:

- Transferring or selling fare card media to unauthorized recipients,
- Participating in both the transit subsidy and FDIC parking programs, or
- Claiming or receiving inflated or unsupported subsidy amounts.

However, we did see several areas where DOA could strengthen program controls. For example, headquarters transit staff could do more to:

- Independently verify an applicant's home address,
- Consistently sign applications to evidence review and authorization,
- Improve transit subsidy file maintenance,
- Periodically recertify program participant information, and
- Reiterate to employees their responsibilities under the program.

Our testing also indicated that headquarters employees participating in the transit subsidy program could do more to meet their program responsibilities by (1) notifying DOA of changes in name, address, or commuting cost and (2) adjusting subsidy amounts (or returning unused fare media) due to extended leave or travel or when leaving the transit subsidy program.

In October 2007, DOA announced headquarters program changes to strengthen program controls related to:

- Mandating the use of SmarTrip® Cards that are easier to control and track than paper fare media,
- Automating the *Application for Transit Subsidy* and requiring employees to annually recertify their eligibility and commuting cost information.

We also found that DOA had implemented a number of internal controls over the Dallas transit subsidy program; however, we identified opportunities to:

- Improve separation of duties so that the administration and safeguarding of fare media was not the responsibility of one individual,
- Improve transit records to allow for an independent review of transactions, and
- More consistently provide DOT with program participant information.

### OIG Recommendations and Management Response

We made recommendations to improve controls for the headquarters and Dallas transit subsidy programs related to local operating procedures, records management, employee awareness, separation of duties, controls over transit passes, and accuracy of participant data. DOA management concurred with all of our recommendations and plans to have responsive corrective actions implemented between January and March 2008.

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**DATE:** January 3, 2008

**MEMORANDUM TO:** Arleas Upton Kea, Director  
Division of Administration

**FROM:** Stephen M. Beard  
Assistant Inspector General for Evaluations and Management

**SUBJECT:** *The FDIC's Transit Subsidy Program*  
(Report No. EVAL-08-004)

This report presents our evaluation of the FDIC's transit subsidy program. We performed this evaluation because recent audits conducted by the U.S. Government Accountability Office (GAO) and other federal Inspectors General reported instances of federal employees abusing agency transit benefit programs. The overall objective of this evaluation was to evaluate the FDIC's efforts to monitor and efficiently administer its transit subsidy program. To accomplish this objective, we assessed the extent to which the FDIC has (1) established policies and procedures necessary to ensure that only qualified employees receive the subsidy and that they receive the correct amount; and (2) implemented controls to ensure that FDIC employees are complying with established procedures. Additional details on our objective, scope, and methodology are provided in Appendix I.

## **BACKGROUND**

The Federal Employees Clean Air Incentives Act codified at 5 U.S.C. Paragraph 7905 was enacted in 1993 and took effect on January 1, 1994 as part of a national effort to improve air quality and to reduce traffic congestion. The Clean Air Act provides discretion to Executive Branches of the Federal Government to establish programs encouraging employees to commute by means other than single occupancy motor vehicles. In April 2000, Executive Order 13150, Federal Workforce Transportation, required federal agencies in the National Capital Region to implement a "transit pass" transportation fringe benefit program for qualified federal employees. Federal agencies can either distribute transit passes directly to employees or contract with the U.S. Department of Transportation (DOT) for distribution.

The FDIC implemented the transit subsidy program in April 2000 and currently has over 1,000 employee participants in the program nationwide. The objective of the transit subsidy program is to encourage employees to use mass transit in an effort to reduce the use of petroleum-based products, air pollution, noise, and traffic congestion in major metropolitan areas when commuting from their residence to their permanent duty station. The FDIC utilizes DOT's TRANServe organization to distribute fare media to FDIC employees. TRANServe orders and safeguards fare media and provides disbursing agents to FDIC on an agreed-upon schedule and

at specific sites. The FDIC is responsible for establishing and implementing internal controls over its employees' eligibility and the amount each employee receives as a transit subsidy.

The FDIC's Division of Administration (DOA) issued Circular 3440.1, *The Federal Deposit Insurance Corporation Transit Subsidy Program*, on May 17, 2002. The Circular establishes overall corporate policy; general procedures and guidelines for participating in the transit subsidy program; employee responsibilities; and program office responsibilities for implementing, administering, and monitoring the FDIC transit subsidy program. DOA established transit subsidy program managers (TSPM) and transit subsidy coordinators (TSC) in both headquarters and its regional offices to manage and conduct oversight of the transit subsidy program. In addition to coordinating program requirements with DOT, TSC responsibilities include but are not limited to: (1) receiving, reviewing, approving, or disapproving transit subsidy applications; (2) identifying and processing employees terminating participation in the transit program; and (3) collecting unused fare media or funds owed when employees separate from the FDIC or the transit program.

The success of the FDIC's transit subsidy program is based upon an honor system, thus FDIC's employees play a major role in this regard. In order for the program to be successful, employees must understand their responsibilities under Circular 3440.1 and abide by requirements of the program. Circular 3440.1 lists 15 responsibilities that employees must follow when participating in the transit subsidy program.

As shown in Table 1, the FDIC spent approximately \$1.1 million on the transit programs in its headquarters and regional offices during 2006. During this evaluation, we reviewed the transit subsidy programs for FDIC headquarters in Washington, D.C. and Arlington, Virginia, and the Dallas Regional Office. The Washington, D.C. metropolitan area is serviced by METRO. Dallas is serviced by the Dallas Area Rapid Transit (DART). DART offers several different program packages to its customers with cost incentives for the purchase of an annual pass for all employees of an organization.

**Table 1: Transit Subsidy Costs for 2006**

<b>FDIC Offices</b>	<b>Transit Amounts Spent</b>	<b>Percentage</b>
Chicago	\$104,249	9
Dallas	\$78,710	7
Headquarters	\$617,094	55
New York	\$155,883	14
San Francisco	\$132,565	12
Other FDIC Regions	\$24,891	3
<b>TOTALS</b>	<b>\$1,113,392</b>	<b>100%</b>

Source: OIG Analysis

## ESTABLISHMENT OF TRANSIT SUBSIDY PROGRAM CONTROLS

The FDIC has established policy for the transit subsidy program through Circular 3440.1. This Circular provides relevant definitions for the program, employee eligibility requirements, program office and employee responsibilities under the program, and procedures for employees to follow when participating in the program. This policy addresses most of the controls suggested by GAO and OMB to ensure that qualified employees receive the correct subsidy amount. However, the policy does not include, nor did we identify, sufficient operating procedures for the headquarters or Dallas transit subsidy programs.

In April 2007, GAO reported that weaknesses in program controls may have contributed to fraud and abuse of the transit benefit program at federal agencies.<sup>1</sup> GAO identified 10 critical program control elements and reviewed transit benefit program policies and procedures at selected federal agencies for evidence of those control elements. OMB included the same internal controls in its May 2007 memorandum, *Federal Transit Benefits Program* (M-07-15), and asked agencies to assert that the 10 controls were in place. We reviewed FDIC Circular 3440.1 and found that the Circular addressed most of the internal control areas, as shown in Table 2.

**Table 2: Key Program Controls Addressed in Circular 3440.1**

Key Program Controls	Addressed in Policy?	OIG Comments
<b>Application Requirements</b>		
Home Address	Yes	Addressed in the <i>Application for Transit Subsidy</i> (FDIC Form 3440/01)
Work Address	Yes	
Commuting Cost Breakdown	Yes	
Certification Statement	Yes	
False Statement Warning	Yes	
<b>Verification</b>		
Commuting cost verified by approving official	Partially	The Circular indicates that TSCs are responsible for receiving, reviewing, approving, or disapproving applications. The Circular does not specifically discuss verifying commuting costs; however, DOA is doing this in practice. The Circular includes eligibility requirements.
Eligibility verified by approving official	Yes	
<b>Implementation</b>		
Applicants checked against parking benefits records	Partially	The Circular indicates that employees participating in the transit subsidy program are responsible for relinquishing FDIC-provided parking privileges. As discussed later, the TSC is performing tests to ensure employees do not participate in both programs.
Benefits adjusted due to travel, leave, or change of address	Yes	The Circular indicates that employees are responsible for notifying the TSC of unused fare media due to vacation, extended leave, or travel.
Removal from transit benefits program included in exit procedures	Yes	The Circular indicates that TSCs are responsible for identifying and processing employees terminating participation in the program. This is also listed as an employee responsibility.

Source: OIG analysis of GAO and OMB program elements and FDIC Circular 3440.1.

<sup>1</sup> GAO-07-724T, *Federal Transit Benefit Program: Ineffective Controls Result in Fraud and Abuse by Federal Workers*, dated April 24, 2007.

We concluded that the FDIC's policy and transit subsidy application form generally addressed the critical elements suggested by GAO and OMB. In June 2007, DOA responded to OMB that the FDIC had sufficient internal controls in place to monitor its transit program.

However, we noted that Circular 3440.1 does not include, nor did we identify, sufficient operational procedures to guide the headquarters or regional TSCs in carrying out their program responsibilities. The sidebar presents examples of program matters that such operational procedures could address. Operational procedures would help to ensure that the TSCs implement the transit subsidy program consistently and as FDIC management intended.

### **Recommendation**

The Circular requires operational procedures for each regional office, accordingly, we recommend that the Director, DOA:

1. Strengthen operational procedures to guide headquarters and Dallas transit subsidy coordinators in carrying out their program responsibilities.

#### **Examples of Transit Subsidy Operational Procedures**

- Operational steps that the TSCs should take in receiving, reviewing, and processing FDIC employees applying or withdrawing from the transit subsidy program.
- Operational procedures specific to the local forms of transportation (e.g., WMATA or Metro in Washington, D.C.).
- Control procedures for ensuring eligibility of program participants, such as verifying home address, validating continued employment, and ensuring that program participants are not in other subsidized commuter or parking programs.
- Liaison or reporting of information to the DOT TRANServe coordinator.
- Record keeping and file maintenance requirements and procedures for safeguarding or inventorying fare media.

### **IMPLEMENTATION OF TRANSIT SUBSIDY PROGRAM CONTROLS**

The FDIC has implemented program controls that help to ensure that employees comply with procedures. Our evaluation testing identified no instances of employee abuse of the transit subsidy program. However, we identified several areas where DOA could strengthen program controls for the headquarters and Dallas transit subsidy programs. We also concluded that employees participating in the program could do more to meet their program responsibilities. Notably, DOA has recently announced or implemented several enhancements to the headquarters transit subsidy program that strengthen program controls and address several of our observations.

#### **Results of Testing for Program Abuse by FDIC Employees**

As part of our evaluation, we performed independent tests to confirm that program controls were working as intended and to ensure that employees were not abusing the transit subsidy program. Our tests included reviewing Web sites such as E-Bay and Craig's List to ensure FDIC employees were not transferring or selling fare card media to unauthorized recipients.<sup>2</sup> We also

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<sup>2</sup> We identified three advertisements that involved selling Metro passes. Nothing came to our attention to suggest that FDIC employees were involved in these advertisements. We did not perform additional evaluation procedures to determine whether these advertisements involved FDIC or federal employees or federal transit benefit media because there was no indication, such as an FDIC phone number, that FDIC employees were involved and because DOA periodically screens these Web sites for the improper sale of fare media.

examined a list of participants in the FDIC’s parking program and compared it with a list of transit subsidy program participants to ensure that no FDIC employees were receiving duplicate benefits from the two programs. Finally, we recalculated transit subsidy amounts for a sample of 60 headquarters employees to ensure that they were receiving the correct amount. Based on our testing, no instances came to our attention to suggest that these employees were:

- Transferring or selling fare card media to unauthorized recipients,
- Participating in both the transit subsidy and FDIC parking programs,
- Claiming or receiving inflated or unsupported subsidy amounts, or
- Receiving transit benefits in excess of Internal Revenue Service tax-free limits.<sup>3</sup>

### Headquarters Transit Subsidy Program Controls

We confirmed that DOA headquarters has implemented program controls that help to ensure that employees comply with procedures. Through interviews and file reviews, we determined that DOA Security and Emergency Preparedness Section (SEPS) staff routinely carries out the control procedures presented in the sidebar.

We also confirmed that the headquarters TSC periodically reviews advertisement Web sites such as E-Bay and Craig’s List to ensure that FDIC employees are not illegally transferring FDIC-issued fare media.

#### *GAO’s Standards for Internal Control in the Federal*

*Government* provides a framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse and mismanagement. The Standards note that control activities, which include approvals and authorizations, verifications, the creation and maintenance of related records and adequate documentation, help to ensure management’s directives are carried out.

We determined that DOA headquarters could strengthen program control activities as follows:

- Independent verification of employee address: SEPS does not currently verify transit subsidy applicants’ home addresses with Corporate Human Resources Information System (CHRIS)

#### Examples of Transit Subsidy Program Controls

- Receive, review, and approve transit subsidy applications. This includes confirming and recalculating the correct subsidy amount based on the participant’s home and office address and work schedule,
- Maintain the *Application for Transit Subsidy* on file for program participants,
- As part of the pre-exit clearance process, coordinate with employees leaving the FDIC to retrieve any unused fare media,
- Periodically verify that transit subsidy program participants are not also participating in the FDIC parking program, and
- Safeguard unused fare media in a locked file cabinet.

<sup>3</sup> We determined that 42 FDIC employees received transit benefits in excess of IRS limitations of \$1,260 during calendar year 2006. Payments ranged from \$1,275 to \$1,575. This situation occurred because of DOT’s quarterly distribution schedule. However, DOT and Division of Finance officials responsible for employee tax issues indicated that employees are allowed to receive up to 3 months’ worth of transit benefit without incurring a tax liability. IRS regulations under Section 132 (f) state that transit passes distributed in advance to an employee are excludable from wages for employment tax purposes if the employer distributes transit passes to the employee in advance for not more than 3 months. None of the FDIC employees received in excess of 3 months of transit subsidy benefits.

data at the time an application is processed and reviewed. This verification is a standard control that is recommended by GAO and OMB and would provide assurance that the subsidy amount is based on the correct commuting distance. A SEPS official indicated that in the future SEPS would develop a process with the FDIC's Human Resources Branch to verify addresses of transit subsidy program participants.

- Approval of applications to evidence review and authorization: Eight of the 60 application forms that we reviewed had not been signed by the TSC. Although this condition may be an administrative oversight, all forms should be signed indicating approval of the application. We did see indications that the TSC recalculated the transit subsidy amount to ensure accuracy and that the TSC verified an applicant's work schedule by contacting the applicant's supervisor by e-mail.
- Maintenance of transit subsidy participant files: DOA personnel could not locate files for 11 of the 60 program participants that we sampled (18 percent). Most of the missing files were for participants who had left the FDIC; however, 4 of the 11 missing files were for employees currently enrolled in the transit program.
- Periodic recertification of program participant information: A number of files that we reviewed (26 percent, 13 files of the sample files that were available for review) contained applications for transit subsidy that were dated 2003 or earlier and lacked evidence of periodic applicant recertification. DOA also acknowledged that it had not performed a complete recertification of transit program participants since 2003. DOA automated the *Application for Transit Subsidy* and required program participants to recertify their eligibility and commuting cost information during October and November 2007. These actions will enhance controls over the program.
- Reiterating to employees the need to notify DOA of personal or scheduling changes: As discussed later, Circular 3440.1 includes a number of employee program responsibilities, such as informing the TSC of changes in employee address or commuting costs. As discussed later, our evaluation testing indicated that employees could do more to meet their program responsibilities. These findings could be indicative of a lack of employee awareness, and it may be prudent for DOA to periodically reiterate to FDIC employees their responsibilities under the transit subsidy program.

## Employee Transit Subsidy Responsibilities

Employees also have certain responsibilities under the transit subsidy program, and the effectiveness of the program is substantially dependent upon engaged and responsible participants. The sidebar presents employee program responsibilities detailed in Circular 3440.1.

Based on our testing, we identified opportunities for employees to be more diligent in carrying out their responsibilities in the following areas:

### Notifying DOA of a change in home address:

Addresses on the *Application for Transit Subsidy* for 11 of the 60 files that we reviewed, or 18 percent, did not match records in CHRIS, which contains the official address for FDIC employees. We determined that 7 of the 11 applicants relocated and did not update their addresses on the *Application for Transit Subsidy*; 3 of the 11 no longer work for the FDIC and we were unable to determine which address was correct; and 1 of the 11 stated that the address was correct for year 2006; however, the participant had recently relocated and withdrew from the program. DOA's new annual recertification program should help to address this issue in the future.

Return of unused media due to vacation, leave, or travel or withdrawal from the program: We reviewed 20 of our 60 sampled files to ensure that employees were adjusting transit subsidy amounts when extensive leave or travel was taken in a quarter, as required by FDIC Circular 3440.1.<sup>4</sup> To perform this analysis, we reviewed leave and travel records for the sampled program participants. We determined that FDIC employees were not always adjusting transit benefits when extended leave was taken. Three of the 20 participants in our sample took leave in excess of 20 days during the year in review. In one case, a participant had 65 days of leave during a year (i.e., 65 days equates to roughly 3 months of transit subsidy, or about \$330). The TSPM indicated that he was only aware of one FDIC employee that actually reduced the subsidy amounts to reflect extended leave or travel in a particular quarter.

In addition, we found that 1 of the 11 applicants relocated and withdrew from the transit program but still had over \$200 in transit benefits that was never returned to the FDIC. We discussed this matter with the FDIC's TSPM, and the problem was resolved and reimbursement by the employee was arranged.

Other employee-related issues: We also compared DOT records of transit benefits distributed to FDIC employees during 2006 to the FDIC's current employee list in CHRIS and identified two

### Employee Transit Subsidy Program Responsibilities

- Calculate their own commuting expenses.
- Certify eligibility, subsidy amount, and that the participant will not transfer fare media to others.
- Pick up fare media in person.
- Protect fare media against loss or theft.
- Notify the TSC of any unused media at the end of a quarter due to vacation, extended leave, or travel and either return unused fare media or collect a reduced amount of media at the next distribution.
- Not stockpile fare media.
- Not use government-provided fare media in excess of Internal Revenue Service permitted limits.
- Make repayments to the transit subsidy program for any unused fare media.
- Not accept additional or full subsidy at future distributions when the employee has failed to use prior subsidy amounts.
- Surrender remaining fare media if withdrawing from the program or separating from the FDIC.

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<sup>4</sup> The Circular does not define what amount of leave or travel constitutes an "extended" leave or travel situation.

individuals that were not on the FDIC's current employee list. One individual changed his name without notifying SEPS of the change.

The second individual was from a foreign country and had been assigned to work at the FDIC for a period of 2 years beginning in February 2005. The individual was paid transit subsidy benefits totaling \$1,584 from 2005 through 2006. Circular 3440.1 states that federal employees detailed to the FDIC and independent contractors are ineligible to participate in the FDIC Transit Subsidy Program. The TSPM stated he had no way of knowing the international status of this individual because it was never brought to his attention. The TSPM also stated that the transit subsidy application submitted indicated that the individual was an FDIC employee. The TSC also verified the individual's work schedule through a supervisor. Verification of the applicant's home address with CHRIS would have likely revealed that the applicant was ineligible for a transit benefit.

### **DOA Planned Program Enhancements**

During our review, DOA informed us of several planned enhancements to the headquarters transit subsidy program. In October 2007, DOA announced headquarters program changes related to requiring the use of SmarTrip® Cards and requiring an annual program recertification.

Mandatory SmartBenefits® Program use: Effective January 1, 2008, all employees receiving transit benefits and using Metrorail, Metrobus, Virginia Rail Express, or a registered vanpool are required to have their transit benefit downloaded to a registered SmarTrip® Card. The use of SmarTrip® cards offers several control enhancements over paper fare media, including the following:

- the SmarTrip® Card is registered to the owner and not easily transferred to unauthorized users;
- a maximum of \$300 may be stored on the card, which should prevent participants from stockpiling unused fare media;
- registered SmarTrip® Cards are insured against loss or theft; and
- the mandatory use of SmarTrip® Cards will allow the FDIC to discontinue quarterly distribution of fare media by DOT and eliminate, or greatly reduce, the amount of fare media that the TSC has to safeguard.

On-line Application for Transit Subsidy and annual recertification: Beginning in October 2007, all FDIC transit benefit participants in the National Capital Region are also required to annually electronically recertify their eligibility to participate in the SmartBenefits® Program and the regular transit subsidy program. The recertification process was open for a 4-week period during October and November 2007. DOA also replaced the use of participants' last four social security number digits with the last six digits of the participants' employee identification number in order to protect personally identifiable information.

Collectively, these measures should strengthen program controls and address several of our observations discussed in this report.

## Dallas Transit Subsidy Program Controls

We also found that DOA had implemented a number of internal controls over the Dallas transit subsidy program; such as:

- Receiving, reviewing, and approving transit subsidy applications;
- Periodically verifying that transit subsidy program participants were not participating in the FDIC parking program; and
- Safeguarding unused fare media.

However, we did identify opportunities to improve separation of duties, recordkeeping, and communication of program information to DOT, as discussed below.

DART offers significantly discounted fare media for organizations that agree to purchase transit passes for 100 percent of their employees. The Dallas Transit Subsidy Coordinator (DTSC) performs a cost analysis annually to determine whether it is more economical to buy transit passes for all Dallas employees or to buy transit passes only for those employees participating in the Dallas transit subsidy program. The DTSC sends the cost analysis to the headquarters TSPM for approval. During 2006 and 2007, the FDIC purchased passes for all FDIC Dallas employees (but only distributed passes to employees participating in the transit subsidy program). Table 3 presents information from the 2006 cost analysis.

**Table 3: DART Transit Programs**

Type of Transit Pass	Number of Transit Passes	Cost per Transit Pass	Total Transit Subsidy Cost
Platinum Pass for Entire Workforce	408	\$190 for Annual Pass	\$ 77,520
Bronze Pass for Employees Using DART Transit Subsidy	124	\$700 for Annual Pass	\$ 86,800
Monthly Pass for Employees Using DART Transit Subsidy	124	\$70 for Monthly Pass x 12 months	\$104,160

Source: OIG Analysis

Because the DTSC purchases significantly more passes than are distributed, it is important that the DTSC have strong controls over pass distribution and that excess passes are controlled and safeguarded. In this regard, we identified the following areas where program controls could be improved.

Segregation of duties: GAO identifies segregation of duties as a control activity to guard against one individual controlling all key aspects of a transaction or event. Currently, the DTSC controls all aspects of the transit subsidy program transaction to include receiving and distributing transit passes, keeping related records, and maintaining custody of all transit passes that have not been issued in a locked drawer in his office to which only he has access. We concluded that segregation of duties over the Dallas transit subsidy program could be improved and that DOA needs to identify ways to mitigate this control risk. For example, DOA could have another

employee maintain custody of the un-issued passes. Alternatively, DOA could have an independent party periodically inventory the issued and un-issued passes.

Accurate and timely recording of transactions and events: GAO notes that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. To ensure all passes were properly accounted for, we reconciled all issued and un-issued passes for 2006 and 2007. As shown in Table 4, our review identified discrepancies between the DTSC list of transit passes issued, un-issued passes, and the total number of passes purchased.

**Table 4: Inventory of Transit Passes Purchased and Issued for 2006 and 2007**

Calendar Year	DTSC List of Transit Passes Issued	Discrepancy Between List of Passes Issued and Passes Purchased	Un-Issued Passes	Total Passes Purchased
2006	123	13	272	408
2007	122	11	269	402

Source: OIG Analysis

Although we identified discrepancies of 13 and 11 passes for 2006 and 2007, respectively, the DTSC provided application forms (3440/01) to support issuance of 8 of the 13 passes for 2006 and 10 of the 11 passes for 2007. Thus, we concluded that most of the discrepancies were due to errors in the listing of transit passes issued. For the remaining six missing transit passes we were able to confirm with three transit subsidy participants that they received the transit passes in question. We could not determine the status of the remaining three missing transit passes.

Historical data of transit subsidy activity: GAO notes that accurate transaction recording applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. GAO also notes that transactions should be clearly documented, and the documentation should be readily available for examination. The DTSC maintains a spreadsheet for its Dallas employees who participate in the Dallas transit subsidy program and parking program. The master spreadsheet lists the participating employee names and identifies the transit or parking pass issued to each employee and transit subsidy passes that are returned or deactivated. In our review of the spreadsheet, we noted that the spreadsheet does not always identify a date of when the employee receives the parking and transit passes, or the date when the passes are returned or deactivated. The spreadsheet is also continuously updated without saving and maintaining a record of activity for a given calendar year. Therefore, no permanent record was available to enable us to review all transit activity that occurred in 2006.

Discrepancies between FDIC, DOT, and DART transit subsidy participant data: We found significant discrepancies between listings of program participants maintained by the FDIC, DOT, and DART. For example, DOT's participant list for 2006 included 185 participants of whom 59 had either terminated employment or retired from the FDIC in 2004 and 2005. Additionally, DOT's records reflected a \$419 transit cost per employee when, in fact, the actual cost was \$190 per employee. A DOT representative informed us that DOT records were based on information provided by the FDIC and it is the responsibility of the FDIC to keep DOT informed

of any changes related to participants receiving transit benefits. The representative added that if changes are not provided to DOT, the employee participation list is not revised by DOT.

Although DOT records were inaccurate, we verified that the FDIC did not pay excessive costs for transit benefits during 2006. DOT computed the transit media cost per employee by dividing the total transit cost for 2006 of \$77,520 by the 185 Dallas employees on their list. The FDIC actually paid \$77,520, which represented the actual cost of purchasing a \$190 transit pass multiplied by the entire Dallas workforce of 408 employees. The DOA records showed that 124 Dallas employees participated in the program in January 2006, and 12 additional employees participated at varying times during 2006. We identified no instances of transit benefits being provided to unauthorized recipients.

In addition, our review of the current DART database contained FDIC employees that were no longer participating in the Dallas transit subsidy program. We advised the DTSC that DART's database was inaccurate and needed to be updated prior to issuance of the 2008 transit subsidy passes. The DTSC is currently working with a DART representative to ensure that DART's database includes only FDIC employee names that are participating in the Dallas transit subsidy program.

Although these discrepancies do not appear to have any monetary effect on the program, it is important that DOA ensures that accurate information is provided to DOT and DART to ensure the integrity of the federal transit benefits program.

Local standard operating procedures: As discussed earlier in this report, we are recommending that DOA establish operating procedures for its headquarters and Dallas transit subsidy programs. Circular 3440.1 requires the Regional TSCs to establish local standard operating procedures based on guidance from the TSPM. Neither DOA headquarters nor the Dallas Regional Office has guidance, specific operating instructions, or standard operating procedures for their respective transit subsidy programs. We noted that the Atlanta DOA office established in 2002, and revised in 2004, a standard operating procedure for its regional transit subsidy program. Local operating procedures would improve internal controls over the regional transit subsidy programs.

## **Recommendations**

We recommend that the Director, DOA:

2. Establish and implement a procedure for routinely verifying transit subsidy program applicants' home addresses against an official source of employee information, such as CHRIS.
3. Conduct a follow-up internal review to ensure that recently implemented enhancements to the program (on-line application and annual recertification) address observations that we identified in this report related to TSC review and authorization of the *Application for Transit Subsidy* and transit subsidy file maintenance issues.

4. Increase employee awareness by periodically issuing communications to employees reminding them of their responsibilities under the program. Such reminders could be coordinated with the annual employee recertification process and should include:
  - Notifying TSCs of changes in name, address, commuting cost, or work schedule; and
  - Returning unused fare media resulting from extended leave or travel or withdrawal from the program.
5. Improve segregation of duties over the Dallas transit subsidy program or implement mitigating program controls such as independent inventories of issued and un-issued fare media.
6. Improve recordkeeping of Dallas transit subsidy program activity to properly account for all purchased fare media and to provide for a permanent record of transit subsidy activity.
7. Resolve discrepancies between Dallas transit subsidy program participant listings maintained by the Dallas TSC, DOT, and DART and implement controls to ensure that future listings are consistent.

## **CORPORATION COMMENTS AND OIG EVALUATION**

On December 18, 2007, the DOA Director provided a written response to the draft report dated December 12, 2007. The response is presented in Appendix II to this report. In its response, DOA management concurred with all of our recommendations and plans to have responsive corrective actions implemented between January and March 2008. These recommendations are considered resolved but will remain open until we have determined that agreed-to corrective actions have been completed and are effective. A summary of management's response and corrective actions is presented in Appendix III.

## OBJECTIVE, SCOPE, AND METHODOLOGY

The overall objective of this evaluation was to evaluate the FDIC's efforts to monitor and efficiently administer its transit subsidy program. To accomplish this objective, we assessed the extent to which the FDIC has (1) established policies and procedures necessary to ensure that only qualified employees received the subsidy and that they received the correct amount; and (2) implemented controls and ensured that FDIC employees are complying with established procedures.

We conducted our review of the transit subsidy program in FDIC divisions and offices located in Washington, D.C. and Arlington, Virginia, and Dallas, Texas. We did not review the FDIC's transit subsidy programs in any of the FDIC's other regions. We conducted the evaluation from May 2007 through October 2007 in accordance with *Quality Standards for Inspections*.

To accomplish our objectives we:

- Reviewed policies and procedures, including FDIC Circular 3440.1, *The Federal Deposit Insurance Corporation Transit Subsidy Program*.
- Reviewed various reports on transit subsidy programs conducted by other government agencies, including GAO Report No. GAO-07-724T, *Federal Transit Benefits Program: Ineffective Controls Result in Fraud and Abuse by Federal Workers*; the Federal Trade Commission (FTC) report entitled, *Audit of the FTC's Transit Subsidy Program for Fiscal Year 2003*; and DOT Report No. CC-2007-048, *Opportunities to Improve Internal Controls Over the Federal Transit Benefits Program*.
- Interviewed DOA personnel responsible for monitoring the FDIC's transit subsidy program at headquarters and Dallas.
- Interviewed and obtained documents from DART officials related to the transit system in Dallas.
- Interviewed responsible DOT officials and obtained various documents to support specific transit issues related to the FDIC in both the Washington, D.C. metropolitan area and Dallas.
- Conducted various analyses of data and selected a sample of 60 FDIC employees in the headquarters offices to ensure compliance with FDIC policies and procedures and transit subsidy benefits.
- Compared DOT's list of FDIC transit participants to the FDIC's parking list to ensure that no individuals are receiving both benefits.
- Reviewed the DOT's 2006 payment list for FDIC employees to determine whether any FDIC employee received over the maximum IRS limit of \$1,260.
- Reviewed leave and travel records for 2006 for 20 randomly selected employees to determine if transit subsidy benefits were being reduced by any extensive leave taken by employees.
- Reviewed both E-Bay and Craig's List Web sites for evidence that FDIC employees were selling transit benefits. This problem was discovered by other government agencies when a review of transit subsidies was conducted. Although on the day we reviewed these Web sites, we did note 3 instances where individuals were selling Metro transit subsidy passes/tickets, we did not perform additional evaluation work to determine whether the advertisements involved FDIC or federal employees. It was decided that no further work

would be conducted in this area because of the cost of performing these tests and the limited risk that we would discover that the seller was an FDIC employee.

We performed various analyses of data to verify and confirm controls were in place and working effectively. Specifically, we identified a universe of 647 FDIC employees from the Washington, D.C. metropolitan area that were enrolled in the FDIC transit subsidy program for 2006. We randomly selected from the universe a sample of 60 participants to review transit files maintained by DOA for compliance with the FDIC's policies and procedures. We reviewed transit files to ensure that Form 3440/01, *Application for Transit Subsidy*, was properly prepared by the applicant; addresses on the *Application for Transit Subsidy* agreed with addresses in CHRIS; and transit benefits were properly computed by the applicant as well as reviewed and approved by the TSC.

## CORPORATION COMMENTS



**Federal Deposit Insurance Corporation**  
3501 Fairfax Drive, Arlington, VA 22226-3500

Division of Administration

December 12, 2007

**MEMORANDUM TO:** Stephen M. Beard  
Deputy Assistant Inspector General for Audits

**FROM:** Arleas Upton Kea  
Director, Division of Administration

**SUBJECT:** Management Response to the Draft OIG Evaluation Report Entitled,  
*The FDIC's Transit Subsidy Program (Evaluation No. 2007-021)*

This is in response to the subject Draft Office of Inspector General (OIG) Report, issued November 16, 2007. In its report, the OIG made seven recommendations.

We appreciate the OIG noting that the FDIC had implemented transit subsidy program controls that help ensure employees comply with procedures and that no instances of employee abuse were found. DOA recognizes that additional steps are necessary to enhance overall program controls and oversight. This response outlines our planned corrective actions for each of the recommendations cited in the OIG's Report.

#### MANAGEMENT DECISION

##### **Finding: Insufficient Operational Procedures**

**Recommendation 1:** That the Director, Division of Administration (DOA) strengthen operational procedures to guide headquarters and Dallas transit subsidy coordinators in carrying out their program responsibilities.

**Management Response 1:** DOA concurs with this recommendation.

**Corrective Action:** DOA's National Transit Subsidy Coordinator will revise the Transit Subsidy Directive to provide additional guidance and procedures to all transit coordinators. Estimated completion date is March 31, 2008. Point of Contact (POC): Dwight Wilson, Security and Emergency Preparedness Section (SEPS)

##### **Finding: FDIC could Strengthen Program Controls**

**Recommendation 2:** That the Director, DOA establish and implement a procedure for routinely verifying transit subsidy program applicants' home addresses against an official source of employee information, such as CHRIS.

**Management Response 2:** DOA concurs with this recommendation.

**Corrective Action:** DOA's National Transit Subsidy Coordinator has coordinated with the Human Resources Branch to utilize the CHRIS HR database to verify applicant addresses. This new process was implemented for headquarters at the end of November 2007. This process will be implemented for all applicants nationwide by the end of March 2008. Verification will be conducted on an annual basis as well as for each new applicant upon application. POC: Dwight Wilson, SEPS

**Recommendation 3:** That the Director, DOA conduct a follow-up internal review to ensure that recently implemented enhancements to the program (on-line application and annual recertification) address observations that we identified in this report related to Transit Subsidy Coordinator (TSC) review and authorization of the *Application for Transit Subsidy* and transit subsidy file maintenance issues.

**Management Response 3:** DOA concurs with this recommendation.

**Corrective Action:** DOA will conduct a semi-annual internal program review every six months beginning in March 2008. POC: Dwight Wilson, SEPS

**Recommendation 4:** That the Director, DOA increase employee awareness by periodically issuing communications to employees reminding them of their responsibilities under the program. Such reminders could be coordinated with the annual employee recertification process and should include:

- Notifying TSCs of changes in name, address, commuting cost, or work schedule; and
- Returning unused fare media resulting from extended leave or travel or withdrawal from the program.

**Management Response 4:** DOA concurs with this recommendation.

**Corrective Action:** The National Transit Subsidy Coordinator will, in conjunction with the semiannual review, provide employee awareness reminders to all participants. See our response to recommendation 3 above. POC: Dwight Wilson, SEPS

**Recommendation 5:** That the Director, DOA improve segregation of duties over the Dallas transit subsidy program or implement mitigating program controls such as independent inventories of issued and un-issued fare media.

**Management Response 5:** DOA concurs with this recommendation.

**Corrective Action:** The National Transit Subsidy Coordinator will meet with the Dallas regional coordinator and develop additional protocols to ensure adequate separation-of-duty controls are implemented. Estimated completion date is January 31, 2008. POC: Dwight Wilson, SEPS

**Recommendation 6:** That the Director, DOA improve recordkeeping of Dallas transit subsidy program activity to properly account for all purchased fare media and to provide for a permanent record of transit subsidy activity.

**Management Response 6:** DOA concurs with this recommendation.

**Corrective Action:** The National Transit Subsidy Coordinator will meet with the Dallas Regional Coordinator to review fare media accountability controls and take appropriate corrective action. Estimated completion date is January 31, 2008. POC: Dwight Wilson, SEPS

**Recommendation 7:** That the Director, DOA resolve discrepancies between Dallas transit subsidy program participant listings maintained by the Dallas TSC, DOT, and DART and implement controls to ensure that future listings are consistent.

**Management Response 7:** DOA concurs with this recommendation.

**Corrective Action:** The National Transit Subsidy Coordinator will meet with the Dallas Regional Coordinator to review discrepancies and take appropriate corrective actions. Estimated completion date is January 31, 2008. POC: Dwight Wilson, SEPS

If you have any questions regarding DOA's response, the point of contact is William Gately. Mr. Gately can be reached at (703) 562-2118.

cc: Glen Bjorklund, DOA  
Michael J. Rubino, DOA  
Tommie Barnes, DOA  
Dwight Wilson, DOA  
James H. Angel, Jr., OERM

MANAGEMENT RESPONSES TO RECOMMENDATIONS

This table presents the management response to the recommendations in our report and the status of the recommendations as of the date of report issuance.

Rec. Number	Corrective Action: Taken or Planned/Status	Expected Completion Date	Monetary Benefits	Resolved: <sup>a</sup> Yes or No	Open or Closed <sup>b</sup>
1	DOA's National Transit Subsidy Coordinator will revise the Transit Subsidy Directive to provide additional guidance and procedures to all transit coordinators.	March 31, 2008	\$0	Yes	Open
2	DOA's National Transit Subsidy Coordinator has coordinated with the Human Resources Branch to utilize the CHRIS HR database to verify applicant addresses. This new process was implemented for headquarters at the end of November 2007. This process will be implemented for all applicants nationwide by the end of March 2008. Verification will be conducted on an annual basis as well as for each new applicant upon application.	March 31, 2008	\$0	Yes	Open
3	DOA will conduct a semi-annual internal program review every 6 months beginning in March 2008.	March 31, 2008	\$0	Yes	Open
4	DOA's National Transit Subsidy Coordinator will, in conjunction with the semiannual review, provide employee awareness reminders to all participants.	March 31, 2008	\$0	Yes	Open
5	DOA's National Transit Subsidy Coordinator will meet with the Dallas Regional Coordinator and develop additional protocols to ensure adequate separation-of-duty controls are implemented.	January 31, 2008	\$0	Yes	Open

**APPENDIX III**

<b>Rec. Number</b>	<b>Corrective Action: Taken or Planned/Status</b>	<b>Expected Completion Date</b>	<b>Monetary Benefits</b>	<b>Resolved:<sup>a</sup> Yes or No</b>	<b>Open or Closed<sup>b</sup></b>
6	DOA’s National Transit Subsidy Coordinator will meet with the Dallas Regional Coordinator to review fare media accountability controls and take appropriate corrective action.	January 31, 2008	\$0	Yes	Open
7	DOA’s National Transit Subsidy Coordinator will meet with the Dallas Regional Coordinator to review discrepancies and take appropriate corrective actions.	January 31, 2008	\$0	Yes	Open

<sup>a</sup> Resolved: (1) Management concurs with the recommendation, and the planned corrective action is consistent with the recommendation.  
 (2) Management does not concur with the recommendation, but planned alternative action is acceptable to the OIG.  
 (3) Management agrees to the OIG monetary benefits, or a different amount, or no (\$0) amount. Monetary benefits are considered resolved as long as management provides an amount.

<sup>b</sup> Once the OIG determines that the agreed-upon corrective actions have been completed and are effective, the recommendation can be closed.