

# FEDERAL TRANSIT BENEFITS PROGRAM

## Ineffective Controls Result in Fraud and Abuse by Federal Workers



Highlights of [GAO-07-724T](#), a testimony before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate

### Why GAO Did This Study

Under the federal transit benefits program, federal employees receive transit benefits (e.g., Metrocheks) to encourage them to commute to work via public transportation. Based on information provided by the Department of Transportation, as of July 2006, the National Capital Region had 120,000 participants claiming roughly \$140 million in benefits. Recently, inspectors general (IG) of various agencies have found numerous prior instances of fraud, waste, and abuse in this federal program.

Based on both the significance of these IG findings and the amount of federal money spent on transit benefits, GAO was asked to (1) investigate allegations that federal employees in the National Capital Region are involved in fraud and abuse related to the transit benefits program, (2) identify the potential causes of any fraud or abuse that is detected, and (3) estimate the magnitude of fraud and abuse in the National Capital Region in 2006.

To address these objectives, GAO identified federal employees selling their transit benefits on the Internet and obtained additional data from these sellers' employing agencies to determine whether more widespread problems existed. GAO also obtained the policies and procedures governing the transit benefits program at each of the employing agencies.

[www.gao.gov/cgi-bin/getrpt?GAO-07-724T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-724T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-9505 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

### What GAO Found

After investigating just 3 days of sales, GAO confirmed that at least 20 federal employees were fraudulently selling their Metrocheks on eBay. For example, one GS-14 Department of the Treasury employee drove to work, parked for free in agency-provided parking, and was still able to collect \$105 per month in Metrocheks—most of which he sold on eBay. Posing as buyers, GAO investigators also purchased Metrocheks from 3 federal employees fraudulently selling their benefits on Craigslist, a popular community Web site. These employees are likely the tip of a much larger number of violations of law.

GAO investigations revealed additional examples of federal employees inflating their transportation expenses on their transit benefit applications. Many of them admitted to intentionally falsifying their benefit applications to receive excess benefits. For example, a GS-11 Department of Transportation employee admitted to claiming the maximum allowable benefit of \$105 per month when his actual commuting cost was only \$54.

Weaknesses in the design of program controls at the Departments of Commerce, Transportation, State, Homeland Security, Defense, and Treasury, the Internal Revenue Service (IRS), the Patent and Trademark Office, and the U.S. Coast Guard can be associated with the fraudulent and abusive activity we identified. Although GAO did not conduct a comprehensive review of each agency's controls, the results from investigations illustrate flaws in the design of the controls. For example, GAO identified four employees who continued to receive transit benefits even though they were on extended absences from work, but none of the agencies had written policies requiring adjustment of benefits because of leave or travel.

#### Back of Metrochek with Warning Language

Metrocheks may be used or exchanged for WMATA or non-WMATA fares only by the person to whom it is validly issued. Only employers or WMATA-approved agents may issue valid Metrocheks and only directly to qualified employees. The use, sale, or exchange of Metrocheks by any other person makes the Metrochek invalid, and is therefore, illegal and subjects the person to arrest and/or prosecution.

Metrocheks are exchangeable farecard vouchers. Unused Metrocheks may be exchanged for other WMATA or participating transit provider fares.

- Metrocheks are not redeemable for cash. No change will be returned.
- You must use the same Metrochek for both entry and exit when used on Metrorail.
- On Metrorail, Metrocheks must be shown on demand to WMATA employees or police.
- Metrocheks are subject to WMATA tariff regulations when used as a farecard.
- Participating transit providers list at 202-637-7000 or [metroopendoors.com](http://metroopendoors.com)

Exchanged for:

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY  
600 Fifth St., N.W. Wash., D.C. 20001  
INFO 202-637-7000 TTY 202-638-3780  
[metroopendoors.com](http://metroopendoors.com)

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If found, please mail to: WMATA Metrochek Program, 600 Fifth Street, NW Washington, DC 20001

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Source: Federal agencies.

Using transit benefits records from seven of the nine agencies GAO reviewed, GAO determined that the amount of potentially fraudulent transit benefits claimed during 2006 in the National Capital Region was at least \$17 million and likely more. This fraudulent amount could be millions more if a similar magnitude of fraud exists in the dozens of agencies GAO did not review, or if the other types of fraud GAO identified in this investigation could be quantified.