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Opening Statement

Ranking Member: Permanent Subcommittee on Investigations

Hearing On

Transit Benefits: How Some Federal Employees are Taking Uncle Sam for a Ride

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Mr. Chairman,

Let me start by thanking you for your active participation in our bipartisan effort to improve the government's operations and ensure that American tax dollars are spent wisely.

Today, we turn our attention to the federal Transit Benefit Program. This is a noble program, designed to reduce air pollution and traffic congestion by providing federal employees with an incentive to commute using mass transit, rather than driving. The federal government spends \$250 million each year on this program. The concept is simple: the government gives eligible employees subsidies that can be used on their local transit systems to offset commuting expenses. Federal employees in the Washington DC area, for example, receive pre-paid Metrochek cards that can be used on the DC-area Metro system or local commuter trains.

These subsidies are tax-free and do not cost the employee a dime. In exchange, employees must certify that they will use the cards only to commute via mass transit and will not transfer or sell the cards to anyone else. In addition, employees may not receive more in these tax-free benefits than they actually spend commuting – this is, after all, a subsidy, and not a hand-out.

Let me direct your attention to some exhibits we have prepared, which show the application forms that federal employees submit to request these benefits. As you can see, these applications require in clear language and bolded font that employees certify (i) they are employees of the relevant agency, (ii) their requested subsidy does not exceed their actual commuting costs, and (iii) they will not give, sell or transfer the benefits to anyone else. Employees sign these certifications under penalty of perjury.

Unfortunately, these explicit certifications are not enough to prevent waste and abuse in the program. Our investigation, along with the hard work of the Government Accountability Office, has revealed rampant fraud, waste, and abuse in this program, costing the American taxpayer tens of millions of dollars every year. And while previous PSI investigations typically uncover fraud amounting to hundreds of millions, we cannot ignore abuses in the tens of millions.

The government must monitor its spending like a small business watches its bottom-line; in fact, the government's burden should be even higher because it is supposed to use Americans' tax dollars for the public trust. There is an old adage that says: "Watch the pennies and the dollars will take care of themselves." In this case, the government has not been watching the pennies, and millions of American tax dollars are being lost.

GAO's investigation uncovered some particularly egregious cases of fraud and abuse, including federal employees who brazenly sell their transportation subsidies on the internet – using sites like eBay – to make a cool profit. In just three days, GAO contacted 20 individuals who were selling Metrocheks on eBay; every single one of them was a federal employee.

Senator Levin already provided a couple of examples to illustrate the problem, but one more is worth mentioning:

- A relatively senior IRS employee who has received transit benefits since February 2004. This employee, however, also received parking benefits from the IRS and drove to work. As a result, he sold his Metrocheks for nearly \$1,000 on eBay. When GAO investigated this seller, they discovered that he had also stolen numerous computers and computer parts from the IRS and sold them on eBay as well. The employee has been placed on administrative leave indefinitely without pay.

Moreover, our own investigation uncovered a seller who admitted that he was selling his transit benefits in order to pay for his parking. His eBay auction and email are presented in an exhibit. When asked how he obtained the fare cards, the seller answered: "I got the cards from government [sic]." He then went one step further and said: "I sold the cards to pay [for] my parking."

These federal employees are taking Uncle Sam for a ride. Unfortunately, the problems uncovered by GAO and our investigation are not limited to these examples. Our investigation has uncovered widespread fraud. In fact, GAO examined only one very narrow category of fraud – recipients who obtain the maximum benefits, even though they are entitled to a lesser amount – and found that 25% of all distributions in Washington, D.C. alone were abusive. In the Department of Defense, the rate of fraud and waste related to this one narrow category of abuse reached 35% in just the DC area. Thirty percent of distributions at both the Department of the Treasury and the Coast Guard were similarly improper. Common sense dictates that this pattern of fraud would extend beyond the narrow scope of this investigation.

The obvious question is how did this happen? The answer is disturbing: no one is minding the store. No governmental entity actually oversees this program. That is worth repeating: despite the fact that this program disburses roughly \$250 million each year and nearly 300,000 federal employees receive the benefit, no agency is tasked with managing the program. No agency is tasked with ensuring that the program runs efficiently. No agency is tasked with preventing waste, fraud, or abuse.

The Department of Transportation administers the program for 75% of federal agencies, but views its role as a mere administrative conduit between the agencies and local transit systems. Individual agencies, which are perhaps in the best position to verify individual subsidies, do little to certify whether its employees are eligible for the program or validate the amount of benefits claimed. Inspectors General in most agencies do nothing to audit these programs to uncover waste and fraud. In fact, although more than 100 federal entities participate in this program, we could identify only six Inspectors General that have reviewed this program in any way.

It's not a case of someone being asleep at the switch; it's a case of no one being at the switch at all. For too many federal employees, this program is free money.

Americans expect their government to use their tax dollars wisely. Yet, as a direct result of poor government oversight, tens of millions of dollars in waste, fraud and abuse went undetected. While tens of millions of dollars in the context of our trillion-dollar budgets may seem like a drop in the bucket, NO degree of government waste, fraud, and abuse is acceptable. We have a solemn obligation to ensure that every single tax dollar is spent wisely.

I do not believe that government is inherently inefficient, and to the contrary, I believe government can work well. The silver lining today is that the fixes should be simple. It seems somewhat obvious, but before enrolling an employee in this program, agencies should check that the employees are in fact employed there.

When an employee leaves an agency or is on an extended absence, the agency's administrator of the transit benefits should be notified. Agencies should confirm their employees are not receiving parking passes and transit benefits at the same time. There should be an effort to confirm employees' commuting expenses, such as requiring applicants to present records to establish their commuting expenses or using employees' addresses to estimate reasonable commuting costs. Supervisors should be required to approve applications.

Employees should be better educated on the proper uses of the transit benefits, and the penalties for violating the rules should be made clear. Inspectors General should be encouraged to conduct audits of the program to prevent waste and fraud. And, most importantly, there should be greater clarity on precisely which agency or agencies are responsible for running this operation.

All in all, these seem like relatively easy fixes. I look forward to the witnesses' testimony today to examine how we can tighten this noble program to ensure that we are still encouraging our employees to take mass transit, on one hand, but also preventing waste of Americans' tax dollars, on the other.

In closing, I should mention my sincere appreciation for the hard work of GAO's Forensic Audit and Special Investigations Unit, who have consistently provided this Subcommittee with invaluable assistance. I look forward to their testimony today.

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