

Statement of Senator Carl Levin (D-Mich)
before the
Permanent Subcommittee on Investigations
on
Transit Benefits:
How Some Federal Employees are Taking Uncle Sam for a Ride
April 24, 2007

Today's hearing looks at the federal transit benefit program. This little-known program, which was established less than ten years ago, was designed to encourage federal employees to use public transportation for the purposes of reducing road congestion, air pollution, gasoline consumption, and our country's dependence on foreign oil.

Nationwide, the program encourages nearly 300,000 federal employees to commute to work using mass transit systems. More than half of these employees work in our Nation's capital.

But this program is not free. Last year, it cost about \$250 million, and there is evidence that tens of millions of dollars in benefits are the subject of waste, fraud, and abuse.

The program works like this. Each employee who wants transit benefits must submit an application to their agency and certify that they are a federal employee, they will use the subsidy for their daily commute on public transportation to and from work, that the amount of benefit will not exceed their commuting costs, and they will not transfer the benefit to anyone else. Their agency is supposed to verify the information and then supply the transit subsidy. The maximum benefit in 2007 is \$110 per month. In the National Capitol Region, for example, employees receive vouchers called Metrocheks that can be used to purchase farecards for local transit systems. Each Metrochek states that it is nontransferable.

Last year, Senator Coleman, who was then chairman of the Subcommittee, asked the Government Accountability Office to investigate possible misuse of these transit benefits. GAO found that some federal employees were abusing the program by selling their transit benefits on the internet, falsely claiming excess benefits, distributing benefits to friends and family, or by receiving benefits while on extended leave or after leaving the federal workforce.

GAO identified one employee of the Department of Defense, for example, who sold his transit benefits on eBay, taking in \$6,000 over several years. GAO found another individual who received \$4,000 worth of transit benefits from the Department of Commerce after she had left the agency. GAO found other examples of federal employees who gave their transit benefits to friends or family, apparently unaware that they are not allowed to transfer their benefits. GAO estimates that, overall, the waste and fraud in the federal transit benefit program amounts to tens of millions of dollars a year.

The program is marked by weak internal controls over the distribution of the transit benefits. For more than four years, agency audits have been identifying this problem. A 2005

inspection of the transit benefit program by the Naval Audit Service, for example, found, “important internal control weaknesses... that made [the Department of the Navy] vulnerable to increased fraud, waste, abuse, and expenditure of dollars.” A 2004 audit by the Inspector General of the National Archives wrote that the agency “lacked adequate internal controls to validate that employees ... were not abusing the program.” Six agency audits in four years have urged the establishment of stronger controls, but they haven’t been implemented.

In some cases, agencies are apparently confused as to their responsibilities to prevent misuse of the benefits. Over 100 federal agencies have entered into contracts with the Department of Transportation to help administer the transit benefit program. In the National Capital Region, depending on an agency’s contract with DOT, DOT either distributes Metrocheks directly to qualified and registered employees, or provides an agency with Metrocheks for further distribution to their employees. Apparently some agencies thought that DOT was also responsible for conducting oversight of the program to prevent abuse. The Department of Defense, for example, which is the largest user of transit benefits and contracts with DOT, told the Subcommittee that it thought DOT was overseeing the program as well as administering it. DOT told the Subcommittee, however, that oversight was not a part of its contract with DOD. Today we will hear from both agencies, and hopefully begin to resolve this issue.

The problems identified today are ones that can and should be solved in the near future. Common sense solutions to curb the waste, fraud, and abuse include stronger internal controls and better oversight. For instance, program administrators should verify that beneficiaries are still on the agency payroll, and not simultaneously receiving parking permits. Another easy improvement would be for the government to standardize, across agencies, the application process and internal controls used to monitor the distribution of benefits. One lead agency could also provide a website with comprehensive information on the federal transit benefit program. Education should be emphasized: every employee enrolled in the program should be clearly informed that the transit benefits are not transferable, and should not exceed the cost of their daily commute.

Like many programs with a good purpose, steps need to be taken to prevent waste and abuse in the program’s operations. If waste and abuse are allowed to fester, then the program itself will not be sustainable.

I want to commend Senator Coleman for initiating this investigation into the federal transit benefit program, and for working with the agencies involved to identify the problems and possible solutions.