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Statement of

Mr. Michael L. Rhodes
Director, Washington Headquarters Services
Department of Defense

before the

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

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Chairman Levin, Senator Coleman, and distinguished members of the Committee:

Thank you for the opportunity to address the Federal Transit Benefit Program and its implementation for Department of Defense personnel within the National Capital Region. I am the Director of Washington Headquarters Services and my organization is responsible for administering the program in the National Capital Region for the Department of Defense. The Military Services administer the program outside the National Capital Region.

Background.

As you are aware, Executive Order 13150, dated April 21, 2000 ordered Federal agencies to implement a transportation fringe benefit program to qualified Federal employees. In response to the Executive Order, the Department of Defense directed implementation of transportation incentive programs for all Department of Defense personnel – active duty military, reserve component personnel serving on active duty, and civilian employees, to include non-appropriated fund personnel. Currently the transit subsidy program provides eligible employees with fare media equal to their commuting costs, not to exceed \$110 per month.

The Executive Order differentiates between employees working inside the National Capital Region (NCR) and those outside the NCR with respect to the kind of transportation incentives that must be offered by Federal agencies. However, as the largest Federal employer in many metropolitan areas around the Nation, we believe that the Department of Defense (DoD) should be a model employer and take appropriate action necessary to reduce the traffic congestion and air pollution that affect so many areas. The same incentive is offered to all DoD personnel regardless of location inside or outside the National Capital Region. The Department's policy for the Federal Transit Benefit Program requires DoD Components to

develop and budget for a comprehensive program that implements the DoD transportation incentive program for members/employees outside the National Capital Region. The policy also requires each Component to appoint an Office of Primary Responsibility (OPR) to manage its transportation incentives program. The program OPR is responsible for: (a) developing the method for processing requests for participation; (b) making determinations of eligibility, including performing a review of the application forms and certifying that applicants are eligible to participate in the transportation incentives program; (c) purchasing and distributing the transportation vouchers to eligible participants; (d) establishing internal controls for the program; (e) revalidating employee information to ensure the accuracy of the information for program execution; and (f) performing periodic reconciliation to ensure employee accounts are correct.

Washington Headquarters Services, a Field Activity of the Department of Defense, administers the program in the National Capital Region through a partnership agreement with the Department of Transportation. Under the terms of our agreement, we reimburse the Department of Transportation for administrative and program services. Program administration provided by the Department of Transportation includes processing employee applications, distributing the fare media, maintaining records of DoD participants and their distribution history, and producing detailed participation and cost reports.

The Department of Defense program in the National Capital Region included 34,000 participants at the end of fiscal year 2006. Benefits are distributed on a quarterly basis at approximately 30 locations in the National Capital Region. The program cost for fiscal year 2006 was \$35.9 million which includes administration and distribution fees equaling 5.1% of the program costs. The transit subsidy benefit averaged approximately \$83 per month per participant.

I will now respond to the four areas identified in your letter inviting the Department to testify.

Department of Defense program administration in the National Capital Region.

Transit subsidy program administration in the National Capital Region involves multiple entities. Washington Headquarters Services has the responsibility to administer the program for Department of Defense civilian employees and military service members in the National Capital Region. To accomplish this, Washington Headquarters Services contracts with the Department of Transportation to provide key program services. Of note among these administrative and logistical services: Department of Transportation maintains the database of program participants, acquires and distributes the fare media, and provides detailed reports used to account for and validate participant eligibility and costs. Given the numerous military organizations in the National Capital Region, referred to as DoD Components, while Washington Headquarters Services provides overall program coordination we partner with and rely on the Components in the implementation. Monthly reports provided by the Department of Transportation list current program participants allowing the Components to verify eligibility and accuracy and to reconcile and reimburse Washington Headquarters Services the costs for the participants from that Component.

Department of Defense program procedures and internal controls in the National Capital Region.

To participate in the program, the first step in the process requires the employee to complete a Department of Defense application, providing necessary information for the Department of Transportation and in which employees self certify that: 1) they are employed by the Department; 2) they do not have a Federally subsidized workplace parking permit (or that they have relinquished the permit); 3) they are eligible for the benefit, will use it for their daily commute, and will not transfer it to anyone else; 4) that the benefit they receive does not exceed their monthly commuting costs; and 5) the amount claimed is an accurate estimated amount of their monthly commuting cost (excluding parking). Prominently displayed on the application form is notification that under Title 18, United States Code, Section 1001, making false, fictitious, or fraudulent certification is subject to criminal prosecution, administrative recovery of up to \$10,000 per violation, and/or disciplinary action up to and including dismissal.

The next step is that each application is submitted to the Pentagon Force Protection Agency for them to check the Pentagon parking database and ensure that the employee does not possess a Pentagon parking permit, or is not a member of a carpool arrangement that possesses a Pentagon parking permit. If the employee is listed in the Pentagon parking database, the applicant is notified that the parking permit must be relinquished prior to processing the transportation incentive benefit. The Department of Transportation is also notified to flag its system so that an individual in possession of a Pentagon parking permit cannot receive transit benefits until the individual obtains a receipt for turn-in of the parking permit from the Pentagon Force Protection Agency. Conversely, if an active transit benefit participant applies for a Pentagon parking permit, a permit will not be issued until and unless the employee dis-enrolls from the Federal Transit Benefit Program. The Pentagon parking database is refreshed daily

with the names of current transit benefit enrollees to ensure that a parking permit is not issued while the individual is enrolled in the transit benefit program. If the employee's name is not found in the Pentagon parking database, the application is "cleared" for enrollment in the transit benefit program. The Department of Transportation retrieves and processes applications from the Pentagon Parking Office daily, and enters them into their Department of Transportation program participant database.

Following this, the individual participant may receive the fare media, on a quarterly basis, at any of 30 locations in the National Capital Region. Department of Transportation agents visually verify the employee's Department of Defense identification card, ensure the employee is listed in the Department of Transportation program participant database, and issue the fare media. Before the benefit is distributed, the employee must again sign a certification affirming that they are in compliance with the program eligibility requirements.

Lastly, the Department of Transportation provides a monthly report of all distributions which we in turn send to the DoD Components for verification. The Component verifies the active employment status, reconciles costs to be paid for its employees' participation, and then reimburses the costs.

In 2003 the Department of Defense IG responded to a Defense Hotline allegation and conducted an audit and reviewed the management controls of the Department of Defense transit subsidy program in the National Capital Region. The audit found that controls in some Components needed improvement, and specific recommendations were made to and accepted by the Components. One aspect of the Hotline allegation involved the potential that employees could receive fare media and then give them to family, sell them, etc. The report stated that "although there is some risk that individuals could sell, give away, or transfer their transit subsidy, we believe that implementing controls to prevent that type of misuse would not be cost-

effective.” Though recommendations were not made concerning the Washington Headquarters Services management of the program, we were able to view the final report and we did refine our procedures.

Since we implemented the program in fiscal year 2001, from the thousands of individuals participating during these years, there have been six incidents of impropriety that we are aware of among our serviced Components. In these incidents, in addition to restitution to the Government, resultant actions included letters of reprimand, notice of suspension, and resignation in lieu of dismissal. There may be other incidents of personnel disciplinary action taken within the various Components following audits and investigations of alleged abuse of which we do not have visibility.

Who is responsible for ensuring the integrity of the Federal Transit Benefit Program.

Everyone involved is responsible for ensuring the integrity of programs. We are all stewards of the resources entrusted to us. The Federal Transit Benefit Program in the National Capital Region is a large program with many dimensions. We are all responsible for implementing efficient and effective controls, making reasoned checks on processes, and ensuring proper response to any questionable activity.

Internal controls that should be implemented to address weaknesses identified by the Government Accountability Office.

When the GAO report is released, if there are weaknesses identified that are applicable to the Department of Defense National Capital Region program, we will absolutely be proactive in working with the DoD Components and the Department of Transportation to implement sound, appropriate improvements.

Conclusion.

Again, thank you for the opportunity to discuss the Department of Defense implementation of the Federal Transit Benefit Program in the National Capital Region. More importantly, thank you for the support you provide to our men and women – military and civilian, the deployed forces and those who support them. I look forward to your questions.