

Inspector General

United States
Department of Defense



Demographic Data Supporting the DOD Mass
Transportation Benefit Program Within
the National Capital Region

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Acronyms and Abbreviations

CPMS	Civilian Personnel Management Service
DFAS	Defense Finance and Accounting Service
DMDC	Defense Manpower Data Center
DOT	Department of Transportation
GAO	Government Accountability Office
IG	Inspector General
MOA	Memorandum of Agreement
MTB	Mass Transportation Benefit
NCR	National Capital Region
OMB	Office of Management and Budget
PFFPA	Pentagon Force Protection Agency
TRANServe	DOT Transportation Services
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
WHS	Washington Headquarters Services



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DEPARTMENT OF DEFENSE
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April 16, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR PERSONNEL
AND READINESS
WASHINGTON HEADQUARTERS SERVICES
PENTAGON FORCE PROTECTION AGENCY

SUBJECT: Demographic Data Supporting the DOD Mass Transportation Benefit
Program Within the National Capital Region (Report No. D-2010-053)

We are providing this report for your information and use. No written response to this report is required. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868 (DSN 664-5868).

Patricia A. Marsh

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Results in Brief: Demographic Data Supporting the DOD Mass Transportation Benefit Program Within the National Capital Region

What We Did

This is the second in a series of audits covering the DoD Mass Transportation Benefit Program within the National Capital Region. The overall objective of this audit was to assess the reliability and completeness of the data used to determine eligibility of Mass Transportation Benefit Program participants within the National Capital Region.

What We Found

Mass Transportation Benefit Program data used by Washington Headquarters Services to verify participant eligibility and distribute Mass Transportation Benefits to DOD participants was incomplete and unreliable. Specifically, an estimated 32,565 of 41,279 participants in the Mass Transportation Benefit Program had inaccurate or incomplete critical data, were possibly ineligible to collect benefits, or improperly obtained subsidized parking benefits. As a result, an estimated:

- 4,953 participants in the Mass Transportation Benefit Program overstated their benefit cost calculations by a total of an estimated \$1.5 million. Of the 4,953 participants, an estimated 4,128 collected \$587,100 in excess benefits in FY 2007;
- 12,934 participants with unverifiable benefit cost calculations collected \$8.4 million in mass transportation benefits in FY 2007. An unknown number of these individuals may have overstated their benefit cost estimates and collected excessive benefits;
- 826 participants' eligibility to collect benefits could not be verified. These

participants collected \$613,700 in mass transportation benefits in FY 2007; and

- 642 participants obtained subsidized parking benefits improperly and collected \$312,400 in mass transportation benefits in FY 2007.

In addition, an estimated 15,869 participants had inadequate audit trails. We also identified 10 potential cases of fraud, waste, and abuse during our audit. Specifically, we identified participants that potentially were ineligible to participate in the Program, obtained excessive mass transportation benefits, or obtained dual benefits (both mass transportation benefits and subsidized parking) during FY 2007. We referred these cases to the Defense Criminal Investigative Service for possible investigation. In addition, by separate memorandum, we requested Washington Headquarters Services to coordinate with participating agencies to recoup other erroneous mass transportation benefits distributed to participants.

What We Recommend

The Office of the Under Secretary of Defense for Personnel and Readiness and Washington Headquarters Services took actions during this audit that adequately address the internal control weaknesses identified in this report and the first report on the Mass Transportation Benefits Program. Therefore, we did not make recommendations in this report.

Management Comments

No written response to this report is required. Therefore, we are publishing this report in final form.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense for Personnel and Readiness	None	None
Washington Headquarters Services	None	None
Pentagon Force Protection Agency	None	None

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Introduction

Objective

This is the second in a series of audits covering the DOD Mass Transportation Benefit (MTB) Program within the National Capital Region (NCR). The overall objective of this audit was to assess the reliability and completeness of the demographic data used to determine eligibility of DOD personnel enrolled in the MTB Program within the NCR. Specifically, we performed tests on the demographic data of a statistical sample of MTB Program enrollees to determine MTB Program enrollment database reliability, and establish a baseline for future testing of MTB Program participant demographic data.¹ See Appendix A for a discussion of the scope and methodology.

Background

Executive Order 13150, “Federal Workforce Transportation,” signed by President Clinton on April 21, 2000, required Federal agencies to establish transportation fringe benefit programs by October 1, 2000. The goal of these programs is to reduce Federal employees’ contribution to traffic congestion and air pollution and to expand their commuting alternatives.

The Office of the Secretary of Defense memorandum, “Mass Transit Program in the National Capital Region,” August 16, 2000, provides guidance on implementing the MTB Program within the NCR.² The memorandum states that Washington Headquarters Services (WHS) is responsible for implementing and administering the program, with the help of the Department of Transportation (DOT), for all DOD employees (civilian, military, and non-appropriated fund) in the NCR. The memorandum also states that individual DOD components will be responsible for providing ongoing enrollment information to their employees, to include the enrollment application form developed by WHS.

WHS and the Department of Transportation, Transportation Services (TRANServe) entered into a Memorandum of Agreement (MOA) on July 6, 2000, to define the services TRANServe would provide to WHS on a reimbursable basis to implement the DOD MTB Program within the NCR, and the responsibilities of both parties in this endeavor. WHS was to develop (with advice from TRANServe) necessary program application and certification forms, establish criteria for DOD to determine DOD employee eligibility to participate in the MTB Program, and retain oversight over all MTB Program data.

¹ In the first audit, we relied upon the results of smaller judgmental samples to confirm internal control deficiencies identified during our walkthroughs of the overall MTB Program within the NCR.

² The National Capital Region comprises the District of Columbia; Montgomery, Prince George’s, and Frederick Counties in Maryland; Arlington, Fairfax, Loudoun, and Prince William Counties in Virginia; and all cities in Maryland or Virginia within the geographic area bounded by the outer boundaries of the combined area of those counties.

TRANServe's responsibilities included:

- cross-referencing MTB Program applicants against the Pentagon Force Protection Agency (PFPA) parking database to verify eligibility;³
- processing applications for the MTB Program;
- maintaining application information in an enrollment database that identifies all DOD participants in the MTB Program;
- maintaining sufficient records and information to comply with audit requirements; and
- making quarterly distributions to DOD participants (participants) enrolled in the MTB Program.

In FY 2007, WHS paid TRANServe \$1.9 million to meet its responsibilities set forth in the MOA.

Under the MTB Program, DOD Components within the NCR are required to provide a transportation fringe benefit for employees who use mass transit or van pools. The amount of the benefit should be equal to the individual's personal commuting costs but not exceed the maximum allowed by the Internal Revenue Code, which was \$105.00 for October 2006 to January 2007, and \$110.00 per month for the remainder of 2007. DOD civilian and military personnel and non-appropriated fund employees are eligible to participate in the MTB Program. TRANServe issued \$35.1 million in transit subsidy benefits to 41,279 DOD employees within the NCR in FY 2007. With enactment of the "The American Recovery and Reinvestment Act of 2009" on March 2, 2009, the monthly maximum allowance in the MTB Program benefit immediately increased from \$120 to \$230 per month – a 91 percent increase. WHS' annual MTB Program budget will increase to approximately \$60 million for FY 2010.

Review of Internal Controls

DOD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for WHS. WHS did not have the following internal controls in the MTB Program: independent reviews, authorizations, and approvals to ensure that enrollment and change management applications were valid, accurate, and complete; periodic recertification of participant eligibility for benefits to identify and remove ineligible individuals from the enrollment database; periodic reconciliation of enrollment and subsidized parking databases to identify participants who improperly obtain parking permits; and policies and procedures to ensure that benefits are not permitted if the DOD participant is named on a federally subsidized workplace motor vehicle parking permit, including motorcycles. Although we identified internal control weaknesses, we are

³ Pentagon Force Protection Agency took on this responsibility in September 2000.

making no recommendations because the Under Secretary of Defense for Personnel and Readiness (USD(P&R)) and WHS took steps during this audit to improve MTB Program internal controls. The steps are discussed in detail in Appendix D. We will provide a copy of the final report to the senior official in charge of internal controls for the DOD Mass Transportation Benefit Program within the National Capital Region.

Finding. DOD Mass Transportation Benefit Program Data Reliability

Mass Transportation Benefit (MTB) Program data used by WHS to verify participant eligibility and distribute Program benefits to participants was incomplete and unreliable. An estimated 32,565 (78.9 percent) of 41,279 participants listed in the MTB Program FY 2007 enrollment database had inaccurate or incomplete critical data, were possibly ineligible to collect benefits, or improperly obtained subsidized parking benefits. Furthermore, an estimated 15,869 participants had inadequate audit trails to trace enrollment and change management applications to enrollment database entries.⁴

MTB Program data for FY 2007 was not reliable because WHS did not adequately administer the MTB Program within the NCR. Specifically, WHS did not:

- implement adequate internal controls over the MTB Program processes in accordance with Government Accountability Office (GAO) standards for internal control; and
- ensure that TRANServe and PFPA adequately carried out their responsibilities in the MTB Program.

As a result, an estimated:

- 4,953 participants in the Mass Transportation Benefit Program overstated their benefit cost calculations by a total of an estimated \$1.5 million. Of the 4,953 participants, an estimated 4,128 collected \$587,100 in excess benefits in FY 2007;
- 12,934 participants with unverifiable benefit cost calculations collected \$8.4 million in mass transportation benefits in FY 2007. An unknown number of these individuals may have overstated their benefit cost estimates and collected excessive benefits;
- 826 participants' eligibility to collect benefits could not be verified. These participants collected \$613,700 in mass transportation benefits in FY 2007; and
- 642 participants obtained subsidized parking benefits improperly and collected \$312,400 in mass transportation benefits in FY 2007.

We identified 10 potential cases of fraud, waste, and abuse during our audit. Specifically, we identified participants that potentially were ineligible to participate in the MTB Program, obtained excessive mass transportation benefits, or obtained dual benefits

⁴ Change management includes a participant's change of status (e.g. change in work location or reducing/increasing transportation subsidy benefit amount) or withdrawal from the MTB Program.

(both mass transportation benefits and subsidized parking) during FY 2007. We referred these cases to the Defense Criminal Investigative Service for possible investigation. In addition, by separate memorandum, we requested Washington Headquarters Services to coordinate with participating agencies to recoup other erroneous mass transportation benefits distributed to participants.

MTB Program Processes

The MTB Program includes the enrollment, change management, database management, records management, and distribution processes. See Appendix D for a detailed description of the MTB Program processes.

Criteria for MTB Program Internal Controls

OMB Circular A-123 “Management’s Responsibility for Internal Control”

OMB establishes requirements for all Federal Agencies, including DOD. In OMB Circular A-123, “Management’s Responsibility for Internal Control,” December 21, 2004, OMB defines management's responsibility for internal control in Federal agencies. The Circular provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control. The attachment to this Circular defines the process for assessing internal control effectiveness along with a summary of the significant changes and emphasizes the need for integrated and coordinated internal control assessments that synchronize all internal control-related activities.

GAO “Standards for Internal Control in the Federal Government”

GAO Publication, “Standards for Internal Control in the Federal Government,” November 1999 states that the five standards for internal control are control environment, risk assessment, information and communications, monitoring, and control activities. Of the five standards, control activities are an integral part of an entity’s planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. Control activities are the policies, procedures, techniques, and mechanisms that enforce management’s directives, such as WHS’ responsibility to administer the MTB Program within the NCR. Control activities are utilized at all levels and functions of an entity. They include such activities as segregation of duties, proper execution of transactions and events, accurate and timely recording of transactions and events, establishment and review of performance measures, and appropriate documentation of transactions.

MTB Program Enrollment Database

An estimated 32,565 (78.9 percent) of 41,279 participants listed in the MTB Program FY 2007 enrollment database had inaccurate or incomplete critical data, were possibly ineligible to collect benefits, or improperly obtained subsidized parking benefits. In addition, an estimated 15,869 participants had inadequate audit trails to trace enrollment and change management applications to enrollment database entries.

Data Accuracy and Completeness

Of the estimated 32,565 participants with exceptions, an estimated 31,097 MTB Program participants had inaccurate or incomplete critical data in the enrollment database. This occurred because WHS did not implement adequate controls in the MTB Program's enrollment and change management processes. In addition, WHS did not ensure that TRANServe adequately processed MTB Program enrollment and change management applications.

GAO Internal Control Standards state that:

- key duties and responsibilities need to be segregated among different people to reduce the risk of error or fraud. This assures that no one individual will control all key aspects of a transaction or event, such as both applying for and certifying eligibility to receive MTB Program benefits;
- transactions should be authorized and executed only by persons acting within the scope of their authority. This assures that only valid transactions to use resources, such as applying for MTB Program benefits are initiated or entered into; and
- transactions should be accurately, completely, and promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This assures that DOD participants complete and file only valid, accurate, and complete enrollment applications.

Instead of implementing these internal controls, WHS developed an enrollment application form, "Department of Defense NCR Public Transportation Benefit Program Application" (DD Form 2845) that allowed DOD participants to:

- self-certify their eligibility for MTB Program benefits and the accuracy and completeness of their enrollment applications;
- submit enrollment applications for processing without an independent review process to verify applicants' eligibility for benefits and the accuracy and completeness of the applications; and
- calculate their estimated monthly benefit costs without appropriate support.

Self-certification provides no assurance that DOD employees will file accurate and complete MTB Program applications. DOD employees certified enrollment and change management applications with inaccurate and incomplete information and submitted these for processing. Critical data exceptions included overstated benefit cost calculations and inaccurate and incomplete work location/building, and city, state, and zip code of residence. TRANServe then processed the self-certified, inaccurate, and incomplete enrollment and change management applications into the enrollment database.

In addition, DD Form 2845 states that application information must be complete to be processed. DD Form 2845 has at least 20 data fields that all applicants must complete for enrollment purposes. However, WHS did not ensure that TRANServe adequately implemented this control. TRANServe processed applicants into the enrollment database

as long as applicants only completed 7 data fields on the DD Form 2845 – last name, first name, last four digits of social security number, signature, employer/service, organization code, and benefit cost calculation. WHS did not ensure that TRANServe rejected incomplete enrollment and change management applications. Critical data omitted included applicants’ work location/building, and city, state, and zip code of residence. This data is needed to effectively verify DOD participants’ monthly benefit cost calculations.

Potentially Ineligible MTB Program Participants

Of the estimated 32,565 DOD participants with exceptions, an estimated 826 were possibly ineligible to collect benefits.⁵ This was because WHS did not implement adequate internal controls over the MTB Program’s enrollment and database management processes.

GAO internal control standards state that transactions should be authorized and executed only by persons acting within the scope of their authority. This control activity assures that only valid transactions to use resources, such as applying for eligibility to receive MTB Program benefits, are initiated or entered into. However, WHS did not implement controls such as independent review, authorization, and approval of MTB Program enrollment applications. Instead, WHS relied on DOD employees to self-certify their enrollment applications. Self-certification provides no assurance that DOD employees will file valid MTB Program applications. In the absence of adequate internal controls, there is a high risk that ineligible individuals can file enrollment applications and get enrolled into the MTB Program. In turn, TRANServe will process potentially ineligible individuals into the enrollment database.

GAO internal control standards also state that control activities can help ensure that actions are taken to address risks, such as the increased risk of unverified and potentially ineligible individuals obtaining eligibility for MTB Program benefits. Periodic recertification of participant eligibility for MTB Program benefits can help TRANServe to identify and remove ineligible individuals from the enrollment database. However, WHS did not implement this type of control in the database management process.

Dual Benefit Participants

Of the estimated 32,565 DOD participants with exceptions, an estimated 642 DOD participants improperly obtained subsidized parking benefits and thus, obtained dual

⁵ Out of 450 MTB Program sample participants, we identified 9 (statistically projected to 826) participants whom we could not verify as eligible after researching several independent DOD personnel databases. Six of the nine participants obtained mass transportation benefits greater than \$500 in FY 2007 and continued to collect benefits in FY 2008. Because we were not able to compare and verify the data in the MTB Program database with the data maintained in the personnel databases, we concluded that these participants were possibly ineligible to collect benefits. See Appendix A for the specific personnel databases used for this audit.

benefits. This occurred because WHS did not ensure that PFPA periodically performed database reconciliations in the MTB Program’s database management process.

Database Reconciliations

An estimated 367 of the estimated 642 participants obtained subsidized parking benefits and did not withdraw from the MTB Program. GAO Internal Control Standards state that comparisons can be made relating different sets of data to one another. Analyses of the relationships can be made between these data sets to identify anomalies and corrective actions can be taken if necessary. However, WHS did not ensure that PFPA periodically reconciled its subsidized parking database with the MTB Program enrollment database maintained by TRANServe. PFPA receives the MTB enrollment database file from TRANServe on a daily basis that can be used to make comparisons with the parking database. However, PFPA had not performed these reconciliations on a periodic basis. PFPA could have identified cases where participants had both mass transit and subsidized parking benefits if it had performed periodic database reconciliations between the enrollment and parking databases.

Executive Order 13150 Goal to Reduce Air Pollution

An estimated 275 of the estimated 642 DOD participants improperly obtained subsidized motorcycle parking permits. Executive Order 13150 states that one goal of transportation fringe benefit programs is to reduce Federal employees’ contribution to air pollution. However, WHS did not ensure that PFPA followed the goal of Executive Order 13150 to reduce air pollution. Specifically, PFPA allowed MTB participants to obtain subsidized parking permits for motorcycles. PFPA stated that motorcycles are a means of transportation that fits one of the goals the MTB Program wants to accomplish – to improve air quality. However, the Environmental Protection Agency has stated that motorcycles produce more harmful emissions per mile than driving a car or even a large sport utility vehicle.

Table 1 summarizes the inaccurate or incomplete critical data, possibly ineligible to collect benefits, and dual benefits exceptions.

Table 1. MTB Program Enrollment Database Exceptions

Exception	Estimated Participants	Percent (of Total Universe of 41,279 Participants)
Inaccurate or Incomplete Critical Data	31,097	75.3
Possibly Ineligible to Collect Benefits	826	2.0
Dual Benefits	642	1.6
Total	32,565	78.9

Adequacy of Audit Trails

Of the 41,279 MTB Program participants, an estimated 15,869 (38.4 percent) participants had inadequate audit trails to trace enrollment applications to enrollment database entries. This occurred because WHS did not implement adequate internal controls over the MTB Program's records management process. In addition, WHS did not ensure that TRANServe complied with the MOA to maintain sufficient records and information to enable WHS to comply with audit requirements.

GAO Internal Control Standards state that all transactions need to be clearly documented, and documentation should be readily available for examination and be properly managed and maintained. This control activity helps to establish audit trails to trace transactions through an entire cycle, such as the MTB Program's processes. However, WHS did not ensure that TRANServe had adequate supporting documentation readily available to provide audit trails for participants. In addition, WHS did not ensure that TRANServe properly managed, maintained, and updated enrollment applications. While TRANServe appeared to organize the enrollment documents alphabetically by year of entry, it was not done consistently, thus numerous enrollment applications were out of alphabetical and year of entry order.

Summary

MTB Program data used by TRANServe to verify participant eligibility and distribute mass transportation benefits to DOD participants was not reliable and as a result:

- An estimated 4,953 MTB Program participants overstated their benefit cost calculations, totaling an estimated \$1.5 million.⁶ Of these 4,958 participants, an estimated 4,128 collected \$587,100 in excessive benefits in FY 2007;
- An estimated 12,934 participants enrolled into the MTB Program with unverifiable benefit cost calculations. These participants collected \$8.4 million in mass transportation benefits in FY 2007. An unknown number of these participants may have overstated their benefit cost calculations and may have collected excessive MTB Program benefits;
- An estimated 826 participants whose eligibility could not be verified collected \$613,700 in mass transportation benefits; and
- An estimated 642 participants who obtained subsidized parking permits collected \$312,300 in mass transportation benefits.

The DOD OIG identified potential cases of fraud, waste, and abuse during this audit and referred these cases to the Defense Criminal Investigative Service for possible investigation. In addition, we requested WHS to coordinate with participating agencies to recoup other erroneous mass transportation benefits distributed to participants.

⁶ Based on mass transportation benefit amounts authorized in FY 2007.

Management Actions

The USD(P&R) and WHS took actions during this audit that adequately address the internal control weaknesses identified in this audit and the Audit of Internal Controls over the Department of Defense Transit Subsidy Program within the National Capital Region, DOD IG Report No. D-2008-025, November 23, 2007. See Appendix D for the specific MTB Program process improvements.

Appendix A. Scope and Methodology

We conducted this performance audit from February 2008 through December 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. This audit was suspended for several months because the audit team was needed to complete a higher priority audit. We believe that the FY 2007 evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the accuracy, reliability and completeness of the demographic data maintained by WHS for the MTB program for DOD personnel enrolled in the DOD Mass Transportation Benefit Program with the NCR. The demographic data included enrollment applications (DD form 2845), the enrollment database, distribution database and the subsidized parking database. We statistically selected and reviewed 450 of the 41,279 enrollees from the MTB enrollment database for FY 2007. See Appendix B for sample MTB enrollment database testing methodology and results. See Appendix C for sample selection and test results projection methodology.

Use of Computer-Processed Data

We used computer-processed data to compare data from:

- TRANServe's enrollment database with computer-processed data from personnel systems maintained by the Air Force, Army, Navy, Defense Finance and Accounting Service, Civilian Personnel Management Service, and Defense Manpower Data Center to determine enrollment database accuracy and completeness;
- PFFA's parking database with TRANServe's MTB Program's enrollment database to identify DOD participants who improperly obtained subsidized parking benefits; and
- TRANServe's distribution and enrollment databases to determine the dollar amount DOD participants collected in excessive MTB Program benefits.

We performed the following procedures to determine whether the computer-processed data was sufficiently reliable for use in our audit:

- recalculated DOD participants' MTB Program benefit amounts and compared our calculations to the amounts in the enrollment and distribution databases;
- interviewed knowledgeable agency officials to gain an understanding about the MTB Program and independent DOD data sources; and
- compared MTB enrollment data to multiple DOD databases to provide sufficient corroborating evidence.

From these procedures, we believe that the computer-processed data provided sufficient evidence for purposes of our analysis and findings.

Use of Technical Assistance

We relied on the DOD OIG Quantitative Methods and Analysis Division to develop a statistical sample of MTB Program participants for testing demographic data, and to project the results of our tests. See Appendix C for detailed methodology and results. We also relied upon the Data Mining Branch to provide and interpret personnel data needed from independent DOD databases.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) testified to Congress on the Federal Transit Subsidy Program inside the National Capital Region. The Department of Defense Inspector General (DOD IG) issued one report discussing the DOD Transit Subsidy Program within the National Capital Region. Unrestricted GAO reports and/or testimony can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DOD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

GAO

GAO Testimony before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate, No. GAO-07-724T, “Federal Transit Benefits Program: Ineffective Controls Result in Fraud and Abuse by Federal Workers,” April 24, 2007

DOD IG

DOD IG Report No. D-2008-025, “Internal Controls Over the Department of Defense Transit Subsidy Program within the National Capital Region,” November 23, 2007

Appendix B. Mass Transportation Benefit Program Enrollment Database Testing Methodology and Results

We performed tests on a statistical sample of 450 participants drawn from a universe of 41,279 participants who received MTB Program benefits during FY 2007 to determine:

- accuracy and completeness of participant information in the enrollment database;
- accuracy of estimated benefit cost calculations and amounts collected;
- existence of dual benefits; and
- adequacy of audit trails to trace enrollment applications to enrollment database entries.

See Appendix C, “Statistical Sampling Methodology and Results,” for sample size selection and sample and projected testing results.

Accuracy and Completeness of Enrollment Database Information

We compared sample participant data in the MTB Program enrollment database with related data obtained from independent personnel-related systems maintained by the Military Services, DFAS, CPMS, and DMDC.

The sample participant data we tested for accuracy and completeness included identification number (last 4 digits of the participant’s social security number), last name, first name, middle initial, work location, home city, home state, home zip code, estimated monthly benefit cost, and military/civilian classification. We identified 320 of the 450 sample participants had inaccurate or incomplete demographic data in the enrollment database. In addition, 19 of the 450 sample participants had overstated monthly benefit cost estimates, but no other inaccurate or incomplete information. Table B-1 summarizes the sample and universe test results for accuracy and completeness testing.

Table B-1. Accuracy and Completeness Testing Exceptions

Category	Sample Participants	Estimated Participants	Percent (of Total Universe of 41,279 Participants)
Inaccurate or Incomplete	320	29,354	71.1
Inaccurate Benefit Costs	19	1,743	4.2
Total	339	31,097	75.3

During our accuracy and completeness testing, we identified 9 (2 percent) out of 450 sample participants who were possibly ineligible to collect benefits. The 9 project to an estimated 826 DOD participants.

Accuracy of Estimated Benefit Costs

We attempted to test the accuracy of participants' estimated monthly benefit costs for all 450 sample participants in the MTB enrollment database. We used information obtained from the following to recreate sample participants' commutes and recalculate their estimated monthly benefit costs:

- copies of available application forms (DD Form 2845) for the sample participants obtained through our audit trails testing;
- Washington Metropolitan Area Transit Authority website and its links to District of Columbia, Virginia, and Maryland bus and/or rail lines;
- online maps such as Google, along with physical street maps; and
- U.S. Postal Service zip code locator.

We then compared our recreated estimated monthly benefit costs with sample participants' estimated benefit costs listed in the enrollment database. Finally, we compared our recreated estimated monthly benefit costs for the sample participants with the actual MTB Program benefits the sample participants received during FY 2007. We obtained the actual MTB Program benefits sample participants received from the distribution database maintained by TRANServe.

We could not test the estimated monthly benefit cost for 141 (31.3 percent) of the 450 sample participants because critical data elements needed to verify estimated monthly benefit costs were missing from the enrollment database file and when available, on copies of the DD Form 2845. The 141 sample participants claimed monthly costs of \$155,255, or an average of \$91.76 per month.

Of the remaining 309 sample participants we were able to test, 54 overstated their estimated monthly benefit cost amount by a total of \$16,548, or an average of \$25.54 per month. Table B-2 summarizes the sample and universe test results for the accuracy of estimated monthly benefit costs.

Table B-2. Estimated Monthly Benefit Cost Exceptions

Exception	Sample Participants	Estimated Participants	Dollar Impact (Sample)	Dollar Impact (Estimated)
Unverified	141	12,934	\$ 155,255	\$ 14,241,714
Overstated	54	4,953	16,548	1,518,000

We also tested the same participants for the actual monthly benefits collected during FY 2007. Of the 54 participants that overstated their estimated monthly benefit, 45 participants actually collected \$6,400 in excessive MTB Program benefits. Table B-3 summarizes the sample and universe test results for excessive benefits collected by DOD participants during FY 2007.

Table B-3. MTB Program Benefits Collected in FY 2007 by Exception

Exception	Sample Participants	Estimated Participants	Sample Monetary Impact	Estimated Monetary Impact
Unverified	141	12,934	\$ 91,393	\$8,400,000
Excessive	45	4,128	6,400	587,100

Existence of Dual Benefits

We ran a query that compared the MTB Program enrollment, benefit distribution, and subsidized parking databases, which identified 26 of 450 MTB Program sample participants who had both MTB Program and subsidized parking permits during FY 2007. We identified that 14 of the 26 had obtained temporary parking permits during FY 2007, and 5 of the 26 had obtained or retained both MTB Program and subsidized parking permits during FY 2007, but during times exclusive of one another. We determined that the remaining 7 sample participants were exceptions in that these participants retained eligibility for MTB Program benefits while improperly obtaining permanent subsidized parking permits.

Adequacy of Audit Trails

We reviewed enrollment and change application forms (DD Form 2845) of past and current MTB Program participants to locate supporting documentation that would provide an audit trail for the 450 sample MTB Program participants. We identified that audit trails for 173 sample participants were inadequate.

Appendix C. Statistical Sampling Methodology and Results

Population

The population comprised 41,279 DOD participants with unique customer identification numbers who received mass transportation benefits at any time during FY 2007.

Measures

Our audit focused on two general types of measures: demographic data and mass transportation benefits. Specifically, we measured the accuracy and completeness of the demographic data, accuracy of mass transportation benefit estimates, existence of dual benefits, and adequacy of audit trails.

Parameters

We calculated the interval at the 95 percent confidence level. This means that for any given estimate, there is a one in twenty risk (five percent) that the true value will not fall between the upper and lower bounds. Because the report includes a large number of estimates, the overall risk is greater than five percent that, for at least one estimate, the true value will fall below the lower bound or above the upper bound. The logic is similar to that for Russian roulette. The risk of losing each time is one in six, but the risk of losing becomes greater the more times the game is played even though each time the risk is only one in six.

Sample Plan

We drew a simple random sample of 450 participants from the 41,279 participants identified from the payout data.

Analysis and Interpretation

We projected the results of the 450 sample items, customer identification number, tested to the population of 41,279. Based on the 450 sample customer identification number test results we statistically calculated the following results:

Table C-1 Statistical Estimates

		Dollar Estimate			Participant Estimates			
	Estimate of Participants with:	Lower Bound	Point Estimate	Upper Bound	Lower Bound	Point Bound	Upper Bound	Basis (Hits)
1	Inaccurate/Incomplete Critical Data, excluding Row 6 below	-	-	-	27,587	29,354	31,121	320
2	Eligibility Unverified	\$149,484	\$613,682	\$1,077,880	411	826	1,575	9
3	Subsidized Parking-Other	-	-	-	108	367	969	4
4	Subsidized Parking-Motorbike	-	-	-	54	275	841	3
5	Subsidized Parking-Total	\$3,808	\$312,444	\$620,880	284	642	1,339	7
6	Overstated Benefit Cost Estimates treated as Inaccurate Critical Data	-	-	-	1,106	1,743	2,699	19
7	Total Exceptions from Rows 1, 2, 5, and 6	-	-	-	30,969	32,565	34,160	355 ⁷
8	Inaccurate/Incomplete Critical Data, all Inclusive (Rows 1 and 6)	-	-	-	29,414	31,097	32,780	339
9	Overstated Benefit Cost Estimates	\$1,019,180	\$1,517,921	\$2,016,662	3,674	4,953	6,233	54
10	Excess Benefits Collected	\$347,429	\$587,090	\$826,752	2,943	4,128	5,313	45
11	Excess Benefits Collected, Eligibility Unverified, and Dual Benefits	\$913,033	\$1,509,448	\$2,105,863	4,167	5,504	6,841	70 ⁸
12	Collections by Participants with Unverified Benefit Estimates	\$6,938,557	\$8,383,581	\$9,828,604	11,127	12,934	14,741	141
13	Inadequate Audit Trails	-	-	-	13,976	15,869	17,763	173

The table results can be interpreted in the following manner. Using the estimate in row 9 as an example, we estimate, at the 95 percent confidence level, that there are between \$1,019,180 and \$2,016,662 in benefits which participants stated benefit cost estimates that exceeded what their actual benefit cost estimates should have been. The midpoint of this range is \$1,517,921. We also estimate at the 95 percent confidence level that there are between 3,674 and 6,233 participants who overstated their benefit cost estimates. The midpoint of this estimate is 4,953.

⁷ The Basis (Hits) total of 355 represents the number the audit team calculated. Statisticians then used the 355 to compute the statistical estimate.

⁸ The total “hits” from Rows 2, 5, and 9 equals 71 and not 70. This is because we identified one sample item that had both collected excess benefits and also dual benefits. We subtracted this item and the associated dollar exception.

Appendix D. MTB Program Processes

Pre – FY 2008 Process

The Program includes five processes - enrollment, change management, database management, records management, and distribution.

Enrollment/Change Management

An applicant uses Department of Defense (DD) Form 2845, “U.S. Department of Defense National Capital Region Public Transportation Benefit Program Application” to enroll in the Program or to make status changes. The applicant completes the DD Form 2845 and self-certifies that he or she:

- is employed with DOD;
- is not named on a Federally subsidized workplace parking permit with DOD or any other Federal agency;
- is eligible for the public transportation fare benefit;
- will use it for daily commuting to and from work;
- will not transfer it to anyone else; and
- will estimate a monthly benefit cost that does not exceed actual monthly commuting costs; and is eligible for usual or estimated commuting costs (excluding parking).

The applicant faxes the DD Form 2845 to the PFPA parking office. The PFPA parking office cross-references the applicant’s information with the PFPA parking database to determine whether the applicant has a parking permit. If the applicant does not have a parking permit, PFPA then forwards the enrollment application to TRANServe. TRANServe processes Program applications it receives from PFPA for initial enrollment, status changes, and withdrawals in accordance with the MOA with WHS. As part of this process, TRANServe enters application information from the DD Form 2845 into the enrollment database.

Database Management

TRANServe is responsible for maintaining the Program data in the enrollment database that identifies all DOD participants in the Program, their organizations, effective date of participation, value of Program benefits, and effective date of termination when appropriate. WHS is responsible for providing oversight over all MTB Program data.

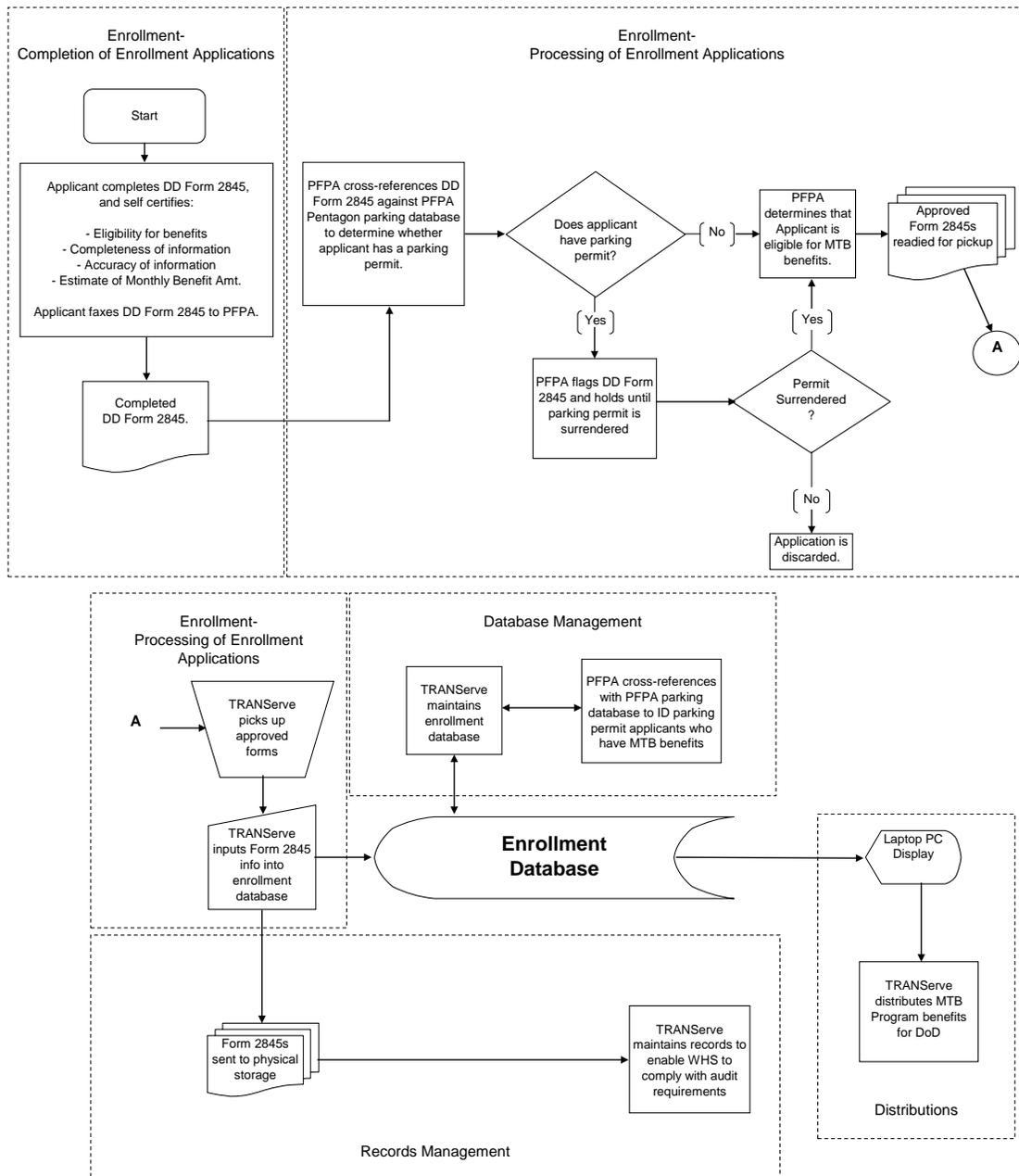
Records Management

TRANServe is also responsible for maintaining sufficient records and information to enable WHS to comply with audit requirements. This includes applications for initial enrollment and change management.

Distribution

TRANServe issues Program benefits to DOD participants on a quarterly basis at 27 locations in the NCR. TRANServe also makes monthly distributions to DOD participants who did not pick up benefits during the quarterly distribution process.⁹ Appendix D, Flowchart D-2 summarizes the Program processes, and Flowchart D-1 summarizes Pre-FY 2008 MTB Program processes.

Flowchart D-1. Pre-FY 2008 MTB Program Process



⁹ We did not include the Program's distribution process within our audit scope.

Post – FY 2007 Process

The Office of the Under Secretary of Defense (OUSD) for Personnel and Readiness (P&R) and WHS have taken actions that will adequately address the internal control deficiencies identified in DOD OIG report, “Internal Controls over the Department of Defense Mass Transit Subsidy within the National Capital Region,” November 23, 2007. Specifically, OUSD (P&R) issued DOD Instruction 1000.27, “Mass Transportation Benefit Program.” In addition, WHS:

- amended the MOA between WHS and TRANServe;
- made improvements to the MTB Program enrollment application, DD Form 2845; and
- took on more responsibilities within MTB Program processes.

These process improvements have been incorporated into Flowchart D-2, “Post-FY 2007 MTB Program Process.”

DOD Instruction 1000.27

On October 28, 2008, the OUSD(P&R) issued DOD Instruction (DODI) 1000.27, “Mass Transportation Benefit Program” to establish policy, assign responsibilities, and set procedural guidance for the administration and management of the MTB Program. Specifically, DODI 1000.27 requires DOD Component:

- Supervisors to review subordinate MTB Program enrollment applications to confirm that employees are eligible for MTB Program benefits and that employees’ benefit cost calculations reflect correct work schedules. This control activity will improve the MTB Program enrollment application process by helping to ensure that MTB Program enrollment applications are accurate, complete, and not fraudulently filed before further processing (see Flowchart D-2, shaded box “1. Applicant’s Supervisor”);
- Reviewing officials to review MTB Program enrollment applications for completeness and to ensure that applicants are not in receipt of a parking subsidy outside the Pentagon reservation. This control activity will improve the MTB enrollment application and database management processes by helping to ensure that enrollment applications are complete. In addition, this control activity will improve the enrollment application and database management processes by complimenting PFPA’s responsibility to perform this activity within the Pentagon reservation. This in turn will help to minimize the risk of applicants’ obtaining dual benefits (see Flowchart D-2, shaded box “2. Component Review Official...”); and
- Program Managers to perform at a minimum, a 10 percent (100% where MTB Program administration is automated) annual record reconciliation to ensure participant accounts are correct. This control activity will improve the MTB Program database management and records management processes by reducing the level of inaccurate or incomplete enrollee information populated in the

enrollment database. In addition, it will help to identify unverified and potentially ineligible individuals in the enrollment database (see Flowchart D-2, shaded box “3. Component Program Mgrs”).

In addition, DODI 1000.27 states that MTB Program benefits are not permitted if the participant is named on a federally subsidized workplace motor vehicle parking permit, including motorcycles. Thus, DOD employees who commute via motorcycle should not obtain and retain a subsidized parking permit for a motorcycle as well as MTB Program benefits.

Amended Memorandum of Agreement

On September 28, 2007, the MOA between WHS and TRANServe was amended for the period commencing no later than October 1, 2007. The amended MOA updated the responsibilities of WHS and TRANServe and defined the responsibilities of PFPA in the MTB Program. Specifically, in the amended MOA, TRANServe will:

- only process enrollment applications that are complete (see Flowchart D-2, shaded symbol #4); and
- cross-reference MTB Program applicants against PFPA parking databases to identify and report to WHS employees who have submitted applications to both the parking and MTB Programs (see Flowchart D-2, shaded symbol #5).

These controls should improve the enrollment processing and database management processes. Specifically, it will minimize the processing of incomplete enrollment applications and the risk that participants will improperly obtain dual benefits.

WHS Actions

Beginning in October 2007, WHS required MTB Program applicants to use an improved version of the DD Form 2845 developed and implemented by WHS. The improved DD Form 2845 includes data fields that require MTB Program applicants to:

- provide detailed calculations to support monthly benefit amounts and document transit entry and exit points;
- provide more specific demographic information, such as expanded (9-digit) zip codes for residence and work location and work phone number to improve verification of enrollment information; and
- obtain certification of application accuracy and eligibility for benefits by supervisory and reviewing officials.

Also, on October 29, 2007 WHS took on added responsibilities in the MTB Program, specifically reviewing MTB Program enrollment applications for completeness, electronically scanning enrollment applications by DOD Component, and retaining physical records necessary to comply with audit requirements¹⁰. These added responsibilities will strengthen controls across the MTB Program’s enrollment, database

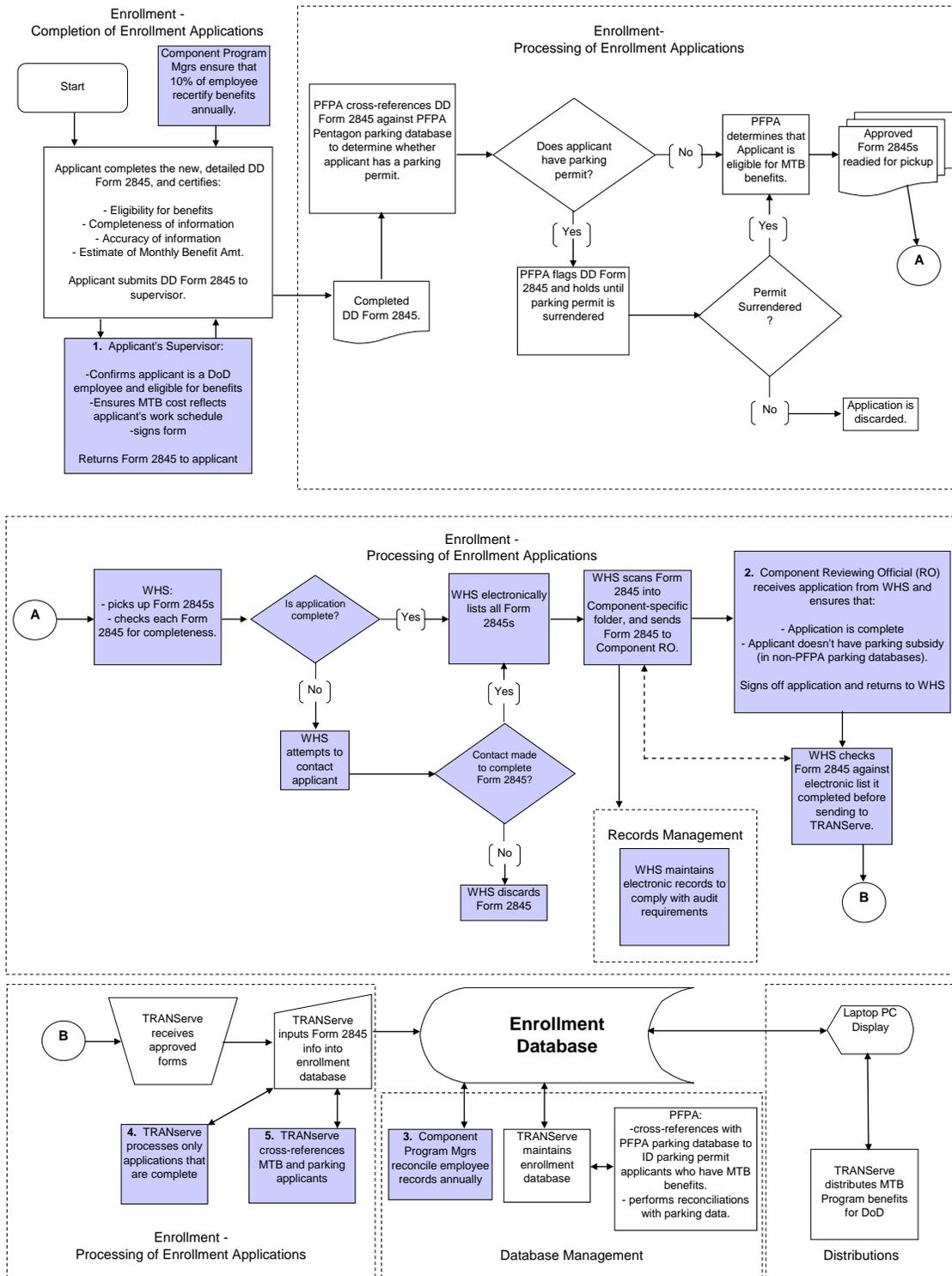
¹⁰ WHS replaced TRANServe in performing these functions.

management, and records management processes (see Flowchart D-2, and follow circular symbol “A”).

Flowchart D-2 summarizes the post-FY 2007 MTB Program process, with process improvements noted in shaded symbols.

On June 23, 2009, WHS also implemented a web-based DD form 2845 application for the MTB Program across all DOD Components. This application is Common Access Card (CAC) enabled and captures all required applicant data, automatically cross-checks Pentagon Reservation parking records, is auditable, and implements workflow reviews and approvals with supervisors and program reviewing officials. The web-based process will more effectively address internal control deficiencies across all MTB Program processes.

Flowchart D-2. Post-FY 2007 MTB Program Processes





Inspector General Department of Defense

