Office of Inspector General
Corporation for National and Community Service

Audit of the Corporation for National and Community Service's Commuter Benefits Program

OIG Report Number 05-11

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW., Suite 830
Washington, DC 20525

This report was issued to Corporation management on January 11, 2005. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than July 11, 2005, and complete its corrective actions by January 11, 2006. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Audit of the
Corporation for National and Community Service's
Commuter Benefits Program

Table of Contents

Executive Summary 1

Background 1

Objectives, Scope, and Methodology 2

Results 3

Corporation Response ..... Appendix A

October 21, 2004

The Honorable David Eisner
Chief Executive Officer
Corporation for National and Community Service
1201 New York Avenue, NW.
Washington, DC 20525

Dear Mr. Eisner:

The Office of Inspector General (OIG) has completed its audit of the Corporation for National and Community Service's (Corporation) Commuter Benefits Program. Our auditors identified certain areas of noncompliance with policies and procedures, and several areas in the internal control structure that warrant corrective action.

Executive Summary

The Corporation's Commuter Benefits Program provides eligible employees with a tax-free benefit of up to $100 per month to cover the cost of commuting on recognized public transit systems. The objectives of the audit were to: (1) determine whether the program operates in accordance with Corporation policies and procedures; (2) evaluate the program's internal control structure; and (3) determine if controls are adequate to properly administer, account for, and monitor the program. The scope of the audit encompassed activity for Fiscal Years 2003 through 2004. We determined that $2,107, or approximately .34 percent, of the $618,994 of commuter benefits expended in Fiscal Years 2003 and 2004 should be recouped. The audit did not disclose material weaknesses relating to the internal control structure. However, we are making recommendations on several areas that warrant corrective action. The corporation generally agrees with these recommendations and has begun to implement them.

Background

In Executive Order 13150, the President directed Federal agencies to implement a transportation fringe benefit program by October 1, 2000. The Corporation implemented the Commuter Benefits Program, which offers qualified Federal employees the option to exclude from taxable wages and compensation a maximum amount of commuting costs incurred through the use of mass transportation and vanpools.

The Corporation's program provides eligible employees with a tax-free transportation fringe of up to $100 per month to cover the cost of commuting on recognized public

transit systems. Employees are eligible for commuter benefits if they commute to work using public transit at least 10 business days per month. Employees who do not commute to work at least 10 business days in any month due to vacation, illness, business travel, or other reasons, must inform the Human Resources Office, which then adjusts the employee's benefits. Commuter benefits may not be used to pay for parking at public transit parking facilities, and the cost of such parking cannot be used to calculate an employee's monthly commuting expenses.

On August 28, 2000, the Corporation and the U.S. Department of Transportation, TASC/TRANServe entered into a memorandum of understanding for the purpose of obtaining TRANServe's administrative services and expertise to support the Corporation's Commuter Benefits Program. The agreement specifies the services that TRANServe will provide to the Corporation. TRANServe administers the Corporation's Commuter Benefits Program in the Washington, DC, metropolitan area, as well as in regional areas. TRANServe provides an estimated quarterly bill at least 30 days before the commencement of each quarter of the fiscal year, using an on-line payment and collection system.

From the inception of the Commuter Benefits Program in Fiscal Year 2001 through the end of Fiscal Year 2004, approximately $1,172,467 in benefits have been paid to participants. As of September 30, 2004, 282 employees participate in the program.

Objectives, Scope, and Methodology

The objectives of the audit were to: (1) determine whether the Commuter Benefits Program operates in accordance with Corporation policies and procedures; (2) evaluate the program's internal control structure; and (3) determine if controls are adequate to properly administer, account for, and monitor the program.

To achieve our objectives, we tested a sample of Corporation Headquarters and Field Office participants in the Commuter Benefits Program to determine compliance with policies and procedures. We also interviewed Commuter Benefits Program staff and obtained information on: (1) management controls over the program, including documentation of these controls; (2) oversight and monitoring of the program, including documentation of such oversight; and (3) financial procedures in place to process payments to TRANServe.

We performed our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

An exit conference was held with Corporation management on November 5, 2004. The issues presented in this report were discussed. The Corporation's response to the draft report is included as Appendix A.

Results

Compliance with policies and procedures

We tested 15 percent of the participants in the Commuter Benefits Program. For each participant we: (1) reviewed their application for commuter benefits to determine if the participant was eligible to participate; (2) verified home addresses with personnel records; (3) reviewed each participant's monthly commuting costs, comparing requested amounts with actual commuting costs (excluding parking fees); (4) verified that the participant received the amount of benefits recorded on the original application; and (5) verified that the participant signed the certification form attesting to being eligible for the benefits received. Based on a review of compliance with policies and procedures, we found the following instances of noncompliance:

1. Employees Received Benefits After Separating From the Corporation

During a review of the four months selected for testing in Fiscal Years 2003 and 2004, seven employees continued to receive commuter benefits after separating from the Corporation. As a result, the Corporation paid $1,627 in benefits to individuals who were no longer employees.

We recommend that the Corporation ensure that the funds in question were either returned by the former employees or credited to the Corporation by TRANServe.

Corporation's Response

The Corporation has agreed to follow up to ensure that TRANServe credits the Corporation's account for these funds.

OIG's Comment

We consider this response to be adequate.

2. Washington State Office

For Fiscal Year 2003, the Washington State Office purchased four Flexpasses to use the Seattle transportation system. Each pass cost $480 and could be used for the entire year. However, two of the employees who received Flexpasses separated from the Corporation during the year. This resulted in the employees receiving $680 in commuter benefits for months during which they were no longer Corporation employees.

We recommend that the Corporation ensure that the former employees returned the annual transit passes to the Corporation, and controls are in place to account for these types of passes.

Corporation's Response

The Corporation agrees and has changed the Clearance for Final Salary Payment Form (#165) to include Commuter Benefits. Surrendering fare cards is now a step in the exit process that all employees undergo upon leaving the Corporation. The Corporation effort to contact the former Washington State Office employees has been unsuccessful, and Corporation management has determined that the cost of further pursuing this matter is not warranted.

OIG's Comment

We consider this response to be adequate.

3. Third Party Pick-up

The current Corporation policy allows third parties to collect an employee's commuter benefits on their behalf. An employee who is unable to attend one of the designated distributions can give a signed memo to a coworker authorizing the collection of benefits. During a review of the four months selected for testing in Fiscal Years 2003 and 2004, employee memos authorizing coworkers to pick up benefits were not on file for the six employees who opted for third-party pick-up. The effect of this condition is that employees may be allowed to collect and misuse an absent employee's benefits without authorization.

We recommend that Human Resources keep a copy of the third-party pick-up memorandum if an employee utilizes this option.

Corporation's Response

The Corporation agrees and has changed this policy and now requires employees to personally pick up their commuter benefits. Employees who are on travel or leave on the days benefits are distributed will be required to collect their benefits in person at the Department of Transportation headquarters building.

OIG's Comment

We consider this response to be adequate.

Review of Internal Controls

We interviewed Commuter Benefits Program staff to obtain information on the program's internal controls. We obtained information on the procedures in place to: process payments to DOT and charge other Corporation departments; determine eligibility to receive benefits; maintain and update files and records; receive, store, and distribute benefits; prevent employees from obtaining more than one transit subsidy; and assist employees who do not collect benefits on the distribution days. We also obtained

information on the extent of oversight and monitoring of the program. Based on the information obtained and reviewed, we are making several recommendations regarding internal controls.

1. Issuance of Official Policies and Procedures

a. Policies to determine eligibility

The Human Resources office has issued guidance on the Commuter Benefits Program via the Corporation's intranet. Some of this information is outdated. The Human Resources office advises on the intranet that the employee is responsible for knowing and abiding by the Corporation's commuter benefits rules. However, there is no mention of how employees can learn about these rules.

We recommend that the Corporation develop and implement comprehensive policies for the Commuter Benefits Program. It should establish policies that clearly explain: (1) the Commuter Benefits Program; (2) the purpose of the program; (3) employee eligibility rules; (4) application requirements; (5) limits on benefits; (6) tax implications; (7) procedures for employees who are on leave; (8) procedures for the annual certification process; (9) procedures to reflect a change in the employee's address or cost of commute; (10) termination of benefits; and (11) other employee responsibilities.

Corporation's Response

The Corporation agrees and has begun drafting a comprehensive policy covering the Commuter Benefits Program. The draft is scheduled to be completed by the end of the second quarter of 2005. Once approved, the policy will be posted on the Office of Human Capital's website, and a summary outline of this policy statement will also be included in entrance kits given to all new employees.

OIG's Comment

We consider this response to be adequate.

b. Procedures for maintaining and updating files and records

The OIG recognizes that the Commuter Benefits Coordinator has improved the record-keeping of applications and monthly reports. However, during our review we noted the following:

i. Employees had indicated a change of address on forms submitted to the Commuter Benefits Program. However, we were unable to determine whether the Corporation reassessed the amount of benefits these employees should receive. We recommend that the Corporation establish

procedures to reassess the benefit levels of employees who change their address.

Corporation's Response

The Corporation agrees and now requires commuter benefits participants who complete a home change of address form to also complete the certification of costs form that is currently required of new participants and for every employee once per year.

OIG's Comment

We consider this response to be adequate.

ii. Benefits to part-time employees are prorated. However, the commuter benefits application does not include a category that allows employees to designate part-time status. The effect of this condition is that part-time employees may be receiving more benefits than the amount to which they are entitled. We recommend that the commuter benefits application include a category that allows employees to document their status as either full-time or part-time.

Corporation's Response

The Corporation agrees and will include this change in the comprehensive commuter benefits policy currently being drafted. Pro-rated benefits will also be defined and examples will be included in the draft policy for clarity.

OIG's Comment

We consider this response to be adequate.

iii. Corporation Headquarters (HQ) cannot determine who at the various State Offices and Service Centers received the packages containing commuter benefits. The effect of this condition is that controls do not exist to ensure that only authorized individuals are receiving and distributing benefits. We recommend that the employees responsible for receiving and distributing benefits at the State Offices and Service Centers submit copies of certification forms to HQ upon receipt of the commuter benefits package.

Corporation's Response

The Corporation agrees and will work with TRANServe to establish an appropriate audit trail for receipt of fare media in the field.

OIG's Comment

We consider this response to be adequate.

iv. The TRANServe Detail Report does not always reflect the correct Corporation office of the participant. Accurate information will allow each office's budget officer to correctly certify payments to TRANServe for benefits paid out. We recommend that the Detail Reports received from TRANServe be updated to reflect the employee's correct office location.

Corporation's Response

The Corporation agrees and will continue to work with TRANServe to improve the accuracy of these monthly summaries. It will also begin reconciling TRANServe reports to Corporation records on a monthly basis.

OIG's Comment

We consider this response to be adequate.

v. Original applications for benefits and annual certifications that employees are receiving the appropriate amount of benefits are not filed together. Keeping these documents together will ensure that participants' information is current. We recommend that original applications and annual employee certification forms be filed together.

Corporation's Response

The Corporation agrees and now files these forms together.

OIG's Comment

We consider this response to be adequate.

2. *Oversight and Monitoring*

The Corporation's Office of Human Resources initiated random monitoring for the months of May and June 2004. However, the current review is limited to HQ employees. In addition, the review does not verify whether HQ employees are receiving the correct amount of benefits, because recent certification and original applications are not being used. Lastly, the current review process does not include controls to ensure that employees who separated from the Corporation or withdrew from the program during the prior month are no longer receiving benefits. The effect

of these conditions is that employees may receive an improper amount of benefits or benefits to which they are not entitled. We recommend that the Corporation's oversight and monitoring include: (1) employees from State Offices and Service Centers; (2) verification that the amount of benefits received equals the amount most recently certified; and (3) a review of employees who left the Corporation during the prior month, or who no longer participate in the program, to ensure that benefits were not improperly paid.

Corporation's Response

The Corporation agrees and will expand the review to include payments made to field staff. In addition, in preparing new commuter benefits policies and procedures, the Corporation will identify best practices on verifying payment accuracy in use at other Federal agencies that use TRANServe to administer their benefits programs.

OIG's Comment

We consider this response to be adequate.

3. *Financial procedures*

The Corporation has never performed a reconciliation of commuter benefits financial activity. Based on this finding, the OIG performed a reconciliation of the financial activity from the inception of the program to September 30, 2004. We found: (1) the National Civilian Community Corps and the OIG are not being charged all service fees; (2) payments from the Inter-Agency Payment and Collection (IPAC) system are not posted against the year that funds are obligated; and (3) IPAC payments are not recorded in the general ledger on a timely basis.

Performing and maintaining a reconciliation of financial activity will help the Corporation identify and correct these issues.

We recommend that the Corporation develop comprehensive policies and procedures governing the Commuter Benefits Program that: (1) assign responsibility for preparing and maintaining a financial reconciliation of the program; (2) implement controls to ensure that funds carried forward from a prior year can be used; (3) implement controls to ensure that payments to DOT do not exceed obligated funds; (4) implement controls to ensure that all Corporation offices have been charged the appropriate service fees; (5) assemble and retain documentation for the Accounting Department to post IPAC payments; (6) permit only the respective budget officers of HQ, NCCC and the OIG to authorize the posting of payments against obligations; and (7) require commuter benefits transactions to be recorded in the general ledger in a timely manner. By implementing these recommendations, the Corporation will improve the administration of the Commuter Benefits Program.

Corporation's Response

The Corporation agrees and will work with the Executive Office and Accounting Office to ensure that staff reconciles bills on a quarterly basis.

OIG's Comment

We consider this response to be adequate.

Appendix A

Response of the Corporation for National and Community Service

Corporation for
NATIONAL & COMMUNITY SERVICE

MEMORANDUM

Date: December 23, 2004

To: Carol Bates, Acting Inspector General

From: Joyce Edwards, Chief Human Capital Officer

Subject: Review of Commuter Benefits Program

Thank you for the opportunity to comment on the draft report on the results of your review of the Corporation's Commuter Benefits Program. The Corporation is pleased that the review disclosed that overall the benefit is appropriately administered. We believe that our current internal controls, as well as the integrity of the Corporation's staff, explain why the error rate was only one third of one percent of payments during fiscal 2003 and 2004.

The report identifies several areas where the Corporation could improve polices or procedures. The Corporation generally agrees with these recommendations and has begun to implement them as noted in the enclosed status report. Because the Corporation has completed action on five of the 11 recommendations included in the report, this response also serves as notice of final action for those items.

If you have any questions on our responses to your recommendations or plans for moving forward, please contact Andrew Wasilisin, Director of Workforce Relations and Communications, on Extension 466.

1201 New York Avenue, NW ★ Washington, DC 20525
202-606-5000 ★ www.nationalservice.org

Senior Corps ★ AmeriCorps ★ Learn and Serve America

USA Freedom Corps
The President's Call to Service

Status of OIG Recommendation on
Commuter Benefits Program
(OIG Report Number 05-11)

Recommendation 1 – recoup $1,627 for seven employees who continued receiving benefits after separating from the Corporation in fiscal 2003 and 2004.

Corporation Status – The Corporation contracts with the Department of Transportation, TASC/TRANServe to manage its Commuter Benefits Program and distribute benefits to employees. The Office of Human Capital (OHC) promptly reports staff departures to TRANServe, including those identified by OIG as having received payments after departing the Corporation. We have reported these overpayments to TASC/TRANServe and requested that TASC/TRANServe credit the Corporation's account for these funds. [Corrective Action Complete]

Recommendation 2 – put controls in place to ensure that former employees return unused Flexpasses and attempt to collect $680 in commuter benefits possibly collected by two former employees who left the Washington State Office during fiscal year 2003.

Corporation Status – OHC changed the Corporation's Clearance for Final Salary Payment Form (#165) to include Commuter Benefits in July 2004. Surrendering one's fare card is now a step in the release that headquarters and field employees complete during departure. Before a person can receive a lump sum payment they must have completed this check-out. To date, our effort to contact the former Washington State Office employees has been unsuccessful, and we have determined that the cost of pursuing this further is not warranted. [Corrective Action Complete]

Recommendation 3 – when an employee authorizes a colleague to pick up their commuter benefits during headquarters distribution days, OHC should have a file of this correspondence.

Corporation Status – OHC changed this policy and now requires employees to personally pick up their commuter benefits. The Corporation concluded that three distribution days each quarter (two back-to-back days early in the month plus a mid-month "make-up" day) at headquarters is adequate for most employees to receive their benefit. Those few employees who are on travel or leave on all three days will be required to collect benefits at the Department of Transportation headquarters building near L'Enfant Plaza Metro station. [Corrective Action Complete]

Recommendation 4 – one inclusive policy on Computer Benefits Program should be developed to replace several memos and forms that currently explain the program. It should be posted on OHC's webpage and contain everything a participant needs to know, from who is eligible to what an employee's responsibilities are once TRANServe issues a fare card or other method to pay for a bus, train, van pool and so on.

Corporation Status – OHC has begun drafting a comprehensive policy covering the Commuter Benefits Program. The draft, written in the Corporation's question and answer format, is scheduled to be completed by the end of the second quarter 2005. Once approved, the policy will be posted on OHC's website. A summary outline of this policy statement will also be available in enter-on-duty kits given new employees.

Recommendation 5 – when participants complete a home change of address form, OHC should have a procedure in place to document whether new distance traveled and type of transit used calls for a reduction, an increase or no change to the benefit amount (applicable to headquarters and field participants).

Corporation Status – OHC now requires commuter benefits program participants completing a home change of address form to also complete the certification of costs form currently required of new participants and by everyone one time per year. [Corrective Action Complete]

Recommendation 6 – the application form should include a category that would permit part-time employees to document their status and to calculate pro-rated benefits.

Corporation Status – OHC will include this change in the comprehensive commuter benefits policy currently being drafted. Pro-rated benefits will also be defined and examples included for clarity.

Recommendation 7 – to prevent unauthorized use, responsible officials in state offices and service centers should certify receipt of packages containing fare media from TASC/TRANServe.

Corporation Status – OHC will work with TASC/TRANServe to establish an appropriate audit trail for receipt of fare media in the field. It is our view that the distribution charges we pay should allow for registering/certifying mail and record keeping.

Recommendation 8 – TASC/TRANServe's monthly detail reports showing Corporation participants by office has not always been correct. Accurate information is necessary for the budget officers in AmeriCorps★NCCC, OIG and OHC to certify payment amounts to the Corporation's Accounting office.

Corporation Status – OHC will continue to work with TRANServe to try to improve the accuracy of these monthly summaries and will begin reconciling TRANServe reports to Corporation records on a monthly basis.

Recommendation 9 – employee applications and the annual certification form for benefit amounts should be filed together.

Corporation Status – OHC now files these forms together. [Corrective Action Complete]

Recommendation 10 – a review and monitoring process should be in effect to verify whether employees are receiving the correct amount of benefits and to ensure that employees who separate from the Corporation or withdraw from the benefits program do not receive benefits for which they are not entitled. This is applicable to field and headquarters employees.

Corporation Status – Each month, OHC randomly reviews a sample of headquarters benefits payments to ensure they were made properly. OHC will expand this review to include payments made to field staff. In addition, in preparing new commuter benefits policies and procedures, OHC will be scouting for best practices (low-cost ways) on verifying payment accuracy at other federal agencies using TASC/TRANServe to administer their benefits programs. This could include testing to see how benefits claimed compare to what an employee is eligible to receive based on distances and fares charged by various modes of transit, e.g., combinations of bus, subway, van pool and so on. At this point, we do not believe that verifying each employee's entitlement would be cost effective.

Recommendation 11 – assign responsibility for reconciling program's financial records; ensure funds carried forward from prior years can be used; ensure that payments to Transportation do not exceed obligations; ensure that contributing offices – OHC, AmeriCorps★NCCC and OIG – are charged their appropriate service fees; assemble and retain documentation necessary to posting IPAC payments and ensure that only OHC, AmeriCorps★NCCC and OIG budget holders are permitted to certify IPAC charges; finally, assure that commuter benefits transactions are recorded in the general ledger in a timely manner.

Corporation Status – OHC is responsible for managing the Commuter Benefits Program ensuring that billings from TASC/TRANServe are accurate and properly recorded in the Corporation's financial system. OHC will work with the Executive Office and Accounting Office to ensure that OHC staff reconcile the bills on a quarterly basis.