

POSTAL REGULATORY COMMISSION

OFFICE OF INSPECTOR GENERAL



FINAL AUDIT REPORT

EMPLOYEE TRANSPORTATION SUBSIDY PROGRAM

**Audit Report 09-01-A01
September 30, 2009**

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Introduction

Background

This report presents the results of a self-initiated audit by the Postal Regulatory Commission (PRC) Office of Inspector General of the PRC transportation subsidy program. The PRC Transportation Subsidy program, revised May 30, 2008, provides subsidies to PRC employees for parking spaces and the use of public transportation. The PRC incurred \$152,625 and \$92,687 for parking spaces and for public transportation subsidies respectively, from June 1, 2007 to June 30, 2009.

The PRC leases a limited number of parking spaces for use by employees for the purpose of commuting to and from work. The PRC assists in defraying a portion of the parking costs to employees by paying a portion of the parking fee and the employee is responsible for paying the remaining balance. PRC Commissioners are entitled to unreserved parking spaces at no costs to them. The remaining parking spaces purchased by the PRC are assigned to employees based on criteria established in the policy.

In lieu of a parking subsidy, the PRC provides transit benefits from Washington Metropolitan Area Transit Authority (WMATA) to its employees who commute to work by public transportation. The current transit benefit from WMATA is called *Smartbenefits* and allows employers to electronically administer the transit benefit online and directly allocate the benefit to their employee's SmarTrip cards¹. Employees can receive *Smartbenefits* vouchers on regional transit systems in Virginia and Maryland that have not adopted the SmarTrip fare payment system. Effective June 2009, the maximum metro transit benefit increased to \$230; prior to that date, the maximum metro transit benefit was \$120. The amount of the subsidy is based on the costs that the employee incurs in his/her commute, excluding parking fees. In addition, the PRC employees attending work related meetings can get a WMATA metro fare card from the Office of the Secretary and Administration (OSA) for local business travel.

Objective, Scope, and Methodology

The objective of our review was to evaluate the key management controls over the PRC transportation subsidy program. Specifically, we determined if transportation subsidy expenses were properly supported and complied with PRC procedures and practices.

To accomplish our objectives, we interviewed key PRC employees and reviewed program policies. In addition, we examined supporting documentation for a:

- Statistical sample of 66 parking fee transactions from a universe of 432 parking spaces paid for by PRC employees from June 1, 2007 to June 30, 2009 and

¹ Prior to December 2008, the WMATA transit benefit program was entitled "Metrocheks".

- Statistical sample of 81 public transportation benefits from a universe of 864 benefits paid by the PRC, from June 1, 2007 to June 30, 2009.

We conducted this review between June and September 2009 in accordance with generally accepted government auditing standards and included test of internal controls that were deemed necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with the PRC Office of Secretary and Administration on September 23, 2009

Results

Review of Parking Transportation Subsidy Program

Overall, PRC employees supported expenses for parking transportation subsidies and complied with policies and procedures for the parking program. However, PRC employees did not consistently submit or renew parking applications. Applications and renewals are necessary for PRC management to determine the number of parking spaces to lease and to use in prioritizing parking space allocations. In addition, the PRC maintained an average of six spare parking spaces over the 25-month audit period; most of which were not utilized. As a result, the PRC could have avoided expending \$15,214 (funds put to better use) by reducing the parking costs. Further, PRC could better maintain documentation of employees' payment of parking fees.

PARKING APPLICATIONS AND RENEWALS WERE NOT ON FILE

PRC employees did not consistently submit or renew parking applications. Five PRC employees in our sample did not have a parking registration on file and fifteen of the PRC employees in our sample did not have parking renewal applications on file for the year under review. The policy requires that applications be completed semi-annually for the parking subsidy and annually for Metro transit benefits. PRC staff indicated that the renewal process for parking applications was time-consuming and unnecessarily burdensome. However, without the renewed applications, the PRC cannot properly determine the quantity of parking spaces to lease and apply criteria to assign parking spaces. The Metro transit subsidy program requires renewals annually, which may also be an option to reduce the administrative burden in the parking subsidy program.

Recommendation 1

We recommend that the Office of the Secretary and Administration revise the transportation subsidy policy to require annual renewals for the parking subsidy, consistent with the Metro transit subsidy program.

Management's Comments

PRC Management provided a response to the draft report of this audit on September 30, 2009. A copy of that response is included as Appendix I of this report.

Management agreed with this recommendation and will revise the current transportation policies and procedures to require annual renewals for the parking subsidy beginning in January 2010.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

REDUCTION IN SPARE PARKING SPACES

The PRC paid for an average of six spare parking spaces (a range of two to eight) over the last 25 months and did not maintain documentation assessing the business need of these spare spaces. The parking vendor indicated that the PRC could modify their parking requirement monthly. Further, the PRC did not maintain a usage log for spare parking spaces. Logging spare parking space usage can aid the OSA in determining the need for maintaining spare parking spaces. It can also be used to record and track employee use of the spare parking spaces to ensure that PRC employees are not receiving both parking and metro subsidy benefits. The PRC could have saved \$15,214 by reducing the number of spare parking spaces to three over this time period. Therefore, we are classifying the potential savings of \$15,214 as funds put to better use.

During our audit, the PRC reduced the number of spare parking spaces leased from an average of six to three. Management also accepted our recommendation to maintain a spare parking log.

Recommendation 2

We recommend that the Office of the Secretary and Administration maintain a usage log for the spare parking spaces and use the log in assessing the appropriate quantity of spaces to lease each month and as a control check to ensure employees are not receiving both parking and a metro subsidy.

Management's Comments

Management agreed with this recommendation and will redesign the spare parking log by October 31, 2009.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

IMPROVEMENTS TO THE PRC PARKING REPORT

PRC personnel could better maintain documentation of employees' payment of parking fees. Personnel maintained a PRC Parking Report that noted two instances where PRC employees paid two months of parking fees in one month and another instance where an employee received both a parking and metro subsidy. However the report does not reflect the dates of employees' payments, the total payments received from each employee, and any late fees assessed. The policy requires that automobile hang tags be issued monthly to employees upon payment of the monthly fee and that a ten dollar (\$10) late fee be assessed for any payment received after the 5th of the month. In addition, policy prohibits an employee from receiving a parking subsidy and metro subsidy. In order for the PRC to effectively enforce the policies of their subsidy programs, proper documentation must be maintained to document date and receipt of parking payment, issuance of all hang tags, and verification that hang tag recipients are not receiving the metro subsidy.

We recommend that the Office of Secretary and Administration:

Recommendation 3

Modify the monthly PRC Parking Report to include dates of payment and a comment field to record exceptions.

Recommendation 4

Reiterate program guidance to the administrative staff regarding proper receipt of payment, issuance of hang tags, and metro subsidy control checks.

Management's Comments

Management agreed with these recommendations. Management will complete redesign of the PRC Parking Report by October 31, 2009, and has provided instructions to the administrative personnel involved.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

Review of Metro Transit Subsidy Program

Overall, PRC did not always properly support expenses related to Metro transit benefits and did not comply with policies and procedures for processing these benefits. Further, the PRC does not have processes in place to ensure PRC employees do not receive both benefits (parking and metro transit benefits). In addition, we identified opportunities for the PRC to improve controls over the management of Metro transit benefits.

SUBMISSION AND RENEWAL OF METRO BENEFITS APPLICATIONS

PRC employees did not always submit or renew applications to obtain metro transit benefit subsidies. We found 14 occurrences, where 12 PRC employees currently enrolled in the program did not renew their metro transit benefit applications annually. In addition, we noted five occurrences where the renewal application was prepared but not approved. Transit benefits provided without appropriate application documentation and approvals totaled \$12,664 for the time period reviewed. Policy requires employees enrolled in the program to renew their applications annually. PRC personnel did not consistently enforce the policy requiring receipt of applications prior to issuing subsidies. The PRC needs to maintain documented applications and renewals to certify that the benefit was appropriately received. As a result, we will report the \$12,664 as unrecoverable unsupported questioned costs because employees did not submit applications to obtain proper approval to receive Metro transit benefits.

We recommend that the Office of Secretary and Administration:

Recommendation 5

Reiterate to employees the importance of submitting and renewing applications for public transportation subsidies.

Recommendation 6

Enforce the requirement that transit benefits not be paid unless applications and their approval are properly documented.

Management's Comments

Management agreed with these recommendations and has provided instructions to the administrative personnel involved.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

SEPARATION OF DUTIES IN PROCESSING BENEFITS

The tasks of registering employees into the WMATA system, receiving and distributing Metro transit benefits and submitting payment to WMATA were not segregated. This environment lacks appropriate separation of duties and could lead to the mismanagement of PRC funds or could cause the PRC to incur unnecessary costs for transit benefits.

Recommendation 7

We recommend that the Office of Secretary and Administration implement a process to separate the duties of processing applications, receiving, distributing, and paying transit benefits.

Management's Comments

Management agreed with this recommendation and has implemented a process to separate the duties of processing applications, receiving, distributing and paying transit benefits.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

REVIEW OF LOCAL BUSINESS TRAVEL LOG

We observed that OSA does not periodically review the local business travel log to determine usage and inventory of SmarTrip fare cards and balances. The Transportation Subsidy program enables PRC employees attending work-related meetings within the local area to receive a metro fare card from OSA to pay for the trip. The employee can use this process instead of getting reimbursement from the cash imprest fund.

There is no requirement in the policy to perform a periodic review of local business travel log as a control check to ensure SmarTrip cards are being used as intended. This review could ensure the integrity of the program and safeguard assets. PRC controls over the cash imprest fund include the recording of business travel information onto a form; this information includes employee name, date, destination and business purpose. During our audit, OSA accepted and implemented our recommendation to institute the data on a local business travel log for this program, similar to data on the form required for the cash imprest fund.

Recommendation 8

We recommend that the Office of Secretary and Administration implement procedures to perform periodic reviews of the local business travel log.

Management's Comments

Management agreed with this recommendation and will implement procedures to perform a quarterly reconciliation of the local business travel log by December 31, 2009.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the action taken or planned should correct the issue identified.

RECONCILIATION OF METRO TRANSIT VOUCHER INVENTORY

We observed that PRC management does not reconcile metro transit voucher inventory for vouchers that employees can use on public transportation systems that have not adopted the SmarTrip fare payment system². Undistributed or extra vouchers are maintained in a locked cabinet but are not reconciled. Even though, the reconciliation of vouchers is not required in the Transportation subsidy program, this procedure will enhance controls and improve the safeguarding of assets.

Recommendation 9

We recommend that the Office of Secretary and Administration implement procedures to perform periodic reconciliation of vouchers purchased and distributed to voucher inventory on hand.

Management's Comments

Management concurred with this recommendation and will implement by December 31, 2009.

Evaluation of Management's Comments

Management did not specify an action to correct this finding. However, they did concur to all nine recommendations and plan to implement all recommendations by December 31, 2009.

² Employees can receive *Smartbenefits* vouchers on regional transit systems in Virginia and Maryland that have not adopted the SmarTrip fare payment system.



POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Shoshana Grove
Secretary and Chief Administrative Officer

September 30, 2009

Mr. Jack Callender
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Postal Regulatory Commission
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Suite 230
Washington, DC 20268

RE: Employee Transportation Subsidy Program, Report Number AR-09-01-A01

Dear Mr. Callender:

Thank you for the opportunity to review your September 23, 2009, draft of the Employee Transportation Subsidy Programs audit report, AR-09-01-A01.

Management has reviewed the report and concurs with the nine recommendations put forward, and will implement all of the recommendations by December 31, 2009.

The administrative personnel directly involved in the monthly transactions of the employee transportation subsidy program have been instructed on the components of the programs regarding proper receipt of payment; issuance of hangtags; metro subsidy control checks; and proper documentation required to receive transit benefits. A process to separate the duties of processing applications, receiving, distributing and paying transit benefits has been implemented.

Additionally, the Commission has begun to redesign the current usage logs for the monthly PRC Parking Report, the spare parking spaces, and local business travel. These changes will be implemented no later than October 31, 2009.

The Commission will revise the current transportation policies and procedures to require annual renewals for the parking subsidy with an implementation date of January 2010 and every January thereafter.

The Commission will implement procedures to perform quarterly reconciliation of the local business travel log. It is anticipated that these new policies and procedures will be effective by the end of the first quarter of fiscal year 2010.

The Commission appreciates your efforts and assistance in this matter.

Sincerely,

Shoshana Grove
Judy Hardy

Shoshana M. Grove
Secretary