



At a Glance

Why We Did This Review

The Office of Inspector General (OIG) conducted an audit of the U.S. Environmental Protection Agency's (EPA's) Transit Subsidy Benefits program. Our objective was to identify and analyze risks in the program.

The Transportation Subsidy Benefits program originated with the *Federal Employees Clean Air Incentives Act*, Public Law 103-172, which has a purpose "to improve air quality and to reduce traffic congestion by providing for the establishment of programs to encourage Federal employees to commute by means other than single-occupancy motor vehicles." A transit benefit is a non-taxable transportation fringe benefit providing employees with fare media when taking mass transit to or from work. In calendar year 2014, employee monthly subsidies were limited to \$130 a month for transit and \$20 for bicycle. In calendar year 2014, the EPA paid approximately \$9.6 million for transit subsidies managed under 13 different offices.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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EPA Needs to Improve Oversight of Its Transit Subsidy Benefits Program

What We Found

The EPA operates a transit subsidy benefits program for its employees covering 13 separate locations. Most of the locations did not comply with all of the Office of Management and Budget's (OMB's) 10 minimum internal control requirements.

We also discovered the following specific areas of concern at four of the 13 locations.

Weak internal controls made EPA transit subsidies of about \$10 million vulnerable to potential abuse. We found at least \$137,000 in unnecessary payments.

- EPA headquarters separated 431 EPA employees in calendar year 2014, of which 149 (35 percent) continued to receive transit subsidy benefits and 46 (31 percent) continued to use their EPA paid transit cards. In addition, we identified \$1,379 of prohibited, improper and erroneous payments that previously had not been detected.
- Region 6's *Regional Order Public Transit Subsidy Program Guidance*, from 1997, is outdated and does not reflect the transit forms, reports or practices currently in use.
- Region 9 has two transit plans, and employees were permitted to enroll in either plan. The plans have varying levels of review.
- Region 10 purchased transit passes for all employees at a discount, which cost more than if the region had paid the actual incurred transit costs for only those employees needing passes. In calendar years 2014 and 2015, Region 10 spent \$135,701 in excess of actual transit costs.

OMB Memorandum M-07-15, *Transit Benefit Internal Controls*, establishes guidelines for a federal agency's transit subsidy benefits program. OMB Circular A-123, *Management's Responsibility for Internal Control*, establishes guidelines for internal control policies. However, we found that the EPA did not adhere to all of OMB's requirements at every location. As a result, the EPA's Transit Subsidy Benefits program is vulnerable to unnecessary payments.

Recommendations and Planned Agency Corrective Actions

We recommend that the agency provide oversight to regions and field offices to enforce compliance with OMB's 10 minimum internal control policies. Also, the Assistant Administrator for Administration and Resources Management should implement internal controls for transit processors. In addition, Region 6 should update its transit policy, Region 9 should allow its employees to use only one transit payment system, and Region 10 should perform a commuting cost analysis to determine the most cost-beneficial fare options. The agency concurred with all of the recommendations, and the OIG agrees with the agency's proposed actions.