



UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

Memorandum

January 6, 2006

To: Catherine McCoy,
Human Resources Director

From: Jane E. Altenhofen *Jane E. Altenhofen*
Inspector General

Subject: Inspection Report No. OIG-INS-40-06-01: Transit Subsidy

We initiated this inspection in August 2005 to evaluate controls over the distribution of transit subsidies. The National Labor Relations Board (NLRB or Agency) spent a total of \$880,786 in Fiscal Year (FY) 2005 for services provided by the Department of Transportation (DOT). Of this amount, \$820,127 was spent on transit passes and \$60,659 was spent on related administrative services.

Controls appear to be adequate for transit passes distributed by DOT to NLRB employees. We did not find indications of significant abuse by employees. Of the \$32,576 in transit passes distributed that we tested, only \$195 was in excess of our estimated employee mass transit costs. Agency policies, nevertheless, need improvement because they do not address what current workers should do with transit passes that they received but did not use within the allotted time. The Human Resources Branch (HRB) said that they are in the process of revising transit subsidy policies.

Employees leaving the Agency did not always return the correct amount of unused transit passes. Of the 20 employees in our sample, 11 employees returned \$576 less than we estimated to be the correct amount. With projected increases in retirements, strengthening controls in this area may provide the Agency with additional funds that could be spent to accomplish its mission. The inconsistent use of the Certification for Release of Final Salary Check (Form 4197) may have contributed to this condition.

SCOPE

We reviewed Executive Order 13150, Federal Workforce Transportation, dated April 21, 2000; Internal Revenue Service Publication 15-B; and applicable sections of the Code of Federal Regulations. We reviewed Administrative Bulletin 02-04, Transit Pass Increase Effective January 1, 2002; Administrative Policy Circular (APC) 00-06, NLRB Transit Pass Program, dated September 19, 2000; and APC 01-02, NLRB Transit Pass

Program for Field Offices, dated August 9, 2002. We reviewed Division of Operations-Management Memorandum 02-82, Transit Subsidy Program for Field Employees, dated August 9, 2002, and General Counsel Memorandum 03-04, Transit Subsidies for Field Employees, dated August 28, 2003. We interviewed members of the HRB, Division of Operations-Management, and Finance Branch to determine the policies, procedures, and controls for administering the transit subsidy program.

We obtained a database of transit passes distributed by DOT from October 2004 to June 2005. We selected a sample of 30 field office employees and 20 Headquarters employees who received transit passes. We utilized transit pass applications and mass transit Web sites to determine commuting costs. In addition, we reviewed NLRB Pre-Tax Transportation Fringe Benefit Program Applications, leave taken, and Federal holidays for individuals selected for review. We also obtained a list of NLRB contractors and compared this list to the database of all transit subsidies received to determine whether any contractors received transit subsidies.

We obtained a list of 131 employees who left the Agency in FY 2005 through July 31, 2005. We selected a sample of 20 separated employees, 10 in field offices and 10 at Headquarters, who received transit passes in FY 2005, to determine if a transit subsidy was returned to the Agency and, if so, whether the amount was appropriate.

We conducted this review from August through January 2006. This review was done in accordance with Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

BACKGROUND

Executive Order 13150, Federal Workforce Transportation, ordered that by no later than October 1, 2000, Federal agencies in the National Capital Region (NCR) were required to implement a "transit pass" transportation fringe benefit program for their qualified Federal employees. Under this program, agencies shall provide their qualified Federal employees, in addition to current compensation, transit passes in amounts approximately equal to employee commuting costs, not to exceed the maximum level allowed by law, currently \$105 per month. This Executive Order does not require that the NLRB provide transit passes to employees outside of the NCR, but permits agencies to have more generous programs.

The NLRB provides up to \$100 per month for Headquarters employees. These transit passes are distributed on a quarterly basis. The Agency elected to provide transit passes to field office employees and provides up to \$85 per month for field employees. These transit passes are distributed on a monthly basis.

DOT administers the transit pass program at the Agency. DOT charges the Agency for the actual transit passes distributed and for administrative services provided. Unused transit passes can be credited by DOT. Expired, written-on, stapled, partially

used, or torn media cannot be credited. For example, if an employee experienced a reduction in their monthly commuting cost due to annual or sick leave, the employee could return any unused passes to DOT. In addition, an employee who separates from the Agency should return any unused transit passes.

RESULTS

Transit Pass Subsidy

Controls appear to be adequate for transit passes distributed by DOT. We did not find indications of significant abuse by employees from our samples. Only \$43 of the \$17,633 in transit passes distributed in field offices reviewed was in excess of our estimated employee mass transit costs. At Headquarters, only \$152 of the \$14,943 in transit passes reviewed was in excess of our estimated employee mass transit costs. The \$152 was attributed to one individual and related to all three quarters tested. This individual stated that he was not aware that excess transit passes are supposed to be returned. In addition, the employee mentioned that when completing the transit pass application, he was told to put down \$100 because of where he lived and he did not try to determine his actual commuting costs. The employee returned the \$152 in question plus an additional \$62 not covered in this inspection for a total of \$214. The additional \$62 included a \$24 offset of transit passes received in January 2006.

Even though only a small amount of the mass transit subsidies tested exceeded our estimates of employee expenses, Agency policies do not provide instructions to employees on what to do with transit passes that were not used within the allotted time. Agency policies state that employees are responsible for informing the Agency of changes in commuting expenses (including changes due to vacations and extended leave periods). The policy places the burden on the employee and calls for the submission of a new transit pass application. Completing a new transit pass application appears to be something the employee should do before the period in question begins and seems administratively burdensome for instances in which an employee did not have a change in commute, but simply did not anticipate traveling to the office fewer times than usual. A simpler option would be to have the employee reduce the amount of transit subsidy received in the next transit pass distribution.

Separated Employees

Agency policies state that employees who are leaving the Agency should return unused transit subsidies to the Agency. Agency employees, however, were not consistently returning unused transit subsidies. Of the 20 employees in our sample, 11 employees returned \$576 less than the amount we estimated to be unused. The inconsistent use of Form 4197 may have contributed to this condition.

HRB said that Form 4197 must be completed for all employees who are separating from the Agency. The instructions state that the immediate supervisor of the

employee is responsible for ensuring that the employee initiates and completes this form. In addition, the form and attachments will be forwarded to the Security Branch for processing, routed through several offices, lastly to HRB.

Form 4197 is not being completed in its entirety for all individuals leaving the Agency and the latest version of the form is not used consistently. Of the 20 individuals selected for review, only 7 completed the form in its entirety and only 8 utilized the correct version of the form. HRB commented that they often do not receive notification that an employee in the field has left the Agency until after their departure. Unless a completed Form 4197 is received in a timely manner, HRB cannot determine whether the employee has an outstanding debt, which includes unused transit passes.

SUGGESTIONS

We suggest that the Human Resources Director:

1. Provide clear instructions regarding unused transit passes for current employees.
2. Remind supervisors of their responsibility to initiate and ensure completion of the current Form 4197, including the return of unused transit passes.