

Federal Housing Finance Agency
Office of Inspector General



**FHFA Did Not Effectively
Implement Controls Intended to
Ensure the Integrity of Its Employee
Transportation Benefits Program**

Compliance Review • COM-2023-005 • June 21, 2023



COM-2023-005

June 21, 2023

Executive Summary

The Federal Housing Finance Agency (FHFA or Agency) provides a transportation benefit to its employees who commute to work, either by subsidizing the use of public transportation or by providing parking for employees who drive or carpool. FHFA employees may receive either a transit subsidy or parking, but not both.

In a 2018 audit report, we found that the Agency's controls over its transportation benefits program were insufficient. For example, we found that FHFA did not perform certain control activities to detect and correct instances where employees received transit benefits for which they were not eligible. We also found that FHFA's guidance for its transportation benefits program was incomplete.

In response to our two recommendations to correct these deficiencies, FHFA established new and revised transportation benefits procedures in early 2019. We closed the recommendations on June 21, 2019, based on these procedures.

We initiated this compliance review to assess whether FHFA implemented five specific controls from its new and revised transportation benefits procedures. We found that FHFA did not implement four of the five controls effectively. For example, FHFA did not conduct nearly 40 percent of required monthly reviews to ensure that employees do not receive both public transit subsidies and parking benefits. FHFA also did not meet deadlines for completing required monthly reviews of employee eligibility for transit benefits subsidies 59 percent of the time. These and other deficiencies indicate that FHFA has not implemented all of its new and revised procedures effectively. For this reason, we are reopening the two recommendations from our 2018 audit.

In its management comment letter, FHFA proposed to implement corrective actions by November 17, 2023, to remediate the deficiencies referenced above.

This report was prepared by Wesley M. Phillips, Senior Policy Advisor, and Karen Van Horn, Senior Investigative Counsel. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report. This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, www.fhfaoig.gov.

/s/

Brian W. Baker
Deputy Inspector General,
Office of Compliance

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ABBREVIATIONS

Agency or FHFA	Federal Housing Finance Agency
Facilities	FHFA Office of Facilities Operations Management ¹
HR	FHFA Office of Human Resources Management
OIG	FHFA Office of Inspector General
OMB	Office of Management and Budget
Parking Procedures	Facilities' Temporary and Annual Parking Procedures (issued March 25, 2019)
TBS	Transit Benefits System
Transit SOP #1	HR's Standard Operating Procedure: Transit Benefit System (issued March 29, 2019)
Transit SOP #2	HR's Standard Operating Procedure: Transit Benefits Reconciliation For Metro Transit Services (issued April 30, 2019)
WMATA	Washington Metropolitan Area Transit Authority

¹ FHFA's Office of Facilities Operations Management is also known as "OFOM," and its Office of Human Resources Management is also known as "OHRM." To minimize the risk of potential reader confusion between these two offices, this report refers to them not by their acronyms but as "Facilities" and "HR," respectively.

BACKGROUND

FHFA's Employee Transportation Benefits Program

FHFA's employee transportation benefits program offers employees a choice between two benefits to facilitate their commutes to work. Employees who take public transportation to work may receive a subsidy to defray their costs (the transit subsidy program), and those who drive or are part of a carpool may use an Agency-provided parking space (the parking program). FHFA employees may participate in either of these programs, but not both. FHFA administers the programs using an intranet portal known as the Transit Benefits System (TBS). TBS maintains information on FHFA employees to determine their eligibility for transit benefits and facilitates those benefits' administration. FHFA employees have direct access to TBS and can use it to enroll in either program.²

In May 2007, the Office of Management and Budget (OMB) issued Memorandum M-07-15, *Federal Transit Benefits Program*, in which it identified a minimum set of internal controls that should be in place at agencies that offer transit subsidy programs, including, but not limited to, requiring employees to certify their eligibility to receive benefits and cross-checking of transit subsidy applicants against agency parking benefits records.

FHFA officials report that the Agency has offered transportation benefits to employees since its inception in 2008. In 2016, FHFA issued written rules to implement OMB's internal controls.³ FHFA also issued its Parking Policy (June 2013), supplemented by FHFA's Office of Facilities Operations Management's (Facilities) Temporary and Permanent Parking Procedures (July 2017), to set forth rules governing the parking program for participating employees and the program administrator.

² In calendar 2022, FHFA spent about \$25,000 on the transit subsidy program and approximately \$1.1 million for its personnel's parking spaces.

³ The written rules included the Transit Benefits Processing Standard Operating Procedure (May 2016), which prescribed certain procedures and discussed responsibilities for managing and operating the transit subsidy program, as well as the Transit Benefits System User Guide and the Transit Benefits System Administrator Guide (both issued in March 2017), which provided instructions and information on how to use TBS, for both employees and the program administrators.

Our 2018 Audit Identified Control Deficiencies

OIG audited FHFA's transportation benefits programs in 2018 and found that the Agency lacked sufficient controls to detect and correct instances of ineligible transit subsidy recipients, notwithstanding the written rules the Agency had issued to comply with M-07-15.⁴

We made two recommendations to remedy these deficiencies. First, we recommended that FHFA develop, document, and implement control activities to ensure that: (a) only current FHFA employees are receiving transportation benefits; (b) no employee is improperly participating in both transportation benefit programs (i.e., that no one is receiving both a transit subsidy benefit and a parking benefit); (c) TBS has a record and certification for each employee who receives a transportation benefit; and (d) all SmarTrip cards are controlled physically.⁵ We suggested that such control activities include periodic reconciliations of approved transit subsidy recipients listed in TBS against the FHFA transit subsidy recipients listed on WMATA Monthly Activity Reports, periodic reconciliations of approved transit subsidy recipients to active parking permit recipients, and periodic inventory counts of both SmarTrip cards registered to FHFA and undistributed parking permits.⁶

Our second recommendation was that FHFA ensure that TBS has accurate and up-to-date records of, and current certifications for, each FHFA employee who receives a transportation benefit. The Agency agreed with both recommendations.

FHFA Developed Procedures in 2019 to Ensure the Integrity of the Transportation Benefits Program

On March 29, 2019, FHFA's Office of Human Resources Management (HR) issued Standard Operating Procedure: Transit Benefit System (Transit SOP #1). This SOP was intended to document and implement controls to ensure that: (a) only current FHFA employees receive transportation benefits; (b) no employee benefits from both the transit and parking programs simultaneously; (c) records and certifications are in place for employees receiving transportation benefits; and (d) SmarTrip cards are controlled physically. To achieve these results, Transit SOP #1 established several mandatory controls, including requiring employees to recertify their transit benefit eligibility on an annual basis and mandating the performance

⁴ OIG, *FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs* (AUD-2018-013) (Sept. 25, 2018). Our audit also identified various other deficiencies, including a number of employees who received both a transit subsidy benefit and a parking benefit; former employees who continued to be able to access FHFA transit subsidies despite having left the Agency; incomplete TBS records for some recipients; and missing WMATA SmarTrip cards issued to the Agency.

⁵ To determine whether the SmarTrip cards were controlled physically, our audit assessed whether FHFA had physical possession or custody of those cards, or whether it could otherwise account for the cards.

⁶ The audit report included a third recommendation that is outside of this compliance review's scope.

of spot checks throughout each fiscal year to ensure that the SOP’s provisions are being followed.

On the same date, Facilities issued a revised policy on parking, entitled Temporary and Annual Parking Procedures (Parking Procedures), to ensure that: (a) employees do not receive both transit subsidy and parking privileges; (b) all parking permits are accounted for; and (c) all employees’ signed parking agreements are on file. To these ends, the Parking Procedures established certain mandatory controls, including monthly parking permit inventory checks and monthly parking reconciliations, which are intended to preclude employees from receiving both parking permits and transit subsidies.

On April 30, 2019, HR issued Standard Operating Procedure: Transit Benefits Reconciliation For Metro Transit Services (Transit SOP #2). This SOP was intended to ensure accurate record keeping and reporting of transit benefits under TBS. To achieve these results, Transit SOP #2 established several mandatory controls, including monthly reconciliations to verify the eligibility of transit benefit recipients, and monthly parking reconciliations to verify that no employee receiving transit benefits is also receiving a parking space.

Based on these three procedure documents, we closed our recommendations on June 21, 2019.⁷

FINDINGS

We initiated this compliance review to determine whether, from June 2019 through December 2022 (review period), Facilities and HR implemented the following five mandatory controls from the three procedure documents discussed above: (1) Facilities’ monthly parking permit inventory checks; (2) HR’s monthly inventories of employee transit benefits; (3) Facilities’ monthly parking reconciliations; (4) HR’s spot checks of compliance with its procedures; and (5) HR’s annual employee recertifications of their transit benefits. As detailed below, we found that Facilities and HR did not implement four of these five controls effectively.

Control #1: Facilities Did Not Conduct, or Could Not Document that It Conducted, 61 Percent of Required Monthly Parking Permit Inventory Checks

The Parking Procedures require Facilities to verify monthly that parking permits in its inventory have not been assigned to ineligible employees. Facilities interprets this requirement to include an obligation to document these monthly inventory checks. We found

⁷ Subsequently, on May 31, 2022, FHFA issued Transit Benefit Policy #127, which clarifies roles and responsibilities in the program.

that Facilities documented its completion of 13 of 33 required monthly inventory checks during the review period but could not show that it completed the remaining 20. Accordingly, Facilities complied with this requirement during 39% of the months tested and did not comply during the other 61% of the months tested.⁸

Facilities said that it performed the 12 monthly inventory checks for 2022, but had lost the relevant records.⁹ If we were to accept Facilities’ claim to have performed these 12 monthly checks despite the absence of required documentation, it would mean that Facilities performed only 25 such checks (13 documented plus 12 undocumented from 2022) out of the 33 required, resulting in a compliance rate of 76% and a non-compliance rate of 24%.

Control #2: HR Conducted Nearly all Monthly Reconciliations of Employee Transit Benefits, but 59 Percent Did Not Meet HR’s Timeliness Standard

Transit SOP #2 requires HR to conduct monthly reconciliations to verify that all employees receiving transit benefits during that month are eligible to receive them. HR is required to conduct each monthly reconciliation by the 13th of the subsequent month (e.g., HR must complete the July reconciliation by August 13th).¹⁰

Our testing found that HR conducted 39 of 43 required monthly reconciliations, which represents a 91 percent compliance rate. The four monthly reconciliations HR did not complete were in 2019.

Of the 39 monthly reconciliations HR completed, 16 (41%) met the timeliness standard. Table 1 shows the breakdown of the 23 reconciliations (59%) that HR did not complete on time.

TABLE 1: UNTIMELY HR MONTHLY EMPLOYEE TRANSIT BENEFIT RECONCILIATIONS

Number of Days Late	Number of Reconciliations
More than 90 days	4
60 to 90 days	2
30 to 60 days	4
Less than 30 days	13
Total	23

⁸ A Facilities official said that FHFA began mandatory employee telework in March 2020 at the start of the COVID pandemic, so Facilities did not have any staff in the Agency’s headquarters for the remainder of the year. The official stated that Facilities resumed the parking permit inventory checks in January 2021 when its staff returned on a daily basis. Therefore, we removed the ten months – from March 2020 through December 2020 – from our 43-month review period, resulting in a 33-month review period for the testing of Control #1. We did not remove the ten months when testing the other controls because FHFA generally performed those controls’ required procedures during that period, except as noted in the discussion above.

⁹ Facilities stated that records of monthly inventory checks performed in 2022 were stored on an employee’s computer desktop rather than in the location required on the Agency’s information management system. Facilities stated that these files were subsequently lost from the employee’s desktop during a computer upgrade.

¹⁰ If the deadline falls on a weekend or holiday, it is extended to the next business day.

Control #3: Facilities Did Not Conduct, or Could Not Document That It Conducted, Nearly 40 Percent of Required Monthly Parking Reconciliations

Transit SOP #2 requires Facilities to conduct monthly reconciliations to verify employee compliance with the Agency's parking policy. Facilities must complete these reconciliations within five calendar days of HR's completion of its monthly transit reconciliations, which as discussed above must be done by the 13th of each month. A particular Facilities official must sign a form documenting each reconciliation and then return it to HR.

Facilities produced signed forms demonstrating that it had conducted 27 (63%) of the 43 required monthly parking reconciliations, but it could not produce signed forms to show that it had conducted the other 16 (37%).¹¹ A Facilities official stated that the fact that certain forms were unsigned does not mean the underlying reconciliations were not conducted. However, we considered unsigned forms as insufficient evidence that the reconciliations at issue had been performed, in light of Transit SOP #2's express signature requirement.¹²

In the 27 monthly parking reconciliations it conducted, Facilities identified 30 corrective actions that were necessary, which averages about one per month. We cannot say whether Facilities would have identified additional necessary corrective actions had it conducted all 43 of the required monthly parking reconciliations (i.e., if the 16 reconciliations at issue were performed).

Control #4: HR Did Not Conduct Any of the Spot Checks Required by Its Own Rules, but It Did Review for Potential Pandemic-Related Employee Transit Benefits Violations

Transit SOP #1 requires HR to conduct spot checks throughout each fiscal year to ensure that the SOP's provisions are being followed. HR officials told us they did not conduct any of the required spot checks during the review period.¹³

¹¹ For these 16 reconciliations, Facilities produced unsigned forms for 12 and could not produce any forms at all for the remaining 4.

¹² While not dispositive, we note that no other evidence was offered to substantiate the Facilities official's contention that these 16 reconciliations were performed, so the only basis on which we might treat those reconciliations as having been performed would be the unsupported contention itself.

¹³ In 2021, HR conducted a review of the Agency's transit benefits program related to benefits provided to employees from March 2020 through July 2021, when FHFA required all employees to telework from home due to the COVID-19 pandemic. Employees should not have been utilizing the Agency-provided transit benefits during this time. HR conducted follow-up reviews of the transit benefits program in December 2021 and again in March 2022. HR is considering whether to replace the spot checks as they may be redundant with its monthly reconciliations of employee transit benefits.

Control #5: HR Documented that It Conducted Annual Employee Recertifications of Eligibility for Their Transit Benefits

Transit SOP #1 requires HR to conduct annual employee recertifications of their eligibility for transit benefits. HR provided records showing that the employee recertifications took place annually during the review period. These findings demonstrate that HR obtained annual employee recertifications of their transit benefit eligibility.

CONCLUSIONS

We are reopening the two recommendations from our 2018 audit report, due to substantial non-compliance found for four of the five controls tested:

1. Facilities either did not conduct, or could not document that it conducted, 61 percent of monthly parking inventories. If credit were given for all of the monthly parking inventories Facilities says it conducted but for which it concedes it cannot produce any documentation, it still did not conduct nearly a quarter of the required inventories. Facilities also acknowledged that the failure to store records on the Agency’s information system resulted in the loss of all inventories for 2022.
2. Facilities either did not conduct, or could not document that it conducted, nearly 40 percent of the required monthly parking benefit reconciliations.
3. HR conducted nearly all of its monthly public transit benefit reconciliations but did not meet the timeliness standard 59 percent of the time.
4. HR did not conduct any of the required spot checks.
5. HR conducted annual recertifications of employee transit benefits.

FHFA COMMENTS AND OIG RESPONSE.....

We provided a draft of this report to FHFA for its review and comment. The Agency’s comments are included in the Appendix to this report.

In its comments, FHFA proposes to implement the following corrective actions to address the deficiencies we identified in the Agency’s administration of its transit benefits program:

- HR will revise its procedures to include the deadlines for completing transit reconciliations discussed in this report (generally the 13th of each month). HR stated that the updated procedures will include a revised monthly reconciliation process using FHFA’s electronic review tool. The review tool will track individual assignments and due dates, provide system notifications and reminders, record completion of the monthly reconciliations, and retain documentation. HR said that including its management in the electronic reconciliation reviews will eliminate the need for separate management spot checks. HR committed to provide documentation to OIG of these updates to its procedures by November 17, 2023.
- Facilities will ensure completion of its monthly parking reconciliations and proper retention. Facilities will implement controls that utilize the electronic review tool to facilitate review and document completion and proper document retention, provide management visibility into progress completing the reconciliations, and perform quality assurance through supervisory of the monthly reconciliations. Facilities committed to provide OIG documentation of these controls by November 17, 2023.

We will close the recommendation upon reviewing the documentation that HR and Facilities committed to provide by November 17, 2023, and independently determining that FHFA has implemented corrective actions addressing all aspects of the reopened recommendations.

OBJECTIVE, SCOPE, AND METHODOLOGY

We initiated this compliance review in January 2023 to determine whether FHFA implemented five controls in response to our 2018 audit report’s recommendations regarding the Agency’s transit and parking benefits programs.

To accomplish these objectives, we reviewed Agency documentation. We also interviewed HR and Facilities officials.

We conducted our compliance review from January 2023 through March 2023 under the authority of the Inspector General Act of 1978, as amended, and in accordance with the *Quality Standards for Inspection and Evaluation* (December 2020), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency.

We provided a draft of this report to FHFA for its review and comment.

APPENDIX: FHFA MANAGEMENT RESPONSE.....

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Federal Housing Finance Agency

MEMORANDUM

TO: Brian Baker, Deputy Inspector General for Compliance

THROUGH: Katrina D. Jones, Chief Operating Officer KATRINA JONES

Digitally signed by KATRINA JONES
Date: 2023.06.07 15:20:46 -04'00'

FROM: Jason Donaldson, Associate Director for Agency Operations JASON DONALDSON

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Date: 2023.06.07 16:04:53 -04'00'

Monica M.P. Matthews, Chief People Officer MONICA MATTHEWS

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Date: 2023.06.08 13:36:51 -04'00'

SUBJECT: Draft Compliance Review: *FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program*

DATE: June 7, 2023

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft compliance review referenced above. The compliance review tested if the Office of Human Resources Management (OHRM) and the Office of Facilities and Operations Management (OFOM) complied with the Agency's transit benefit and parking procedures implemented following OIG's 2018 audit report. During the compliance review, OIG tested compliance for five controls (see below) from June 2019 to December 2022:

- Annual employee recertifications of their transit benefits
- Management spot checks of transit benefit procedures
- Monthly reconciliations of employee transit benefits
- Monthly parking reconciliations with employees receiving transit benefits
- Monthly parking permit inventory checks

The testing concluded that while FHFA had completed and maintained the annual employee recertifications for transit benefits in the Transit Benefits System (TBS), other issues continued to require attention. For example, FHFA reviewed the use of transit benefits during periods of mandatory telework but did not undertake spot checks as part of the review. In addition, monthly reconciliations of employee transit benefits were not completed in the timeframes called for by the OIG audit report, and reconciliation documentation was not consistently maintained. As a result, OIG reopened two recommendations from the 2018 audit report. FHFA's planned actions to address the findings from the 2023 compliance review are outlined below.

Recommendation 1: *Develop, document, and implement control activities to ensure that (a) only current FHFA employees are receiving transportation benefits, (b) no employee is improperly participating in both transportation benefit programs, (c) TBS has a*

record/certification for each employee who receives a transportation benefit, and (d) SmarTrip® cards are physically controlled. Such control activities include periodic reconciliation of approved transit subsidy recipients in TBS to FHFA transit subsidy recipients listed on WMATA Monthly Activity Reports, periodic reconciliation of approved transit subsidy recipients to active parking permit recipients, and periodic inventory counts of SmarTrip® cards registered to FHFA and undistributed parking permits.

Management Response: OHRM and OFOM will implement controls to improve and monitor compliance with the Agency's parking and transit benefits procedures. However, no additional actions are required for elements of the 2018 recommendations that are operating effectively (e.g., employee annual recertifications) or are no longer relevant (e.g., FHFA no longer maintains physical SmartTrip cards).

OHRM will revise its standard operating procedure (SOP) for the Transit Benefits program by June 30, 2023, to require completion of the monthly transit benefit reconciliations in the timeframes indicated by the Audit Report. The Transit Benefits SOP will include an updated monthly reconciliation process using FHFA's electronic review tool. The electronic review tool will track individual assignments and due dates, provide system notifications and reminders, record completion of the monthly reconciliations, and retain documentation. Including OHRM management in the monthly electronic review will eliminate the need for separate management spot checks. The new Transit Benefits SOP will also document the existing TBS automated controls that restrict employees from receiving transit benefits if they are a current parking program participant, and vice versa. OHRM will provide the new SOP and documentation of its process for monthly public transit benefits reconciliation by November 17, 2023.

OFOM will ensure completion of its monthly parking permit reconciliations and proper retention of its reconciliation documentation consistent with the Agency's Temporary and Annual Parking Procedures. OFOM will implement the following controls to monitor compliance with these procedures: (a) utilize FHFA's electronic review tool to facilitate review, and document completion and proper record retention; (b) provide management with visibility into progress completing the reconciliations through Microsoft Teams; and (c) perform quality assurance through supervisory approval of the monthly reconciliations. OFOM will provide documentation of its monthly parking permit and parking reconciliation by November 17, 2023, to demonstrate an ongoing process for completion of, and document retention for, its monthly reconciliations.

Recommendation 2: *Ensure that TBS has accurate and up-to-date records of, and current certifications for, each FHFA employee who receives a transportation benefit.*

Management Response:

The compliance review confirmed that the employee recertifications for public transportation benefits were maintained during the review period. The timely completion of the monthly transit benefit and parking reconciliations discussed in response to Recommendation 1 will ensure that accurate and up-to-date records are maintained in the TBS.

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