

**ADVISORY MEMORANDUM REPORT ON
SBA'S USE OF GOVERNMENT CARS
AND HIRED CAR SERVICES**

ADVISORY REPORT NUMBER A1-05

SEPTEMBER 27, 2001

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Updated Information Pertaining to Report No. A1-05

Subsequent to the issuance of the final report, the limousine company provided additional information that resolved the recommendation to recover \$103.50 from the former Deputy Administrator involving a home to work trip questioned in the audit. The Assistant Administrator for Administration, the SBA action official, notified the OIG that SBA will not seek recovery of the questioned amount based on the detailed invoice showing that this trip included a stopover at an official business function prior to coming to the SBA.



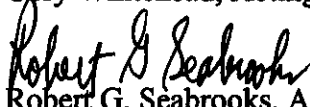
**U.S. Small Business Administration
Office of Inspector General
Washington, DC 20416**

Advisory Memorandum Report

Issue Date: September 27, 2001

Report Number: A1-05

TO: Cory Whitehead, Acting Assistant Administrator for Administration

FROM: 
Robert G. Seabrooks, Assistant Inspector General for Auditing

SUBJECT: SBA's Use of Government Cars and Hired Car Services

The Senate Small Business Committee requested the Office of Inspector General (OIG) to review the Small Business Administration's (SBA) use of hired car services and home-to-work/work-to-home transportation provided to senior SBA officials. We reviewed this activity from Fiscal Year (FY) 1998 through January 19, 2001, the timeframe in which the former Administrator and Deputy Administrator utilized the services. During the course of the review, we identified areas where SBA's Office of Administrative Services (OAS) could improve its management over hired car service(s) and government vehicles. OAS lacked adequate controls to ensure that SBA was paying the appropriate amount for hired car services and that government vehicles were used only for official government business. Also, OAS permitted non-government employees to operate government vehicles, which increased the liability to the Federal Government, and it did not enter into a contract for hired car services although the annual cost exceeded the amount whereby contracts are required.

Background

SBA had two drivers on its payroll on October 1, 1997, the beginning of the period we reviewed. These drivers worked in SBA's mailroom or print shop when they were not driving. One driver left SBA during FY 1999, and SBA did not replace him. As a result, the former Administrator started using a hired car service on a regular basis, and the former Deputy Administrator continued using the remaining SBA driver and used the hired car service on a much more limited basis. SBA's OAS maintained three leased vehicles, two of which were used primarily by the former Administrator and the former Deputy Administrator.

SBA started using one hired car service and later changed to another one. SBA did not have written contracts for the hired car services, but verbally agreed to pay either (1) \$30/hour plus a 15 percent gratuity, with a 3-hour minimum for each trip or (2) a flat rate charge when origination and destination were known and involved no wait time. According to the hired car service, they drove SBA's car about 90 percent of the time. SBA paid the same rate regardless of whose vehicle was used. When services were provided to the Agency, the hired car service charged the amount to a SBA credit card and faxed an invoice to SBA. The total amount that SBA paid for hired car services in FY 2000 was \$40,289 and in FY 1999 \$14,671.

Finding 1: Improved Controls Needed Over Payments to Hired Car Services

OAS lacked adequate controls to ensure that payments for hired car services were appropriate. OAS neither verified the accuracy nor the appropriateness of the hired car services' invoices prior to approving charges to a government credit card for these services. Review of invoices and verification that the service was performed is required by 5 CFR 1315.4. However, no one in OAS took the responsibility for verifying these items, nor did SBA have a reliable source document against which to perform this verification. The former Administrator and former Deputy Administrator did not sign the invoices to validate that the charges from the hired car services were correct and for government use. Although SBA maintained these officials' calendars, which noted various appointments during the day, SBA did not always update the calendars, and we were told that itineraries changed frequently. Had SBA maintained updated calendars, this could have been used to verify the hired car services' charges. In addition, many invoices from hired car services contained incomplete and inaccurate information to support the charges. As a result, SBA paid charges without knowing whether (1) the service was performed; (2) the number of hours billed was correct; and (3) the charges were for official government travel (non-political and non-personal). Additionally, SBA paid for services it had already paid for (double billing). Specifically:

- There were 12 days of potential home-to-work/work-to-home trips the former Administrator or former Deputy Administrator made with a hired driver. See Attachment 1 for summary. Agencies are generally prohibited from providing home-to-work transportation by 13 USC §1344. When the Office of General Counsel (OGC) questioned the former Administrator about some of these potential home-to-work/work-to-home trips, the former Administrator stated that she used a privately owned vehicle on 3 of the 12 occasions and that in those instances the invoices were incorrect. However, when we compared the Administrator's itineraries and the drivers' notes on the invoices to the hours billed, it appears that the hired driver was used in all of these instances. In the one instance where the former Deputy Administrator appeared to have made a home-to-work trip using the hired car service, the itinerary for the day in question is missing. As a result, the appearance of a home-to-work trip is based solely on general notations on the hired car services' billing to SBA, and as this was an isolated incident, we did not interview the former Deputy Administrator.
- In several instances, the hired car services appeared to have overcharged SBA for the number of hours driven. When we compared the former Administrator's and former Deputy

Administrator's itineraries with the invoices, the numbers of hours charged exceeded what the itinerary listed.

- The hired car services charged SBA for extended wait time at the airport, i.e., the time period from the time the Administrator's flight left Washington D.C. until her return flight landed. It would have been more cost effective if the hired car services made two separate trips to the airport instead of making one trip and including the wait time into the billing. In one case, the wait time exceeded ten hours.
- One trip was for political purposes rather than related to official government business. The former Administrator used the limousine service to go to the airport to travel for a political campaign debate. Since this was a political trip, SBA neither paid for her airline ticket nor per diem. However, SBA paid \$431 (12.5 hours at \$34.50 per hour, including gratuity) for the limousine transportation to and from the airport plus wait time at the airport. SBA used appropriated funds for this payment; by law these funds can only be used for the purposes for which they have been appropriated and not for the expenses related to a political trip.
- Although the hired car services informed us that there was an option between an hourly rate and a flat rate, SBA was generally charged the hourly rate with a three hour minimum even though the flat rate option could have been used and would have cost about half of the hourly rate, e.g., a trip from SBA to the Ronald Reagan National Airport cost \$103.50 using the hourly rate versus \$55 for flat rate.
- Some trips may have been for personal purposes rather than related to official government business. The itineraries showed the former Administrator going out to lunch on numerous occasions. Also, the former Administrator used the hired car service to attend dinner at the former Deputy Administrator's residence and other possible social events.
- In two instances, the hired car service invoiced SBA twice for the same day's service, and SBA paid both invoices. The total overpayment for these two days was \$207.

Our conclusions were based on the available evidence on hand, although there is a question about the reliability of the evidence. Specifically, SBA and hired car services did not maintain accurate and complete documents to support many of the charges. Also, we requested a meeting with the former Administrator to discuss home-to-work/work-to-home issues, but she stated that an interview with the OIG would not be productive, as she had already discussed these matters in detail with the Office of General Counsel last Fall. Also, given the additional passage of time and the absence of any personal records that could provide more detail, the former Administrator concluded that it would not be fruitful to discuss this matter further.

SBA's Standard Operating Procedures (SOP) on Credit Cards, SOP 00 12 1, Chapter 4.2.a.(2) and (3) states that card holders must review and verify all charges. Chapter 2.3.c. requires the credit card holder to resolve problems with the vendor, such as an incorrect amount charged for goods or services received. Further, Chapter 3.9.a.(2)(a) stipulates immediate disciplinary action for careless use of the card. The Administrative Services employee whose credit card was charged, however, was not in a position to know about the specific charges and,

therefore, it was impractical for this individual or assigned staff to review the hired car services' charges. Since personnel in the Administrator's and Deputy Administrator's offices are more aware of these officials' daily activities, it would have been more appropriate to charge these expenditures to a credit card assigned to the Administrator's and Deputy Administrator's offices.

Recommendations

We recommend that the Acting Assistant Administrator for Administration:

- 1A. Implement internal controls to verify the accuracy and appropriateness of future billings by the hired car service(s), including: (1) transferring the responsibility for verifying the charges from the OAS to the Administrator's and Deputy Administrator's offices, along with charging for the hired car services' charges on the respective offices' credit cards; (2) requiring the hired car services to obtain the passenger's signatures on the invoices prior to submitting the invoices for payment; and (3) ensuring that SBA officials reviewing the invoices are familiar with the charge options in the contract, such as availability of the flat rate charge option.
- 1B. Seek reimbursement from the former Administrator and former Deputy Administrator for any funds that were inappropriately spent (\$1,690.50 for potential home-to-work/work-to-home trips and \$431 for a political trip). See Attachment 1 for summary of home-to-work/work-to-home trips.
- 1C. Seek reimbursement from the hired car service for the double payments totaling \$207.

Management's Response:

The Acting Assistant Administrator for Administration generally agreed with the recommendations in the audit report and stated corrective measures will be taken. She did have some concerns, however, that she wanted noted. See Attachment 2 for the full text of her response. In response to Finding 1, the Office of Administration will ask the General Counsel to look into the possibility of having the former Administrator and former Deputy Administrator reimburse SBA for any funds that were inappropriately spent. In addition, the car service will be instructed to justify any double charges or refund the Government.

Finding 2: Use of Government Vehicles by Hired Car Services

SBA permitted hired car services' drivers to operate SBA vehicles, which increased the liability to the Federal Government and added extra fuel cost to SBA. According to the hired car service, they used SBA vehicles about 90 percent of the time and their own vehicles the remaining 10 percent. The hired car services charged SBA the same rate regardless of whether they used the government vehicle or their own vehicle. The Director of OAS stated that SBA permitted hired services' drivers to operate SBA vehicles since it was easier to gain access to

certain secure sites with the government vehicles, such as the White House. Since hired car services have many vehicles, SBA officials could not tell which vehicles the hired services were going to provide, therefore, SBA could not inform the Secret Service of the license plate number of the vehicle in advance to obtain clearance to the White House grounds. In addition to permitting the use of the government cars to access secured sites, SBA also permitted hired car services' drivers to use government cars for trips to other than secure sites on numerous occasions.

Whenever SBA permits the hired car service drivers to operate the government vehicles, as opposed to using their own vehicles, SBA increases the liability to the Federal Government in case of personal injury or property damages, and the Government can be named in a lawsuit in case of an accident. Also, SBA incurred unnecessary expense for fuel since fuel was covered by the hired services when their vehicles were used. Lastly, SBA did not exercise proper safeguards for detecting possible misuse of government vehicles by the hired car service drivers because SBA did not require the hired service drivers to complete the government vehicle logs (SBA Form 1692). Without a complete record of the vehicles' usage, SBA cannot determine whether the cars were used only for official government business purposes. For example, when the hired car service uses the government vehicle to drive a SBA official to the airport or to meetings, the driver could charge SBA for wait time and at the same time use the government car to pick up other passengers for his/her own business. SBA would have no way of knowing about this unofficial use. The Director of OAS informed us that miscommunications caused this lapse of control.

Recommendations

We recommend that the Acting Assistant Administrator for Administration:

- 2A. Require hired car service drivers to drive their own vehicles rather than government vehicles when driving to non-secure sites.
- 2B. Require all vehicle drivers to complete SBA Form 1692, government vehicle logs, whenever the SBA vehicles are used.

Management's Response:

In addition to agreeing with the recommendations, the Acting Assistant Administrator for Administration stated that the car service company was instructed to complete a SBA government vehicle log for every trip. She further stated that the car service company mistakenly assumed their internal car log would meet that requirement. The Acting Assistant Administrator also indicated measures would be implemented to ensure that SBA government vehicle logs are properly completed for all future vehicle usage.

Finding 3: OAS did not Solicit Contracts for Hired Car Services

Although the amount paid to the hired car services exceeded \$10,000 in FY 1999 and \$25,000 in FY 2000, OAS did not advertise for hired car services in FY 2000 or solicit contracts in FY 2001. Federal Acquisition Regulation (FAR) Chapter 5.101 requires contracting officers to disseminate information on proposed contract actions as follows:

- For proposed contract actions expected to exceed \$25,000, by synopsisizing in the Government Point of Entry (GPE).
- For proposed contract actions expected to exceed \$10,000, but not expected to exceed \$25,000, by displaying in a public place, or by any appropriate electronic means, an unclassified notice of the solicitation or a copy of the solicitation.

Since the quantity of service to be ordered was uncertain, FAR 16.504, Indefinite-quantity contracts, requires realistic determination of the maximum quantity from records of previous years or other available information. Instead, SBA entered into a verbal agreement to pay \$30/hour and a 15 percent gratuity with a 3-hour minimum for each trip. In comparison, SBA's drivers made about \$19/hour, including compensation and benefits. An OAS official stated that he expected to fill the in-house driver position, therefore OAS did not pursue a contract. Although OAS advertised for the in-house driver position, it was unable to fill the position since prospective candidates were unwilling to be on call twenty-four hours a day/seven days a week, which was a requirement for this position.

Recommendations

We recommend that the Acting Assistant Administrator for Administration:

- 3A. Ensure that SBA abide by FAR 5.101 when obtaining hired car services and display an unclassified notice of the solicitation or a copy of the solicitation for proposed contract actions expected to exceed \$10,000 and synopsisize in the GPE contract actions expected to exceed \$25,000.
- 3B. Research the feasibility of hiring an in-house driver during normal business hours and contracting out for hired car service during after hours.

Management's Response:

The Acting Assistant Administrator for Administration agreed with the recommendations and stated corrective measures would be taken.

Other Matters

OAS Leased Vehicles without Required Written Certifications

SBA did not follow the Federal Acquisition Regulations (FAR) presolicitation requirements for leasing of motor vehicles. FAR 8.1102 requires written certification that (1) the vehicles requested are of maximum fuel efficiency and minimum body size, engine size, and equipment necessary to fulfill operation needs, and meet prescribed fuel economy standards; (2) the head of the Agency, or a designee, has certified that the requested passenger automobiles larger than Type III are essential to the agency's mission; (3) internal approvals have been received; and (4) the General Services Administration has advised that it cannot furnish the vehicles. SBA did not have the required written certifications.

Official Records were Missing and not Updated

SBA did not have some of the former Deputy Administrator's itineraries and calendars. Although these records are official Agency records, the former Deputy Administrator and his subordinates either discarded or removed the records from SBA during the last days in the office. The General Records Schedule 23 issued by the National Archives and Records Administration requires agencies to retain these documents. Also, SBA did not maintain the most up to date copies of itineraries and calendars. When we reviewed the former Administrator's itineraries that were provided to us, many pages were marked draft and other pages contained outdated schedules. Without these records, we could not verify what events transpired and therefore, could not confirm whether the charges by the hired car services were correct.

Government Vehicles were not Marked

The three SBA vehicles at Headquarters did not have decals on the windows to remind drivers and passengers that the vehicles are to be used for official purposes only. 41 CFR 102-34.110 requires the following markings:

- "For Official Use Only," in letters 1/2 to 3/4 inch high;
- "U.S. Government" in letters 3/4 to 1 inch high; and
- the name of the agency.

Recommendations

We recommend that the Acting Assistant Administrator for Administration:

- 4A. Ensure that written certifications are obtained prior to leasing vehicles in compliance with FAR 8.1102.
- 4B. Implement controls to ensure that official records are properly maintained by the Agency.

- 4C. Contact the former Deputy Administrator to recover any official records still in his possession.
- 4D. Ensure that government vehicles are properly marked with all required markings.

Management's Response:

In addition to agreeing with the recommendations, the Acting Assistant Administrator for Administration stated that the former Administrator and her senior staff were briefed on records management controls when they came on board and prior to their departure. She also stated that the Office of Administrative Services will continue to provide records related briefings to the Administrator's staff, and the General Counsel will be asked to facilitate the recovery of any official records that the former Deputy Administrator might have.

* * * * *

The findings included in this report are the conclusions of the Office of Inspector General's Auditing Division. The findings and recommendations are subject to review, management decision, and corrective action by your office in accordance with existing Agency procedures for audit follow-up and resolution.

Please provide us your management decision for each recommendation within 30 days. Your management decisions should be recorded on the attached SBA Forms 1824, "Recommendation Action Sheet," and show either your proposed corrective action and target date for completion, or explanation of your disagreement with our recommendations.

This report may contain proprietary information subject to the provisions of 18 USC 1905. Do not release to the public or another agency without permission of the Office of Inspector General.

Should you or your staff have any questions, please contact Robert G. Hultberg, Director, Business Development Programs Group at (202) 205-7577.

Attachments

Summary of Potential Home-to-Work/Work-to-Home Trips

No.	Date of Trip	Cost Associated with Home-to-work trip	Employee Involved
1	8/17/99	\$241.50	Administrator
2	9/14/99	\$34.50	Administrator
3	1/19/00	\$276.00	Administrator
4	1/27/00	Unknown ¹	Administrator
5	2/8/00	\$138.00	Administrator
6	2/24/00	\$34.50	Administrator
7	2/25/00	\$207.00 ²	Administrator
8	3/1/00	\$241.50 ²	Administrator
9	3/14/00	\$172.50 ²	Administrator
10	5/18/00	\$69.00 ²	Administrator
11	6/26/00	\$172.50	Administrator
12	5/5/00	\$103.50	Dep. Administrator
Total		\$1,690.50	

- 1 - SBA records showed no home-to-work/work-to-home transportation provided to the former Administrator. However, OGC obtained a statement from the former Administrator stating that she took the limousine home in the evening.
- 2 - There was a discrepancy in the documentation. As a result, we were conservative in calculating the work-to-home portion of the trip, including wait time.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE: September 27, 2001

TO: Robert G. Seabrooks
Assistant Inspector General for Auditing

FROM: *Cory Whitehead*
Cory Whitehead, Acting
Assistant Administrator for Administration

SUBJECT: Review of Use of Government Cars and Hired Car Service

This memo is in response to your September 7, 2001, memorandum requesting comments to the draft report on the use of government cars and hired car services. Generally, we agree with the recommendations in the audit report and will take corrective measures. However, we do have some concerns that should be noted.

Finding 1 - Comments

We will ask General Counsel to look into the possibility of having the former Administrator and former Deputy Administrator reimburse the Agency for any funds that were inappropriately spent. Also, the car service will be instructed to justify any double charges or refund the government.

Finding 2 - Comments

During the first meeting with the car service company, they were informed that a SBA government vehicle log had to be completed for every trip. The car company mistakenly assumed their internal car log would meet that requirement. Measures will be implemented to ensure that SBA government vehicle logs are properly completed for all future vehicle usage.

Finding 3 - No Comments

Other Matters - Comments

Records management controls are clearly stated in SOP 00 41. Also, when the former administrator and her senior staff came on board they were briefed on this issue. Prior to their departure, they were briefed again. OAS will continue to provide records related briefings to the Office of the Administrator's staff.

We will ask the General Counsel to facilitate the recovery of any official records that former Deputy Administrator might have.

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