



**U.S. Small Business Administration**  
**Washington, D.C. 20416**

**OFFICE OF**  
**INSPECTOR GENERAL**

June 21, 2001

Honorable Christopher Bond  
Committee on Small Business  
United States Senate  
Washington, DC 20510-6350

Dear Senator Bond:

This is in response to your February 14, 2001, letter requesting that the Office of Inspector General (OIG) conduct a complete accounting of all activity between the Small Business Administration (SBA) and any hired car service utilized by SBA from October 1, 1997 to January 20, 2001. In addition to determining SBA's expenses for hired car services for this period of time, we also determined the number of potential instances where a hired driver provided home-to-work/work-to-home transportation to SBA's former Administrator or former Deputy Administrator, and we estimated the cost of using in-house drivers rather than hired car services. We compared the results of our analysis to SBA's December 12, 2000, response to your November 14, 2000, request for similar information.

**SUMMARY**

From October 1, 1997, to January 20, 2001, SBA expenses for hired car services totaled \$69,526. The costs SBA reported to you for the period October 1, 1998, to November 1, 2000, understated hired car service expenses by approximately nine percent, or \$4,865. For the period October 1, 1997, to January 20, 2001, we also identified 12 days where the former Administrator or former Deputy Administrator made potential home-to-work/work-to-home trips with a hired driver and 4 additional days where the former Administrator made potential home-to-work/work-to-home trips on days she either departed for or returned from an official trip requiring overnight lodging. SBA reported to you that there were five days where there were home-to-work/work-to-home trips. Our analysis, based on Fiscal Year 1999 cost data, shows that it would have cost SBA approximately \$22,000 and \$8,000 in Fiscal Years 2000 and 1999 respectively to use in-house drivers rather than the approximately \$40,000 and \$15,000 SBA paid the hired car services. This contrasts with SBA's estimate of over \$64,000 per year to hire two drivers to

replace hired car services. We did not find any evidence to suggest that SBA intentionally withheld information from Congress in its December 12, 2000, response.

## **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 has been unable to 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 Office of Administration 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, but later changed to another hired car service. SBA did not have official contracts for the hired car services, but verbally agreed to pay \$30/hour plus a 15 percent gratuity, with a 3-hour minimum for each trip. An estimated 90 percent of the time, the hired car service drivers drove one of the cars leased by SBA instead of using one of the hired car service's own vehicles. SBA paid \$30/hour plus a 15 percent gratuity whether the driver used a hired car service vehicle or a vehicle leased by SBA. When services were provided to the Agency, the hired car service faxed an invoice to SBA and charged the costs to a government credit card.

We examined:

- the former Administrator's and former Deputy Administrator's itineraries and calendars from October 1, 1997, through January 20, 2001,
- requisition documents for the hired car service (SBA Form 2),
- hired car services' company logs,
- invoices from the hired car services,
- government vehicle logs,
- government credit card statements,
- National Finance Center payroll records, and
- documents used by SBA's Office of General Counsel to respond to your November 14, 2000, letter to the former Administrator.

To evaluate the use of the hired car services, we reviewed the appropriate SBA Standard Operating Procedure, the GSA Travel Regulations, and other available guidelines. We also interviewed hired car service employees, SBA drivers, other SBA employees and GSA officials.

## **COST OF HIRED CAR SERVICES**

From October 1, 1997, to January 20, 2001, SBA's expenses for hired car services were \$69,526. SBA's response to you concerning the amount expended on hired car services for the

period October 1, 1998, to November 1, 2000 differed from the amount we determined for that same time period by \$4,865. When we requested the details on the reported costs, SBA re-developed the costs, and the new figure was \$4,588 more than the amount provided in the December 12, 2000, letter to you. SBA's re-calculation differed from the amount we determined by \$277. We do not believe that the unreconciled difference of \$277 is material.

#### **HIRED CAR SERVICE COSTS**

<b>TIMEFRAME</b>	<b>ACTUAL COST PER OIG</b>	<b>SBA RESPONSE</b>	<b>DIFFERENCE FROM COST PER OIG</b>	<b>SBA UPDATE</b>	<b>DIFFERENCE FROM COST PER OIG</b>
FY 1998	\$5,918	None	Not applicable	Not applicable	Not applicable
FY 1999	\$14,671	\$11,048	\$3,623	\$14,636	\$35
FY 2000	\$40,289	\$39,047	\$1,242	\$40,047	\$242
10/1/00 – 11/1/00	\$3,197	\$3,197	\$0	\$3,197	\$0
11/2/00 – 1/20/01	\$5,451	None	Not applicable	Not applicable	Not applicable
<b>Total</b>	<b>\$69,526</b>	<b>\$53,292</b>	<b>\$4,865</b>	<b>\$57,880</b>	<b>\$277</b>

#### **HOME-TO-WORK/WORK-TO-HOME WITH HIRED CAR SERVICES**

For the period October 1, 1997, through January 20, 2001, we identified 12 days where there were potential home-to-work/work-to-home trips the former Administrator or former Deputy Administrator made with a hired car service. Three of these days had been reported to the Committee in SBA's letter,<sup>1</sup> dated December 12, 2000. Therefore, we identified nine additional days with potential trips that had not been reported by SBA. The 12 potential instances we identified were within the period reported by SBA, i.e., January 1, 1998, to November 1, 2000, and involved costs of \$1,725. Of the nine days we identified that SBA did not report to you:

- In three instances, SBA identified these as potential home-to-work/work-to-home and questioned the former Administrator. The former Administrator informed the Office of General Counsel (OGC) that she drove her own vehicle. In comparing the SBA itineraries/drivers' notes on the bill to the hours billed, it appears that the hired driver was used in these instances.
- In five instances, SBA did not identify these as home-to-work/work-to-home and therefore did not question the former Administrator. The former Administrator declined to be interviewed by the OIG.

<sup>1</sup> SBA's letter reported five days, however, SBA's records reflected direct home-to-work/work-to-home trips for only three of these five days.

- In one instance, SBA did not identify this as home-to-work/work-to-home and therefore did not question the former Deputy Administrator. Since the itinerary for the day in question is missing, the appearance of home to work 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.

We identified four additional potential home-to-work/work-to-home trips the former Administrator made with a hired driver that involved costs of almost \$450. These instances occurred on days the former Administrator either departed for or returned from an official trip requiring overnight lodging. Pursuant to 41 CFR § 301-10.420, an agency may authorize/approve reimbursement for home to work or work to home on these days. In accordance with this regulation, SBA determined that, as a general rule, SBA employees would not be reimbursed for home to work transportation on a day travel is performed, except under certain conditions set forth in SOP 20 11 4, "Travel," that justify the use of a taxi when there is an overall advantage to the Government. SBA records do not contain sufficient information to determine whether the four trips in question fall under any of the enumerated conditions.

Due to the following limitations in the documentation, we must qualify our results concerning home-to-work/work-to-home transportation. Our conclusions are based on SBA daily itineraries and the information included in car service billings. First, the itineraries reviewed may not accurately reflect the events that actually transpired. Various SBA officials informed us that these itineraries constantly changed, but SBA employees did not always update the final itinerary. Second, some of the itineraries could not be located, in particular, many of the former Deputy Administrator's. Third, invoices from the hired car services did not detail all the stops for each trip, and the hired car services did not update changes to the SBA-provided itinerary. Lastly, since the hired car services did not retain driver logs, there was no way to independently verify the former Administrator's and former Deputy Administrator's itineraries through these hired car services. We requested a meeting with the former Administrator to discuss home-to-work/work-to-home issues, but she informed us 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. She also reiterated her view that the hired car services were used appropriately and for official business, and that SBA records documenting such use were not necessarily complete or accurate. We did not attempt to interview the former Deputy Administrator.

## **COST OF USING IN-HOUSE DRIVERS VERSUS HIRED CAR SERVICES**

While our analysis shows that it should have cost almost \$25,000 less to have an in-house driver rather than the hired car services for the former Administrator and former Deputy Administrator during Fiscal Years 1999 and 2000, this is based on assumptions that may not be fully realizable. If SBA had used in-house drivers rather than the hired car services, it would have spent approximately \$22,000 and \$8,000 for driver salaries and fringe benefits for the time

spent driving government officials in Fiscal Years 2000 and 1999 respectively, rather than the approximately \$40,000 and \$15,000 SBA paid the hired car services those two years. The \$22,000 and \$8,000 were determined using the average hourly wages for the two SBA drivers for Fiscal Year 1999, including their actual overtime and fringe benefits, times the number of hours billed by the hired car services for those two years. In determining these costs, we made the following assumptions:

- the employee would spend all time not needed for driving gainfully employed in SBA's mailroom or print shop, so that portion of his (her) salary and fringe benefits would not be included under driver expenses,
- the number of hours charged by the hired car services would be the same number needed by an in-house driver, and
- the amount of overtime the SBA drivers would need would remain the same if the hired car service was not used.

We did not factor in the cost of gas for the leased vehicles since the hired drivers used these vehicles 90 percent of the time, and we considered the difference to be de minimus.

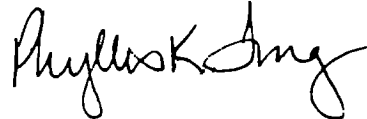
Our analysis contrasts with SBA's estimate of \$64,180 to employ two drivers per year. SBA's analysis was based on the premise that 80 percent of two drivers' time was needed to replace the hired car services. This appears to be overstating the amount of time needed for these positions. The hired car services billed SBA for approximately 1,168 hours in FY 2000, the year SBA hired the car services for the entire year, or 56 percent of one employee's time, rather than 80 percent of two employees' time.

There are other issues that need to be considered before conclusions are reached concerning future actions. While we made the assumption that a driver could be gainfully employed in SBA's mailroom or print shop when not needed to drive the car, there may not be specific work at those specific times that an employee can work on and leave as necessary. Further, SBA may not be able to hire a qualified employee for this position. We were told that a reason that a driver position was not filled was because no one to whom the position was offered accepted it after learning that he/she would be on call 24 hours a day/seven days a week. Conversely, while we used the number of hours billed by the hired car services, the actual number of hours needed may actually be less. For example, the car service charged a 3-hour minimum for trips from SBA Headquarters to Ronald Reagan Washington National Airport. Roundtrip, the distance is 10.2 miles, and can be completed in less than 30 minutes during non-rush hour traffic.

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We are continuing our internal review in this area. We plan to make recommendations to SBA to ensure that internal controls over the use of hired car services and leased vehicles are adequate to improve accountability, and that SBA recover any funds that were inappropriately spent. Should you or your staff have any questions or need additional information, please contact me at 205-6586 or Robert G. Seabrooks, Assistant Inspector General for Auditing at 205-7203.

Sincerely,

A handwritten signature in black ink, appearing to read "Phyllis K. Fong". The signature is fluid and cursive, with the first name being the most prominent.

Phyllis K. Fong  
Inspector General

cc: Honorable John F. Kerry