

EVALUATION REPORT

REVIEW OF SBA'S EXECUTIVE TRANSPORTATION SERVICE CONTRACT EXPENDITURES





EXECUTIVE SUMMARY

REVIEW OF SBA'S EXECUTIVE TRANSPORTATION SERVICE CONTRACT EXPENDITURES

Evaluation
Report
No. 17-01

October 5,
2016

What OIG Reviewed

During a previous review for executive and political appointee travel (OIG Report No. 16-14), OIG identified an existing contract for transportation services for the Administrator and Deputy Administrator, effective June 2014 to June 2015. Consequently, OIG reviewed this contract and its associated expenditures to determine whether they were effectively monitored. During this time, SBA also had at least one full-time driver and maintained an executive fleet, which consisted of two Government-leased vehicles assigned to the Administrator and Deputy Administrator. Because the transportation service was used to supplement SBA's executive fleet, we reviewed both the contract expenditures and the use of the Government-leased vehicles—a 2012 Chevy Suburban and a 2012 Chevy Equinox.

What OIG Found

We identified weaknesses in SBA's controls over executive car travel that ultimately resulted in unsupported and duplicate payments. Our review found that the Agency did not demonstrate that it appropriately considered the most advantageous method of transportation when deciding to use the contracted car service. Additionally, 16 of the 18 trips that the Administrator took to or from the airport using the car service were charged at a rate that was prohibited by the contract, resulting in higher costs than necessary. These issues may have been identified had the appropriate officials reviewed and approved ground travel transportation expenses in connection with the Administrator's official travel.

We also found that SBA has not sufficiently justified the size and need for its two executive fleet vehicles, which do not comply with Federal regulations.

OIG Recommendations

OIG made four recommendations to strengthen SBA's oversight of executive ground transportation and determine whether questioned costs identified in this report are recoverable, and improve the efficiency of the executive fleet.

Agency Response

SBA management agreed with the four OIG recommendations. In response to the recommendations, SBA issued an information notice on August 12, 2016, to all personnel reinforcing the requirements that all travel be authorized prior to travel and approved by appropriate SBA officials in accordance with the SBA Travel Program Standard Operating Procedure, including executives.

SBA also agreed that by October 14, 2016, it would complete a cost-benefit analysis to determine the appropriate size, type, and number of vehicles needed in the executive fleet and make adjustments as appropriate. Further, by November 30, 2016, SBA agreed to develop a transportation plan for current and future Administrators and Deputy Administrators to ensure that transportation is available as needed and cost beneficial and most advantageous to the Government.

Finally, of the \$6,034 in questioned costs we identified, SBA is seeking repayment from the transportation service company for \$1,105 in duplicate payments and \$4,249 for payments made outside the scope of the contract. The company has agreed to repay the duplicate payments, but has not yet agreed to repay the amount SBA paid outside the scope of the contract. SBA determined that the remaining \$680 is not recoverable.



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

Final Report Transmittal
Report Number: 17-01

DATE: October 5, 2016

TO: Maria Contreras-Sweet
Administrator

Matthew Varilek
Chief Operating Officer, Office of the Chief Operating Officer

Tami L. Perriello
Associate Administrator for Performance Management and Chief Financial Officer,
Office of the Chief Financial Officer

FROM: Troy M. Meyer /s/
Assistant Inspector General for Auditing

SUBJECT: *Review of SBA's Executive Transportation Service Contract Expenditures*

This report presents the results of our review of the SBA's executive transportation service contract expenditures. The objective of our review was to determine whether SBA effectively monitored the transportation service contract expenditures. We previously furnished copies of the draft report and requested written comments on the recommendations. SBA management comments are appended and were considered in finalizing the report. SBA agreed with all four recommendations. Please provide us within 90 days your progress in implementing the recommendations.

Please contact me if you would like to discuss this report or any related issues.

cc: Nicolas Maduros, Chief of Staff
Melvin F. Williams, Jr., General Counsel
Martin Conrey, Attorney Advisor, Legislation and Appropriations
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Introduction

During the Office of Inspector General's (OIG) review of the Small Business Administration's (SBA) executive and political appointee travel (OIG Report No. 16-14), we identified a transportation service contract to drive SBA's Administrator and Deputy Administrator in the Washington DC Metropolitan area.¹ Because the transportation service is used to supplement SBA's executive fleet, we reviewed both the contract expenditures and the use of the Government-leased vehicles assigned to the Administrator and Deputy Administrator: a 2012 Chevy Suburban and a 2012 Chevy Equinox.

Prior to June 2014, SBA had two drivers on staff who both reported to the Office of Administrative Services (OAS).² Their primary duty was to drive management board members, the Deputy Administrator, the Administrator and on rare occasions other employees were driven when needed. The drivers' secondary responsibility was administrative work within OAS. The drivers were required to be available between 8:30 a.m. and 5:00 p.m. and were periodically required to drive outside core hours, including holidays and weekends, for which they received overtime pay. In June 2014, the number of SBA drivers for SBA's executive staff was reduced to one.

The SBA Administrator may use a Government vehicle for transportation to meetings, hearings, and other business-related functions in the Washington, DC Metropolitan area as well as for official travel, including to the airport. According to SBA officials, when the Administrator began her tenure in April 2014, an SBA driver was not always available when needed. Therefore, on June 24, 2014, SBA entered into a contract with a transportation service company to supplement its driver and to solve the Administrator's unmet day-to-day transportation needs. Under the contract, the transportation service would drive SBA's Administrator or Deputy Administrator to locations in the Washington DC Metropolitan area, including to local area airports.³ According to SBA officials, once the Office of the Administrator requested transportation, SBA personnel in OAS would first determine whether the SBA driver was available and if not, would arrange for transportation using the service. SBA paid a total of \$19,526 to the contracted transportation service from July 1, 2014 to July 30, 2015.⁴

On March 22, 2015, SBA hired another driver who reports to the Office of the Administrator and drives the Suburban for the Administrator, the Deputy Administrator, and Chief of Staff, as requested. SBA's other driver serves as a backup driver for the Office of the Administrator. Although the backup driving duties have been reduced since March 2015, the driver provides services for other senior executive service employees in the Chevy Equinox, as needed.

Prior Work

Our April 2016 review of SBA executive and political appointee travel found that SBA did not always ensure local, domestic, and international travel authorizations and vouchers complied with Federal and SBA travel regulations. Specifically, we noted that (1) actual expenses, travel dates and locations, and annual leave were not pre-approved prior to traveling; (2) appropriate officials did not approve travel authorizations and vouchers; (3) claims for reimbursement did not include

¹ SBA OIG, Review of SBA Executive and Political Appointee Travel (Report 16-14, April 2016).

² Also referred to as "general equipment operators."

³ The Deputy Administrator position was vacant at the time SBA entered into the contract, but the contract could be used for transportation for both the Administrator and Deputy Administrator, once the position was filled.

⁴ SBA paid \$18,166 for services rendered during the contract period of performance (July 1, 2014 to June 30, 2015). After the contract expired, SBA incurred \$1,360 for an additional month of services (through July 30, 2015), which SBA paid.

complete supporting documentation as required by SBA and Federal travel guidance; and (4) local travel vouchers were not submitted in a timely manner. These deficiencies occurred because SBA officials did not always follow SBA's travel policies and procedures, and there may have been confusion regarding the roles and responsibilities amongst travelers, authorizing and approving officials, and the SBA staff responsible for overseeing SBA's travel program.

We also issued a report in September 2001 on SBA's use of Government cars and hired car services.⁵ This report noted that 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. Specifically, 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. Additionally, SBA paid for duplicate services.

Objective

We performed this review to determine whether SBA effectively monitored the transportation service contract expenditures.⁶

⁵ SBA OIG, SBA's Use of Government Cars and Hired Car Service (Report A1-05, September 2001).

⁶ See Appendix I for information on our scope and methodology.

Finding 1: SBA Executive-Level Ground Transportation Costs Not Always Supported

We identified weaknesses in SBA's controls over executive car travel that ultimately resulted in unsupported and duplicate payments. First, we found that the contracted car service rates exceeded the cost of other methods of transportation deemed "advantageous to the Government" for official travel.⁷ Additionally, 16 of the 18 trips that the Administrator took to or from the airport using the car service were charged at a rate that was prohibited by the contract, resulting in higher costs than necessary. Second, these issues might have been identified had the appropriate officials, the Chief of Staff and Chief Financial Officer, reviewed and approved ground travel transportation expenses in connection with the Administrator's official travel.

When conducting official travel, Federal agencies must select the method of transportation "most advantageous to the Government" while still being practical and meeting the purpose of the employee's duties.⁸ When SBA entered into the contract with the transportation service in June 2014, Federal Travel Regulation ranked the most advantageous methods of transportation in order as public transportation then Government vehicle. In 2015, the regulation was amended adding rental car and privately-owned vehicle as two additional methods of transportation that are presumed to be most advantageous to the Government. Agencies may also authorize taxis, commercial rental cars, or other special conveyances when determined to be advantageous to the Government. Additionally, according to SBA guidance, reimbursement for travel to and from the airport is limited to either the actual cost or the cost of a taxi fare plus tip (maximum 15 percent of fare), whichever is less.⁹

Because the transportation service was used, the Agency did not demonstrate that it appropriately considered the most advantageous method of transportation costs. Invoices from the contracted transportation service show that between July 2014 and July 2015, the transportation service drove the Administrator to local area airports 18 times for official travel and charged a minimum of 3-hours, or \$255 for each trip, regardless of distance travelled. By comparison, taxi fare—the limit of what the Agency would typically reimburse—for each of the 14 trips to one local area airport would have been approximately \$20, including tip.

Additionally, for 16 of the 18 airport trips, using a 3-hour minimum time charge was prohibited by the contract statement of work. By the time the Administrator took the remaining two airport trips,

⁷ According to the Federal Travel Regulation, "official travel" is travel under a travel authorization from an employee's official station or other authorized point-of-departure to a place away from an employee's official station, also called a temporary duty location. (FTR, Section, 300-3.1).

⁸ According to the Federal Travel Regulation, "most advantageous to the Government" considers the costs of per diem, overtime, lost work time, actual transportation costs, total distance traveled, number of points visited, and number of travelers.

⁹ SOP 20 11 6, Travel.

SBA had modified the contract to allow the 3-hour minimum charges.¹⁰ We also note that SBA paid for four trips twice, resulting in duplicate payments totaling \$1,105.¹¹

We also found that controls were inadvertently bypassed which may have identified this issue. As a general rule, Federal employees must receive written or electronic authorization for travel before incurring official travel expenses. Prior authorization of planned travel expenses ensures that the amounts are obligated in the Agency's accounting system and the appropriate officials review the planned expenses.

While airfare and hotel for these trips were appropriately authorized and approved using the electronic travel system, the ground transportation to the airport was not. When we spoke to the Chief of Staff, he explained that the omission may have been inadvertent, further stating that the Administrator's staff were uncertain what travel expenses should have been included in the authorizations. Because administrative staff arranged for transportation with the contracted service in lieu of a Government vehicle—which does not need to be included on the travel authorization—the transportation service expenses were not included on the Administrator's travel authorizations. Therefore, the Chief of Staff and Chief Financial Officer, who would normally review all of the Administrator's travel expenses, did not have the opportunity to review the ground transportation charges.

We recognize that factors such as time and efficiency need to be considered for all Federal employee travel, especially executives. However, the Agency must still consider cost when deciding mode of transportation, especially when there are convenient, immediately available methods that are more economical and equally efficient.

Recommendations

We recommend that the Chief Operating Officer:

- 1) Develop a transportation plan for current and future SBA Administrators and Deputy Administrators to ensure that transportation is: a) available as needed; and b) cost beneficial and most advantageous to the Government.

We recommend that the Chief Financial Officer:

- 2) Reinforce the requirements that all travel be authorized prior to travel and approved by appropriate SBA officials in accordance with the SBA Travel Program Standard Operating Procedure 20 11 6, including executives.
- 3) Determine whether the questioned costs identified in Appendix II are recoverable.

¹⁰ In November 2014, the Office of General Counsel (OGC) contacted the contracting officer and inquired whether SBA was being charged minimum rates. The newly assigned contracting officer contacted the contracting officer representative, who confirmed that charges for transportation to local area airports were minimum rates. OGC then recommended not making another payment unless the contract was revised allowing such minimum payments if it was determined to be reasonable and acceptable. In December 2014, the contract was modified to allow for minimum charges at a rate of 3 hours for transportation to and from local area airports, or \$255.00 per trip. After the contract was modified, two trips to the airport were made under this contract.

¹¹ See Appendix II for an itemized list of our dollar-related findings. Of the \$1,105 in duplicate payments, \$765 was associated with trips to the airport.

Finding 2: SBA Has Not Adequately Justified Size, Type, and Need for Executive Fleet Vehicles

We found that SBA has not sufficiently justified the size and need for its two executive fleet vehicles. Federal law states that with the exception of motor vehicles used by the President and Vice President and motor vehicles for security and highly essential needs, the Government must obtain fuel-efficient, midsize, or smaller sedans. The statute further provides that agencies may only obtain large sedans when such motor vehicles are essential to the agency's mission.¹² We note that both of the vehicles in the SBA executive fleet, a Chevy Suburban and a Chevy Equinox, which were acquired under a former SBA Administrator, are larger than mid-size and are not sedans. However, SBA has continued to justify the size of the Chevy Suburban in its current (2015) fleet management plan, stating that it "was ordered based off the needs and request for the Administrator's office." The plan does not include a justification for the Chevy Equinox.

Additionally, in order to justify a full-time vehicle assignment, Government vehicles should be used a minimum of 3,000 miles per quarter or 12,000 miles per year.¹³ If these guidelines are not met, the agency can still justify a full-time vehicle based on other utilization factors, such as days used, agency mission, and the relative costs of alternatives to a full-time vehicle assignment. Based on mileage alone, the Chevy Suburban and Chevy Equinox appear to be underutilized, having reached substantially fewer than 12,000 miles per year or 3,000 per quarter for the period 2012 to 2015.¹⁴ During our review, we considered other factors such as frequency of use, mileage and vacancy of Administrator and Deputy Administrator positions during 2014 and 2015. Since January 2014, vehicle logs for the Chevy Suburban show that while mileage may be low, vehicle use has increased. Vehicle logs for the Chevy Equinox, on the other hand, show a decline in mileage and frequency of use, both when the Deputy Administrator position was vacant and since the position was filled in June 2015. On at least two of the occasions when the Deputy Administrator did use the Chevy Equinox, the Chevy Suburban was not being used.

Recommendation

We recommend that the Chief Operating Officer:

- 4) Conduct a cost-benefit analysis to determine the appropriate size, type, and number of vehicles needed in the executive fleet and make adjustments as appropriate. Upon a determination that a vehicle larger than a mid-size sedan is essential to the agency mission, provide such written justification to the OIG.

¹² Federal Management Regulation requires that executive fleets achieve maximum fuel efficiency; be limited in motor vehicle body size, engine size, and optional equipment to what is essential to meet agency mission; and be midsize or smaller sedans, except where larger sedans are essential to the agency mission. (41 CFR 102-34.50)

¹³ 41 CFR, section 101-39.301(a), Use and Care of GSA Interagency Fleet Management System Vehicles.

¹⁴ According to OIG's observation in November 2015, for the period January 2012 to November 6, 2015, executive fleet odometers showed a total of 17,640 on the Chevy Suburban and 8,046 miles on the Chevy Equinox.

Analysis of Agency Response

SBA management provided formal comments, and agreed with all four of our recommendations. SBA's comments are included in their entirety in Appendix III.

Summary of Actions Necessary to Close the Recommendations

The following provides the status of each recommendation and necessary actions to close the recommendations.

1. **Resolved.** By November 30, 2016, the Agency plans to complete the development of a transportation plan for current and future SBA Administrators and Deputy Administrators to ensure that transportation is available as needed and cost beneficial and most advantageous to the Government. This recommendation can be closed when SBA provides a documented transportation plan for current and future SBA Administrators and Deputy Administrators ensuring transportation is available as needed, cost beneficial, and most advantageous to the Government.
2. **Closed.** On August 12, 2016, SBA issued information notice 2000-2021 to all SBA employees reiterating the requirements that all travel be authorized prior to travel and approved by appropriate SBA officials in accordance with the SBA Standard Operating Procedure 20 11 6, Travel. Therefore, no further action is required on this recommendation.
3. **Resolved.** Of the \$6,034 in questioned costs that we identified, SBA agreed that \$5,354 is recoverable and has requested repayment from the transportation service company for that amount. SBA sent two demand letters: the first dated August 12, 2016, wherein SBA requested the repayment of \$1,105 for duplicate payments paid by SBA; the second dated September 22, 2016, wherein SBA requested the repayment of \$4,249 that we identified as payment for services outside the scope of the contract. According to an official in the OCFO, the company has agreed to repay the total amount it received in duplicate payments from SBA; however, no date of repayment has yet been provided. The company has not yet agreed to repay the amount SBA paid for transportation to local area airports charged at a minimum rate that was prohibited by the contract. SBA determined that \$680 in questioned costs was not recoverable. This recommendation can be closed when SBA provides documentation supporting the recovery of the questioned costs or an explanation explaining why the questioned costs could not be recovered.
4. **Resolved.** The Agency agreed to conduct a cost-benefit analysis to determine the appropriate size, type, and number of vehicles needed in the executive fleet, and make adjustments as appropriate. The agency reported this would be completed by October 14, 2016. This recommendation can be closed when SBA provides the cost-benefit analysis and documentation supporting SBA's actions that align with the results of the analysis. Should SBA determine that a larger than mid-size vehicle is needed in the SBA executive fleet, OIG expects to receive written justification for such a vehicle.

Appendix I: Scope and Methodology

We performed this review to determine whether SBA effectively monitored the transportation service contract expenditures. To conduct this evaluation, we reviewed relevant statutes, regulations, and Agency standard operating procedures for travel and property management. To gain an understanding of the contract requirements, as well as the purpose and use of the contracted transportation service, we reviewed the contract between SBA and the transportation service company, related modifications, and statement of work. All invoices were reviewed to determine whether charges were accurate and for official purposes. We also interviewed SBA employees in OAS and the Denver Finance Center responsible for managing the contract, scheduling services and verifying charges.

We determined the difference between what SBA paid for the contracted transportation service and SBA's limitation on reimbursement amounts for transportation to and from the airport (cost of a taxi plus 15 percent tip). Using a taxi as the proposed alternative method of transportation, OIG researched and arrived at two estimates for each trip as described in the invoices. The first estimate was based on Washington, DC and Virginia taxi commission fares. The second estimate was based on rates estimated by taxifarefinder.com for Washington, DC, including a 15 percent tip, and assuming high traffic volumes. Estimates from taxifarefinder.com were consistently higher than the Virginia and Washington, DC taxi fare commission rates. For reporting purposes, OIG relied on the higher of the two estimates to account for variances in traffic volume on any given day in the Washington Metropolitan area.

With respect to our analysis of the use of SBA's Government-leased executive fleet vehicles, we reviewed vehicle logs and interviewed SBA officials in OAS responsible for managing the Government vehicles and supervising SBA drivers. We also analyzed data from the two executive fleet vehicle odometers, vehicle logs, and registration documents to determine if they met Federal size, type, and utilization standards and guidelines.

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's quality standards for inspection and evaluation. Those standards require that we adequately plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

Use of Computer-Processed Data

We did not rely on computer-processed data for this review.

Appendix II: Schedule of Dollar-Related Findings

Dollar-Related Findings	Amount	Finding Number
Total charges paid for trips charged at 3-hour minimum prohibited by contract	\$4,249	1
Total amount paid for transportation to local area airports not most advantageous to the Government	\$680	1
Duplicate Payment - Invoice 94	\$255	1
Duplicate Payment - Invoice 108	\$255	1
Duplicate Payment - Invoice 108	\$255	1
Duplicate Payment - Invoice 121	\$340	1
Total Dollar-Related Findings	\$6,034	

SBA
OFFICE OF THE CHIEF OPERATING OFFICER AND
THE OFFICE OF THE CHIEF FINANCIAL OFFICER
RESPONSE TO EVALUATION REPORT



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

Date: September 12, 2016

To: Troy M. Meyer
Assistant Inspector General for Audit

From: Matthew Varilek
Chief Operating Officer

Tami Perriello
Associate Administrator for Performance and Chief Financial Officer

Subject: Review of SBA's Executive Transportation Service Contract Expenditures Draft
Evaluation Report, Project: 15009

We are in receipt of the evaluation report from your office regarding the findings and recommendations to improve SBA's practices for executive transportation expenditure. We thank you and welcome the opportunity to improve SBA's practices and procedures for executive transportation.

We are substantively in agreement with the findings and recommendations in the evaluation report and are taking corrective actions on all recommendations:

1. The Office of the Chief Operating Officer will develop an Executive Transportation Plan to guide use of transportation for the SBA Administrator and Deputy Administrator. The target date for completion of this action is November 30, 2016
2. The CFO issued an information notice 2000-2021 on August 12, 2016.
3. A demand letter was issued to Blue Ridge Transportation and they agreed to repay amounts on duplicate invoices. A demand notice for the overcharges for minimum hours is in review
4. The Office of the Chief Operating Officer will perform a cost-benefit analysis on the number and type of vehicles to be maintained for executive transportation in the SBA fleet. The target completion date for this action is October 14, 2016.

We appreciate the work of your staff in conducting this review and share your commitment to strengthen the Agency's internal controls regarding executive transportation expenditures.