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# United States Senate

COMMITTEE ON SMALL BUSINESS  
WASHINGTON, DC 20510-6350

EMILIA DISANTO, STAFF DIRECTOR  
PATRICIA R. FORBES, DEMOCRATIC STAFF DIRECTOR

August 10, 2000

BY FACSIMILE (202/205-6802)  
ORIGINAL BY U.S. MAIL

The Honorable Aida Alvarez  
Administrator  
Small Business Administration  
409 Third Street, SW  
Washington, DC 20416

Dear Ms. Alvarez:

During the July 20, 2000 hearing before the Committee on Small Business (Committee), I asked Chairman Bond to allow me to continue the work that the late-Senator Coverdell began concerning allegations by employees at the Small Business Administration (SBA/Agency) and other persons outside the Agency about questionable travel practices and the management of SBA travel funds. With the Chairman's consent, I have examined the materials you provided in response to Chairman Bond's information request of July 25, 1999, Senator Coverdell's letter of June 1, 2000, and the response to Senator Coverdell's letter from Joe Loddo, the SBA's Chief Financial Officer (CFO). After reviewing these documents, I have several questions about travel by SBA employees and the use of agency travel funding.

At the outset, I am disturbed that the response to Senator Coverdell's letter was from Mr. Loddo instead of coming directly from you. Since many of the concerns raised in that letter related to conduct under the control and/or oversight of the Office of the Chief Financial Officer, a response from the CFO is inadequate. Furthermore, it is not clear from the Mr. Loddo's response whether you had an opportunity to review his letter and whether you concur fully with its contents.

In addition, Mr. Loddo's response failed to address numerous concerns raised in Senator Coverdell's letter. One serious problem identified by Senator Coverdell involves the practice of SBA managers who self-approve and self-authorize their own travel. Mr. Loddo dismissed those concerns and concluded that self-approval and self-authorization of travel is a perfectly acceptable practice. The General Accounting Office (GAO), however, has reached the opposite conclusion. In two recently completed and published reports on audits of the Department of Veterans Affairs and the Department of the Interior (Department), the GAO concluded that the Departments must add specific oversight of individuals who self-approve their own travel or eliminate this practice in all but the rarest of occasions. I must assume that Mr. Loddo was

unaware of this GAO guidance, which provides that segregation of duties is a critical component of a successful internal-control process.

As the SBA's CFO, Mr. Loddo should be both sensitive and responsive to the need for maintaining and improving the SBA's systems of internal controls. I am concerned that self-authorizations and approvals may be a symptom of the larger problem plaguing the SBA — namely, weak internal controls and a lack of accountability safeguards.

Specifically, I am troubled by Mr. Loddo's assertion that audits by the SBA's Inspector General dispelled any question regarding the adequacy of the Agency's internal controls. Mr. Loddo's statement that "the Office of Inspector General and an independent private sector auditor have annually verified the soundness of SBA's internal controls," is inaccurate. The primary objective of the annual audit performed by the SBA's private-sector auditor is to conduct a financial — not a programmatic — audit. According to the SBA Office of Inspector General and the outside auditors, there is not a sufficient basis for the SBA to state that the review by the independent auditor of 15 travel vouchers constitutes a verification of the adequacy of the Agency's system of internal controls.

Mr. Loddo's failure to respond to Senator Coverdell's questions about the SBA's use of Agency personnel to "advance" the Administrator's travel is also troubling. Instead of addressing this issue, Mr. Loddo undertook a lengthy discussion about the need for "a communications expert" to accompany you during your extensive travel, despite the fact that each of the 70 SBA district offices has a "communications expert" who should have all the necessary knowledge and experience in dealing with the local media. Mr. Loddo's response clearly adds a new area of concern that deserves further examination and explanation.

Senator Coverdell's inquiry focused on the SBA staff who travel to the sites of events and meetings "in advance" of your arrival. As you know, advancing trips is a practice that is maintained by the President of the United States when he travels away from the White House primarily for security and logistical purposes. I do not understand why the SBA Administrator requires Agency staff to travel from Washington, D.C. one or more days prior to a trip to "advance" the Administrator's activities, and I would appreciate your explanation of this practice.

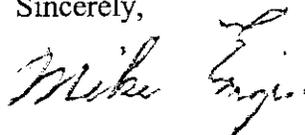
Finally, I am troubled by Mr. Loddo's characterization of Senator Coverdell's concerns as the "basis for broad and inaccurate conclusions." The concerns raised in Senator Coverdell's letter were based on reports from SBA employees and persons outside of the Agency, as well as documents you provided in response to the Chairman's request. In addition, instead of addressing those concerns directly, Mr. Loddo responded with overly broad, often misleading, and specious denials of any problem with the management of the SBA's travel resources.

In light of Mr. Loddo's oversight of a number of the issues that Senator Coverdell raised and the unanswered questions noted above, I would appreciate receiving a complete response

from you to the issues identified in Senator Coverdell June 1, 2000, letter, as well as, those in this letter. In addition, I have attached an information request concerning the Agency's travel activities. I would appreciate receiving your reply no later than 4:00 p.m. on September 1, 2000. If you have any questions regarding this letter, please do not hesitate to contact Randi Reid or Flip McConnaughey at (202) 224-3424.

Thank you in advance for your cooperation in this matter.

Sincerely,

A handwritten signature in black ink that reads "Mike Enzi". The signature is written in a cursive, slightly slanted style.

Mike Enzi  
United States Senator

Attachment

cc: The Honorable Christopher S. Bond  
Chairman, Senate Committee on Small Business

The Honorable Phyllis Fong  
Inspector General, Small Business Administration

## Information Request

### **Definitions and Instructions**

For purposes of this request the term “employee” means any individual working in a full-time or part-time capacity including consultants, whether paid or not paid, volunteers and detailees. Include former employees having anything to do with the given matter. Employees in the Offices of the Inspector General and Disaster Assistance, however, are excluded.

For the purpose of this request, the word “record” or “records” shall include but shall not be limited to any and all originals and identical copies of any item whether written, typed, handwritten, printed, recorded, transcribed, taped, film, graphically portrayed, video or audio taped, however produced or reproduced, and includes but is not limited to any writing, reproduction, transcription, photograph, or video or audio recording, produced or stored in any fashion, including any and all computer entries, memoranda, diaries, forms, telephone logs, tapes, notes, talking points, letters, journal entries, reports, studies, drawings, calendars, manuals, press releases, contracts, agreements, opinions, documents, analysis, messages, summaries, bulletins, e-mail, disks, briefing materials and notes, executive cover sheets or routing cover sheets or any other machine readable materials of any sort whether prepared by current or former employees in a full or part-time capacity, agents, consultants, or by any non-employee without limitation. “Record” shall also include redacted and unredacted versions of the same record.

For purposes of this request, the terms “refer” or “relate” and “pertaining” to any given subject means anything that constitutes, contains, embodies, identifies, deals with, or is in any manner whatsoever pertinent to that subject, including but not limited to records concerning the preparation of other records.

For the purposes of the foregoing request, a “conference” includes Quarterly Management Conferences, Field Management Conferences, training conferences, Women’s Business Council meetings, National Advisory Council meetings, or any other type of formal national, regional, state or local event hosted or cosponsored by the SBA in whole or in part.

A. Overseas Travel. Please provide the following information for Fiscal Year 1998 through July 31, 2000:

1. A detailed accounting and all records pertaining to and justifying each trip outside the United States by the Administrator;
2. A detailed list of all travel outside the United States funded in any part by the SBA, including the name of the individual, purpose of travel and total cost of trip; and

3. A detailed list of all air travel during which the class of service was not coach. Please provide all records stating the reason and authorization for such non-coach travel.

B. Political Travel. For Fiscal Year 1998 through July 31, 2000:

1. Please provide a detailed list of all political events attended by the Administrator outside of the Washington, D.C. metropolitan area. In addition, please outline any instances in which SBA staff, as part of their regular duties, attended or advanced the Administrator's attendance at any such event.
2. Please provide a list of any mixed official/political trip or any political events attended while on official travel by the Administrator, Deputy Administrator, non-career SES employees, Schedule C employees or Regional Advocates.

C. Advance Staff for the Administrator. Please provide a detailed list of SBA employees, contractors or other individuals who traveled to provide advance work for the Administrator or who accompanied the Administrator as she traveled in Fiscal Year 1998 through July 31, 2000. In addition, please include copies of all records pertaining to each of these trips.

For the purposes of this request, please provide the list in the following format in both printed and electronic form.

- Dates on travel
- Employee name
- Trip destination
- Cost of air travel
- Other costs claimed by employee
- Reason for traveling with or in support of the Administrator

D. Conferences. Please provide the following information for Fiscal Year 1998 through July 31, 2000:

1. A detailed accounting for each of the conferences hosted by the SBA, categorized by accommodations, meals, transportation, conference facilities, and any other expense to the government resulting from the conference in both printed and electronic form; and
2. A list of all the SBA employees who attended each conference at any cost to the SBA.

E. Travel since Chairman Bond's June 25, 1999 Request. Please provide copies of all travel vouchers (Standard Form 1012), authorizations (Standard Form 21) and receipts relating

to travel by the Administrator, Deputy Administrator, non-career SES employees and Schedule C employees, from June 25, 1999, through July 31, 2000.

F. Other.

1. Given the lack of information provided about the Administrator's Dinner in July 1998, please provide answers to the following questions:
  - a. At what location was this dinner held?
  - b. Who authorized this dinner?
  - c. Who attended this dinner?
  - d. How much did the dinner cost?
  - e. Were employees expected to pay some funds out of their own pocket?
  - f. How was the dinner paid for?
  - g. Did the dinner celebrate the Administrator's birthday in whole or in part?
  
2. As part of the response to Chairman Bond's request of June 25, 1999, the SBA provided a copy of Standard Form 1164 submitted by Thomas Bettridge for reimbursement of expenditures for a car service rental. That form indicated that the reimbursement was "for local travel during visit to NY for various SBA events by Administrator Alvarez and acting Assoc. Administrator Silimeo. GOV not available for purpose." Please provide copies of receipts and all records relating to this car service rental. In addition, please provide a voucher and authorization for the Administrator's participation in this trip, which was not provided pursuant to Chairman Bond's earlier request.
  
3. Please provide copies of all records authorizing any SBA employee to certify travel vouchers.