

April 1999

SMALL BUSINESS
ADMINISTRATION

Review of Selected
Personnel Practices



General Government Division

B-278977

April 23, 1999

The Honorable Christopher S. Bond
Chairman, Committee on Small Business
United States Senate

Dear Mr. Chairman:

The 1990s have been a time of rapid and sweeping change at the Small Business Administration (SBA). In response to the Clinton administration's initiative to reinvent the federal government, SBA underwent a major reorganization and downsizing. From August 1993 to March 1997, SBA's workforce was cut by about 15 percent. The regional office structure, a layer of management between SBA headquarters and district offices, was a prime target of this reduction. In addition, new administrators were appointed at the agency in 1993, 1994, and 1997, which brought about further changes in SBA's executive offices, and following the change in control of Congress in 1995, SBA provided noncompetitive, career appointments to some displaced congressional staff members under the Ramspeck Act then in effect.

Because of the changes that were occurring, the reorganization and downsizing in particular, the 1990s have been turbulent times for SBA employees. Questions arose that improper personnel practices—such as political favoritism and the improper hiring of district office directors and improper salary setting for political appointees—had taken place at the agency. In response, the Committee asked us to examine several events related to personnel reassignments, appointments, and activities at SBA.

Results In Brief

SBA made hundreds of appointments during the 1990s using competitive procedures for career appointments, special noncompetitive hiring authority for the Office of Advocacy, and political appointment procedures for other appointments. For the appointments that we reviewed, we found that SBA adhered to the different procedural requirements. For example, although 6 of the 46 District Director appointees were hired from outside SBA to the career positions, and 2 of them had political backgrounds, we found nothing procedurally amiss in the hiring process.

We determined however, that in several cases SBA did not follow applicable federal regulations when setting the starting salary at a rate higher than the minimum rate for the grade; SBA could not provide the

documentation required by federal regulations to support the advanced salary settings. SBA has developed draft procedures that, if properly implemented, should help prevent such situations from recurring.

We also determined that SBA poorly controlled its interagency detailing of employees, with the result that cost reimbursements were not always being collected. SBA officials advised us that they are developing new procedures to better control interagency details and collections of reimbursements. Recommendations to the SBA Administrator on these matters are included at the end of this letter.

Background

SBA, an independent agency within the executive branch, offers numerous programs and services to owners of small businesses in the United States and in U.S. territories. The programs and services are meant to help aid, counsel, assist, and protect the interests of small business concerns and include a variety of loan guarantee programs, surety bond guarantees, technical assistance, and other services targeted to small businesses in general and to women-owned and minority-owned businesses in particular.

SBA's headquarters is in Washington, D.C., but SBA's programs and services are delivered through 97 regional, district, branch, or post-of-duty offices located throughout the United States and in Guam, Puerto Rico, and the Virgin Islands. These 97 offices are organized within 10 geographic regions.

Just prior to reorganizing and downsizing, SBA employed about 5,600 full- and part-time employees, of whom about 1,000 were employed in the Washington, D.C., metropolitan area. By March 1997, as the major portion of reorganizing and downsizing ended, SBA employed about 4,750 full- and part-time employees, of whom about 750 were employed in the Washington, D.C., metropolitan area.

Objectives, Scope, and Methodology

As agreed with your office, our specific objectives were to determine the following:

- What was the status of SBA regional office employees following reorganization, and were SBA employees shifted to regional offices after those offices were downsized?
- Did SBA follow applicable policies and procedures when appointing—and setting the starting salaries of—individuals hired during the period January 1, 1993, through December 31, 1998, from outside of SBA for the position of District Director, and what procedures did SBA's Office of Advocacy

use in hiring Regional Advocates and Assistant Advocates during calendar year 1998?

- Did SBA follow applicable federal laws and regulations to set the salaries of, and provide salary increases to, political appointees and former congressional (Ramspeck Act) employees hired between October 1, 1991, and September 30, 1998?¹
- Did SBA adequately control the interagency detailing of its employees during fiscal years 1992 through 1998?
- What positions were newly created or abolished between March 1996 and March 1998 in SBA's Office of the Administrator, Office of the Deputy Administrator, Office of the Chief of Staff, Office of the Chief Operating Officer, and Office of the Associate Administrator for Field Operations; and what were the sources of appointees to the newly created positions and the status of those employees in the abolished positions?
- What was the status of SBA's response to a December 1997 congressional mandate to establish a Senior Executive Service (SES) position within SBA's Office of Women's Business Ownership? and
- Did SBA Regional Advocates attend a White House-sponsored political appointee meeting during fiscal year 1997?

In addressing our seven objectives, we

- relied extensively on personnel listings provided to us by officials of SBA's Office of Human Resources;
- examined SBA's records of personnel actions, position descriptions, and vacancy announcements;
- conducted numerous interviews of SBA officials; and
- relied heavily on records and employment application material in the official personnel folders (OPFs) of those present and former SBA employees who were within the scope of our review.

SBA provided us the names of (1) SBA field personnel and the offices to which they were assigned, both before and after SBA's reorganization and downsizing; (2) district directors who were appointed between January 1,

¹For purposes of this review, we defined political appointees as those receiving appointments to executive schedule positions, those appointed to noncareer Senior Executive Service positions, those appointed under excepted service schedules A and C authorities, and those appointed to positions involving administratively determined (AD) pay rates. The Ramspeck Act of 1940 (5 U.S.C. 3304(c)) permitted former congressional employees who met certain eligibility requirements to obtain noncompetitive, career appointments in the executive branch of government. Appointment eligibility requirements included, among other things, that the former congressional employee must have (1) been separated from his or her congressional employment involuntarily, such as when an employing Member of Congress retired or was defeated for reelection; and (2) obtained a career appointment under the Ramspeck Act hiring authority within 1 year of being separated from congressional employment. The Ramspeck Act was repealed by Congress effective December 19, 1997.

1993, and December 31, 1998; (3) political and Ramspeck Act appointees who were appointed between October 1, 1991, and September 30, 1998; and (4) employees detailed from SBA to other federal agencies during the period October 1, 1991, through September 30, 1998.

Some of the personnel action records we examined came from SBA's personnel records database, which is managed and maintained for SBA by the U.S. Department of Agriculture's National Finance Center in New Orleans, LA. We also examined travel authorizations and vouchers of SBA Regional Advocates to identify those who might have attended a political meeting at the White House. These authorizations and vouchers were for fiscal year 1997 and part of fiscal year 1998.

We interviewed officials from the Office of Human Resources (HR) at SBA headquarters and from SBA's Denver Human Resource office about many topics and issues, such as the reasons for certain personnel actions. We interviewed current and former officials from SBA's Office of Advocacy about that Office's hiring authority and procedures as well as to identify employees hired by the Office in calendar year 1998.

For the current and former SBA employees who were within the scope of our review, we obtained the OPFs of

- current employees from SBA; and
- former employees from either the National Personnel Records Center in St. Louis, MO, or from the federal agencies where they were then working. In the rare cases in which we were unable to locate a former employee's OPF, we relied instead on personnel records contained in SBA's personnel database. (App. I contains a detailed description of our objectives, scope, and methodology.)

We did our work in Washington, D.C.; Denver, CO; and St. Louis, MO; from March 1997 through January 1999 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Administrator of SBA. The comments are discussed at the end of this letter and are reprinted in appendix VI.

Status of Regional Employees After Reorganization and Shifting of Personnel to Regional Offices

Regional offices were greatly affected by reorganization and downsizing. Staffing was drastically reduced, and some responsibilities that regional offices once held were transferred to SBA headquarters and district offices.² Between September 1993 and April 1997, the 10 regional offices together lost 94 percent of their employees. Most of these employees were either reassigned to nonregional offices or retired. As a result of the significant reduction of employees in regional offices, employees from district offices have, from time to time, been temporarily assigned to regional offices.

According to data SBA's HR officials provided, a total of 504 employees were assigned to the 10 regional offices as of September 2, 1993, which was shortly before the reorganization and downsizing began. Of these 504 employees, we found after reorganizing and downsizing had ended that

- 10 employees remained with their regional offices;³
 - 306 employees remained with SBA but had transferred to district, branch, and other nonregional offices; and
 - 163 employees had separated from SBA, most of whom retired.
- Information on the employment status of the remaining 25 employees was not available. The status of the 504 employees was as of April 1997, and we determined their status from personnel records. Appendix II provides further details on the status of the 504 employees.

After the downsizing, according to SBA's HR officials and officials from some of the regional offices we spoke with, district office administrative employees were shifted from time to time to colocated regional offices for temporary periods to provide administrative support. Most of the regional offices were located in the same buildings as the district offices. These officials explained that this shifting usually occurred when the regional office Staff Assistant was temporarily out of the office; that is, when sick or on vacation. In one case, however, a district office employee obtained a temporary promotion to the position of Public Affairs Specialist and was assigned to the colocated regional office. According to SBA's HR officials, this was only a temporary measure because SBA wanted whoever would

²The responsibility for providing oversight of some programs and services and for providing all administrative services was transferred from the regional offices to SBA headquarters or to district offices.

³In addition to the 10 employees who remained, Regional Administrators were later appointed to each of the regional offices; 9 other employees were either reassigned to, or hired for, positions within the regional offices. As of April 1997, the 10 regional offices together had 29 employees, or an average of about 3 employees each generally consisting of a Regional Administrator, a Public Affairs Specialist, and a Staff Assistant.

fill the then-vacant Regional Administrator position to participate in selecting the permanent Public Affairs Specialist.

Appointments of Individuals From Outside SBA to District Director Positions and the Setting of Their Starting Salaries

Unlike Regional Administrator positions, which are held by political appointees, SBA's District Director positions are filled through career appointments. Normally, SBA fills vacant District Director positions by reassigning current SBA District Directors or by appointing graduates of the District Director candidate development program. However, at times, SBA hires new District Directors from sources outside of SBA.

SBA made 46 appointments to the position of District Director between January 1, 1993, and December 31, 1998. Forty of these appointments went to SBA employees. For six appointments, SBA hired individuals from outside the agency to fill the positions. In two of these cases, the individuals' application materials made reference to elected officials, thus introducing the possibility of political favoritism in the hiring process. However, SBA officials denied the use of favoritism. On the basis of available evidence, SBA appeared to have properly followed federal regulations in hiring all six individuals. However, we did note a problem with how SBA set the starting salary in one case.

The six outside individuals were hired to fill District Director positions in Washington, D.C.; Cleveland, OH; Puerto Rico; Denver, CO; New Orleans, LA; and Sacramento, CA. They were not all hired at the same time—two were hired in 1994, one was hired in 1996, another was hired in 1997, and two were hired in 1998. Four were either employed by the federal government when they applied for the SBA position or had been federal employees some time earlier.

We examined the steps SBA took in the appointment process and determined that SBA appeared to follow all relevant federal laws and regulations in making the appointments. SBA used a competitive examination process to hire each appointee. Under this process, SBA publicized the vacancy announcements for all six positions. SBA compiled lists of best-qualified applicants from among those who applied, and SBA management selected those hired (the appointees) from among the applicants who were on the best-qualified lists. The competitive examination process, it should be noted, does not preclude persons who have political experience and support from applying and being selected for open career positions.

During our review, we became aware of possible political overtones in two cases, the Denver District Director position and the New Orleans District

Director position. There were allegations that the individual appointed to the Denver position obtained the appointment through her political connections. She had worked for a governor of Colorado and, at the time of her appointment to the District Director position, the governor chaired the Democratic National Committee. According to an SBA memorandum, a panel of six officials interviewed her along with two other best-qualified applicants, and each interviewer found her to be the top candidate. One of the panel members, the Assistant Administrator for Human Resources, told us that there was no pressure on the panel to recommend this individual for selection.

The application material submitted by the individual appointed to the New Orleans position cited the names of members of Congress and local politicians as references and contained letters of recommendation from local politicians. SBA HR officials said that except for the names in the application material, they were unaware of any political connections the individual had within the administration, and they were under no pressure of any kind to recommend this individual for selection.

In neither of these cases did we find evidence of political favoritism and improper hiring. However, the question of whether such political favoritism or support has an impact on the selection of an individual from among other applicants is extremely difficult to determine and requires that the intent and motivation of the selecting official be known.

Appendix III provides more information on each of the six cases. It also provides information about the appointments of SBA employees to District Director positions.

Setting the Starting Salaries for the Six Directors

Federal regulations govern the salary-setting process for new appointees. We determined that SBA HR officials properly followed regulations in setting the starting salaries of five of the six outside hired District Directors. However, in one of the six cases, SBA did not consider the use of a recruitment bonus when it set the District Director's salary at a level higher than the minimum rate for the pay grade.

Title 5 of the Code of Federal Regulations, part 531, section 203 (5 C.F.R. 531.203) states that new appointments are to be made at the minimum step of the pay grade. However, provisions exist for making an appointment above the minimum step. For example, a new employee's salary can be set above the minimum step when the employee possesses superior qualifications or the agency has a special need for the employee's services. The C.F.R. refers to an appointment under these circumstances as a

“superior qualifications appointment.” However, the regulations also state that in determining whether a candidate should receive a superior qualifications appointment and, if so, at what level the employee’s pay should be set, the agency must consider the possibility of authorizing a recruitment bonus. The regulations also state that each agency that makes superior qualifications appointments must establish documentation and record-keeping procedures sufficient to allow reconstruction of the action taken in each case. According to the regulations, documentation must include the superior qualifications of the individual or the special need of the agency that justified use of the superior qualifications authority; the factors considered in determining the individual’s existing pay; and the reasons for authorizing an advanced rate instead of, or in addition to, a recruitment bonus.

An appointee who has previously worked for the federal government is also eligible to receive a salary that is above the minimum step of the pay grade. According to regulations, the salary can be set above the minimum step in order to match the appointee’s previous highest federal salary or pay grade level.

In the five cases where SBA followed federal pay-setting regulations, two cases involved appointments at the minimum step of the pay grade. Another case involved an SES appointment for which there is greater latitude in setting pay. A fourth case involved an appointment of a former SES member to a lower graded District Director position. And the fifth case involved the transfer of an employee from another federal agency to SBA with SBA matching his previous highest federal salary.

In the one case in which SBA did not follow regulations, it set the individual’s salary above the minimum step of the pay grade. But in doing so, it did not consider the use of a recruitment bonus as required by applicable regulations. In commenting on a draft of this report, SBA said that it had made a policy decision not to offer recruitment bonuses. After we discussed this matter with SBA officials, however, SBA decided to implement a recruitment bonus policy.

The Assistant Administrator for Human Resources told us that her Office had drafted a new standard operating procedure (SOP) that would cover the procedures for setting advanced salaries and considering use of recruitment bonuses. We obtained a copy of the draft procedures, which said that SBA would offer a recruitment bonus or a superior qualifications appointment only in those rare situations where, after extensive recruitment, SBA determined that an incentive was necessary to attract

qualified applicants or to compete with nonfederal employers. The draft SOP also stated that SBA would always consider using a recruitment bonus before considering a superior qualifications appointment because a one-time payment was more economical than a higher salary that is paid every year. The draft SOP also states that information supporting the action is to remain on file for 3 years. According to SBA's comments on the draft of this report, the SOP is now in SBA's clearance process and is expected to be published this spring.

Office of Advocacy Hired Nine Regional or Assistant Advocates During 1998

According to information provided to us by Office of Advocacy officials, the Office hired four Assistant Advocates and five Regional Advocates in calendar year 1998. All nine advocates were hired under the special hiring authority that federal statute provides to the Chief Counsel for Advocacy.⁴ Under this special authority, the Office can hire individuals without having to use a formal competitive process.

According to the Chief and Deputy Chief Counsels for Advocacy, candidates for the nine positions were identified either through word-of-mouth recommendations or through their personal knowledge of the individuals. Because all of the positions were excepted service positions being filled under the Chief Counsel for Advocacy's special hiring authority, it was not necessary for SBA to publicly advertise the positions or to follow the other appointment procedures that apply when positions in the competitive service are filled. Because the individuals in all nine cases received excepted service, term appointments, they effectively served at the pleasure of the Chief Counsel for Advocacy.⁵ In addition, SBA set the salaries of all nine appointees in accordance with the administratively determined (AD) pay-setting authority provided by law to the Chief Counsel for Advocacy.

SBA's Salary Setting and Salary Increase Practices for Political Appointees and Former Congressional Employees

In order to examine SBA's salary setting and salary increase practices for political and former congressional (Ramspeck Act) employees, we reviewed available information regarding the appointments and salaries of all 310 political or Ramspeck Act appointees hired by SBA during the period October 1, 1991, through September 30, 1998. Of the 310 cases, 289 involved appointments of political appointees, and 21 involved appointments of former congressional employees hired by SBA under the Ramspeck Act.

⁴ Section 204 of Pub. Law 94-305, June 4, 1976 (15 U.S.C. 634d(1)).

⁵ The nine Office of Advocacy appointees received term appointments, which means their appointments were for only specified periods of time. In each of the nine cases, the term was 13 months. The Chief Counsel for Advocacy may reappoint individuals.

In 169 (55 percent) of the 310 appointments that we reviewed, SBA set the appointees' starting salaries at the minimum step of the pay grades for the positions they accepted.⁶ In each case, on the basis of available evidence, it appeared that SBA followed appropriate salary-setting procedures. In 141 (45 percent) of 310 appointments we reviewed, SBA set the salaries at levels higher than the minimum step of the pay grades. In several of those cases SBA did not consider the use of recruitment bonuses and could not provide the documentation for the actions taken in each case as required by regulations. In another of those cases SBA set the advanced starting salary incorrectly and in still another case insufficient documentation was available for us to determine the basis SBA used in setting the salary. For essentially all of the 310 political and Ramspeck appointments, SBA appeared to have followed applicable rules in awarding periodic salary increases. Rules on setting salaries for, and providing salary increases to, career appointees are also generally applicable to political and Ramspeck Act appointees.

Analysis of 141 Cases Involving Advanced Starting Salaries

Federal regulations permit agencies to provide appointees with advanced starting salaries on the basis of superior qualifications or highest previous pay. Furthermore, agencies have flexibility to set pay in cases involving SES appointments and in cases where AD pay authority is provided, e.g., the Office of Advocacy. Of the 141 cases in which advanced starting salaries were set, 69 involved SES appointments or involved appointments in which AD pay rates were authorized. In each of those cases, based on available evidence, it appeared that SBA set the starting salaries appropriately.

In 43 cases the advanced pay rates were authorized by regulations on the basis of highest previous pay rates. In 1 of those 43 cases, discussed later, SBA set the starting salary incorrectly.

In 28 cases the advanced pay rates were made on the basis of superior qualifications. In 11 of the 28 cases, however, SBA was unable to provide the documentation required by regulations to allow reconstruction of the action taken in each case. (In commenting on a draft of this report, SBA said it is conceivable the documentation that it had prepared was either misplaced or destroyed as the agency downsized.)

⁶Three of these appointments involved executive level positions for which the pay levels for the positions are determined by law.

Finally, in one case insufficient information was available for us to determine the basis SBA used when setting the advanced salary.⁷

For the 28 superior qualifications appointments that SBA made, SBA, as a matter of practice, did not consider on an individual case basis the possibility of authorizing a recruitment bonus. As stated earlier, SBA reported to us in its agency comments on a draft of this report that it had decided as a matter of policy not to offer recruitment bonuses. In a followup conversation with an SBA HR official we were told that this was an unwritten policy. The official believed the policy decision was made sometime after October 1990 but didn't remember the precise date. Also, no substantial rationale for the decision was offered beyond that regulations require a recruitment bonus plan be established before paying a recruitment bonus and SBA did not have such a plan. One of the benefits of a recruitment bonus compared to an advanced salary is that the former is a one time expense and in the long term should be less expensive than a permanent advanced salary rate. During our review SBA revisited the issue of recruitment bonuses and developed a draft SOP covering recruitment bonuses, as well as salary-setting procedures, and documentation requirements.

One of the 43 cases in which the advanced salaries were set on the basis of highest previous pay rates involved a former employee of SBA. In that instance, SBA officials—during our review—determined that the salary had been set incorrectly. This appointee had previously worked for SBA, resigned to accept a position with another federal organization, rejoined SBA, then resigned again. According to SBA officials, when the appointee rejoined SBA, HR staff apparently based her new SBA salary on her highest previous federal salary as reported in her application rather than on her highest previous salary as reported in her official salary transcript. The salary she reported in her application was \$18,000 higher than the salary reported in the transcript. SBA determined that using her higher reported salary caused HR staff to set her SBA salary at a higher level than they would otherwise have done, resulting in an overpayment of approximately \$6,000 for the affected period.

⁷In a draft of this report we stated that there were 31 cases for which there was either no documented evidence or insufficient documented evidence for us to make a determination as to whether SBA followed appropriate procedures when setting the advanced salaries. During the period when SBA was reviewing the draft report and preparing written comments, SBA officials provided us with additional evidence that supported the advanced salary setting for several of those cases, leaving 12 cases in which no justifying documentation could be provided.

In a memorandum to SBA's Chief Financial Officer, the Assistant Administrator for Human Resources requested, and obtained, a waiver of the erroneous overpayment. According to SBA's HR officials, they believed the salary-setting error was their fault and not the appointee's fault.

In addition to examining the procedures used in initial pay settings, we also examined the procedures that SBA used in later providing periodic salary increases to the 310 political and Ramspeck Act appointees. According to federal pay rules, GS pay grade employees are eligible for pay step increases based on their satisfactory work performance and their amount of time in the pay grade. These rules also permit step increases, regardless of time in grade, in recognition of quality performance. On the basis of the records we reviewed that pertained to salary increases, SBA appeared to have followed applicable federal laws and regulations in providing salary increases in 309 of the 310 cases. For the remaining case, the information available was not sufficient for us to make a determination. The periodic salary increases included within grade step increases due to either performance awards or time in grade.

SBA Lacked Adequate Procedures to Obtain Reimbursement and Record Ending Dates for Interagency Details

An interagency detail is the temporary assignment of an employee to a different agency for a specified period, with the employee returning to his or her regular duties at the end of the detail. In accordance with principles of appropriation law, the receiving agency should generally reimburse the loaning agency for the salary and expenses of the detailed employee.

This rule was enunciated in a 1985 decision by the Comptroller General of the United States. He concluded that except under limited circumstances, nonreimbursable details (1) violate the law that appropriations must be spent only for the purposes for which they are appropriated and (2) unlawfully augment the appropriations of the receiving agency. Specifically, the Comptroller General held that nonreimbursable details are improper except where the detail (1) involves a matter related to the loaning agency's appropriations or (2) will have a negligible impact on the loaning agency's appropriations. An additional exception to the reimbursement requirement is provided by 3 U.S.C. 112, which permits nonreimbursable details of up to 180 days in a fiscal year to five Executive Office of the President (EOP) agencies—the White House Office, the Executive residence at the White House, the Office of the Vice President, the Office of Policy Development, and the Office of Administration.

SBA records showed that 20 SBA employees were on interagency details at some time during fiscal years 1992 through 1998. Ten of the 20 employees

were assigned to reimbursable details and 10 were assigned to nonreimbursable details. SBA had not taken action to obtain reimbursement for the services of 7 of the 10 employees assigned to reimbursable details until we brought the matter to its attention. Further, the actual lengths of the details were not adequately documented, which, for reimbursable details, makes it difficult to accurately determine the amount of reimbursement that is due. SBA officials acknowledged the need to improve the agency's procedures for obtaining reimbursement and said steps would be taken to make improvements.

SBA Had Not Requested Reimbursement for All Reimbursable Details

For the 10 employees who were assigned to reimbursable details, the total potential reimbursable value amounted to more than \$873,000.⁸ However, SBA records indicated that the agency had not sought reimbursement for the services of 7 of the 10 employees.⁹

According to SBA, officials from SBA's finance office in Denver were responsible for seeking reimbursements from other agencies for details arranged on a reimbursable basis. Officials from that office told us that they overlooked their collection responsibilities in the seven cases because they were not aware that the employees had been detailed. They said they did not receive copies of the interagency agreements that authorized the details. An SBA official surmised that the interagency agreements, which are prepared by HR in Washington, D.C., with a copy going to the SBA finance office in Washington, D.C., were not being sent to the Denver office, which initiates the actual billing.

After we brought these seven cases to the attention of the finance officials, the finance center began to make efforts to bill the appropriate agencies. Officials from the finance center have since told us that SBA has received reimbursement for the services of six of the seven employees and in its comments on a draft of this report, SBA said it has collected all but a small amount in the seventh case. The amounts of reimbursement SBA received were based on limited or incomplete information on each detail, did not always include amounts for employee benefits, and therefore were likely different from the amounts that should have been reimbursed.

⁸ Although nearly all of the interagency agreements called for reimbursement of salaries and benefits, the agreements usually provided values only for the salaries. Therefore, this figure represents potential salary costs only.

⁹ In addition to employees who SBA detailed to other agencies, nine employees from other agencies were detailed to SBA during fiscal years 1992 through 1998. Seven of those details were on a reimbursable basis. SBA reported that, as of March 1999, it had contacted the agencies asking them to bill for the reimbursable details and had paid the one bill it had received to date.

Although we found documentation indicating when details began, we noted that no systematic process existed to record the actual ending dates of the details. For example, in one case involving a nonreimbursable detail, SBA determined the actual duration of the detail on the basis of a handwritten notation in which an unknown source wrote the ending date of the detail in the bottom margin of a document evidencing the detail. Actual ending dates of details are important because although the interagency agreements contain the planned beginning and ending dates, the actual detail may be of a longer or shorter duration.

During our review SBA officials said that a special project would be undertaken to examine how the reimbursable process should work, what appropriate paperwork requirements are needed, and what controls will be needed to ensure that interagency details are properly controlled in the future. In commenting on a draft of this report, SBA said that the not-to-exceed date is clearly stated in the documentation of the detail and that there is no requirement to document details that end on their not-to-exceed date. SBA said that it documents extensions of details and the termination date of details that end early, although it recognized that it failed to do so in one of the cases we reviewed. SBA said that it is revising its procedures to ensure program managers know extensions and terminations of interagency details are to be documented on a Notification of Personnel Action (SF-50) and that the new procedure will ensure that SBA's personnel/payroll system provides automated "ticklers" to help eliminate the possibility of any funds from reimbursable details not being collected.

SBA's comments are unclear as to whether the new requirement to document terminations on a SF-50 will apply to all details or just to those that are extended or end early. If this requirement applies to all details, then we believe it should help serve as a reminder that reimbursement should be sought. However, if the requirement applies only to cases where details are extended or end early, then we believe the potential to overlook collections will continue to exist.

**Actual Length of Most
Nonreimbursable Details
Also Unknown**

SBA had interagency agreements or other documentation specifying the planned duration for each of its 10 employees assigned to nonreimbursable details. However, it was unable to determine the actual duration of the details for 4 of the 10 employees. In the other six cases, actual ending dates were supported by handwritten notations to the file in five cases, and by documentation provided by the borrowing agency in the sixth case. As in the case for the reimbursable details, SBA officials said they will

determine the appropriate paperwork requirements and controls needed for nonreimbursable details as well.

Six of the 10 employees were detailed to EOP offices included in Public Law 95-570, which permits nonreimbursable details of up to 180 days in a fiscal year.

Five of the six were career employees who were detailed to the Office of the Vice President to participate in the National Performance Review.¹⁰ The sixth was a political employee who was detailed to the White House Office. This employee had been working at SBA for about 1 year at the time of the detail. SBA documentation did not indicate an expected length of the detail, although it did indicate the detail was to begin on April 16, 1995. After discussing this case with SBA officials, they determined that the employee resigned from the SBA position and transferred to the White House on July 29, 1995.

Of the remaining four employees assigned to nonreimbursable details, SBA used the allowable exception in two cases that the employees would be performing duties related to SBA's appropriations. In the other two cases SBA used the allowable exception that the details would have negligible impacts on SBA's appropriations.

Additional information on the interagency details is contained in appendix IV.

¹⁰ The National Performance Review is a major management reform initiative begun by the President in 1993 and placed under the direction of the Vice President to make the government work better and cost less. In January 1998, the name of the initiative was changed to the National Partnership for Reinventing Government.

Position Changes in SBA Headquarters Offices

During the 1996 through 1998 time frame, several personnel changes occurred in key SBA management offices in which both the number of positions and the number of political appointees increased. These changes are summarized in table 1.

Table 1: Personnel Changes Made in Key SBA Offices From 1996 to 1998

Office	Positions (P) ^a	
	Eliminated	Added
Office of the Administrator	Executive Assistant (P)	Executive Assistant
	White House Liaison	Project Director for Lender Oversight (P)
		Special Assistant (P)
Office of the Deputy Administrator	Senior Advisor (P)	Staff Assistant
Office of the Chief of Staff	Special Assistant	Program Support
	Receptionist	Deputy Chief of Staff (P)
		Special Assistant (P)
		Staff Assistant
Office of the Chief Operating Officer		Staff Assistant
Office of the Associate Administrator for Field Operations		Chief Operating Officer
	Program Support Specialist	Associate Director (P)
	Program Analyst	Office Automation Assistant
	Program Analyst	

Note: Additional personnel changes may have occurred during this period. This table reflects positions identified from SBA's 1996 and 1998 telephone books.

^a(P) Denotes the position was held by a political appointee.

Source: SBA telephone books for March 1996 and 1998 and GAO analysis.

Table 1 reflects a net increase of four positions and three political appointees. It is not unusual for key personnel changes to occur when a new head of an agency is appointed. Generally, political appointees serve at the pleasure of the agency head; when the head of the agency changes, the political appointees often change as well.

The incumbents of the eight positions that were eliminated either were transferred to other SBA positions or resigned. Those individuals who were appointed to the 12 new positions transferred into SBA from another federal agency, were reassigned from other SBA positions, or were newly hired. (See app. V for descriptions of these 20 position changes.)

Status of Legislatively Mandated Position in Office of Women's Business Ownership

The Small Business Reauthorization Act of 1997, which became law on December 2, 1997, mandated that the position of Assistant Administrator for SBA's Office of Women's Business Ownership was to be upgraded to the SES level and held by a noncareer SES appointee.¹¹ The legislative history of the Small Business Reauthorization Act of 1997 does not elaborate on the mandate to upgrade the Assistant Administrator position to the SES level. Neither the statute nor its legislative history set a time frame for upgrading the position. The position was filled with a noncareer SES appointee on April 5, 1999.

During our review, we asked SBA officials to explain why the position had not been upgraded earlier, especially considering that during fiscal year 1998—when the act was passed—SBA had established and filled at least nine other SES positions, including two noncareer (political) positions. SBA officials we interviewed told us that the Assistant Administrator position was already filled with a Schedule C, GS-15 political appointee, and other critical need positions existed and had to be filled.

According to an SBA document, the position of Assistant Administrator for SBA's Office of Women's Business Ownership had previously existed as an SES position; however, after the position became vacant in 1993, it was not refilled at the SES level. In 1994 the Clinton administration—as part of its early efforts to reduce the size of the federal government—directed that the total allocation of SES positions in the executive branch departments and agencies be reduced by 10 percent.

According to SBA's HR officials, in SBA's case, the directive resulted in OPM reducing SBA's total SES position allocation from 60 to 55, and the position of Assistant Administrator for Women's Business Ownership was 1 of the positions that SBA downgraded as a result of the reduced SES allocation. According to SBA officials, during fiscal year 1998, SBA's total SES allocation remained at 55, of which 10 could be filled by noncareer (political) SES appointments.

SBA's HR officials told us that in April 1998 SBA management officials began reevaluating the agency's SES needs. This exercise resulted in a June 18, 1998, letter from the SBA Administrator to the Director, OPM, requesting an increase in SBA's SES allocation from 55 to 60. The SBA Administrator made a case for establishing five new SES positions, including an upgraded position of Assistant Administrator for Women's Business Ownership. By letter dated October 29, 1998, OPM's Director

¹¹ Public law 105-135, Dec. 2, 1997 (15 U.S.C. 656(g)).

responded to SBA's request by increasing SBA's allocation from 55 to 58. One of the three new allocations OPM provided was specifically for the position of Assistant Administrator for Women's Business Ownership. However, at the end of December 1998, the appointment had not been made. According to SBA officials, all noncareer (political) SES appointments are controlled by the White House; and, although OPM had approved the position as part of the increased SES allocation, SBA officials were awaiting clearance by the White House before requesting OPM's approval of the individual expected to receive the appointment. Clearance was received and OPM approved the individual's appointment on April 5, 1999. The appointee was the same employee who had been serving as the Assistant Administrator in the Schedule C, GS-15 position.

Regional Advocates Participated in White House Political Appointee Meeting

During our review, we received information--and confirmed--that some Regional Advocates employed by the Office of Advocacy had attended a political appointee meeting that was sponsored by the White House during fiscal year 1997. Regional Advocates are not political appointees and, according to SBA, have a mission that is significantly different than that of political appointees. Nevertheless, Regional Advocates share many of the characteristics of political appointees. For example, like political appointees, Regional Advocates can be hired noncompetitively. Also like political appointees, Regional Advocates serve at the pleasure of the head of their agencies--in this case, the Chief Counsel for Advocacy. One additional factor that would further demonstrate the similarity of Regional Advocates and political appointees is that according to (1) the Chief Counsel for Advocacy, (2) a former Regional Advocate, and (3) a current Regional Advocate, new Regional Advocate appointees are frequently cleared through the White House personnel office before being appointed. The Chief Counsel for Advocacy said, however, that this is done more as a courtesy to the White House than because it is a requirement to obtain the White House's concurrence on the appointment.

The Office of Advocacy has 1 Regional Advocate stationed in each of the 10 cities in which SBA has a regional office. These 10 Regional Advocates report directly to the Chief Counsel and the Deputy Chief Counsel for Advocacy. The Regional Advocate's role is, in part, to help identify issues affecting small businesses in their respective regions of the country.

According to the Chief and Deputy Chief Counsels for Advocacy, the Office of Advocacy views itself as being independent of both the administration and Congress. The Deputy Chief Counsel told us that this is an important notion because to successfully mitigate issues affecting small businesses, the Office of Advocacy has to work effectively with

administrations and Congress. On the other hand, she said that Regional Advocates, when they are in Washington, D.C., are encouraged to attend political appointee meetings at the White House or at other locations in order to gain and maintain a broad awareness of the administration's initiatives in many areas, including small business.

Several times a year the Regional Advocates, individually and collectively, visit Office of Advocacy headquarters in Washington, D.C., to discuss small business concerns. While in Washington, according to the Deputy Chief Counsel for Advocacy, they may attend political appointee meetings. This official said that such meetings are often sponsored by SBA officials, and attendees include only SBA political appointees and other key SBA officials. But, on occasion, wider scope political appointee meetings are sponsored by the White House and are attended by political appointees from numerous executive branch departments and agencies, including SBA. According to the Deputy Chief Counsel for Advocacy, although Regional Advocates are encouraged by the Chief Counsel for Advocacy to attend such meetings, their attendance is nevertheless voluntary.

By examining copies of Regional Advocates' travel authorizations and travel vouchers for fiscal year 1997 and for part of fiscal year 1998, we identified eight Regional Advocates who had visited the White House on the same date. We confirmed their visit with the White House Office. We were able to contact six of these Advocates, some of whom no longer work for SBA. They each confirmed that on that date they attended a political appointee meeting at the White House. The meeting, they said, was for executive branch political appointees who were stationed outside of Washington, D.C.

According to these six Regional Advocates, the White House meeting was primarily an opportunity to receive briefings from high-level administration officials—including the President and the Vice President—on the administration's initiatives. One former Regional Advocate told us that this meeting also served as a morale booster to the political appointees who attended. The six current or former Regional Advocates we contacted told us that they had not received instructions of any kind from officials who attended the White House meeting and did not believe their independence in carrying out their duties was affected by attending the meeting.

Each of the six Advocates pointed out, however, that they had ties to either the Clinton administration or to the Democratic party before they received their Regional Advocate appointments. For example, several of

them told us that they had worked on either the Clinton-Gore 1992 presidential campaign or the 1996 reelection campaign. Another told us she had worked with the Democratic party in Colorado during 1996.

Conclusions

Significant personnel changes have occurred at SBA since the early 1990s, some of which resulted from the considerable reorganization and downsizing that SBA experienced. Regional offices were reorganized and drastically downsized, with most regional employees transferring to other SBA offices or retiring. During the period, SBA hired outsiders for 6 of the 46 District Director positions it filled and did so following applicable federal hiring procedures. With the exception of one case, SBA also followed applicable federal laws and regulations when setting the starting salaries. The Office of Advocacy used informal processes for identifying and selecting persons to fill Regional and Assistant Advocate positions, which was in keeping with its special hiring authority. In other SBA executive offices, the number of positions and political appointees increased somewhat from 2 years earlier. There was also one position change—upgrading (and filling) the position of head of the Office of Women’s Business Ownership to the SES level—that Congress said should occur but SBA had not done until over a year later. In fiscal year 1997, at least six Regional Advocates attended a political appointee meeting at the White Office, which was in keeping with an Office of Advocacy’s policy of encouraging attendance at political meetings.

Over the greater part of the 1990s, SBA hired 310 political and Ramspeck Act employees, and, as far as we can tell, SBA HR staff usually followed applicable laws and regulations in setting their salaries and later in providing them periodic salary increases. However, the documentation necessary to support certain pay settings could not always be found. According to SBA, it had not considered providing recruitment bonuses on a case by case basis because it had made a policy decision not to offer such bonuses. This reason, however, was not documented as required for those cases where employees received advanced salary levels. SBA has recognized that its HR staff need further guidance on pay setting and recruitment bonuses and has drafted a new set of procedures to provide that guidance.

SBA participates in interagency details of employees but did not have adequate procedures to (1) accurately identify when it should bill agencies for the reimbursable details of SBA employees and (2) monitor the actual length of details. SBA officials agree that an improved system of internal controls is necessary and have taken steps in that direction.

Recommendations to the Administrator, SBA

We recommend that the SBA Administrator finalize and issue standard operating procedures that include procedures for considering recruitment bonuses, setting salaries, and documenting those actions when SBA establishes starting salaries for newly appointed employees at levels above the minimum step of a pay grade.

We recommend that the SBA Administrator identify and establish appropriate procedures for better controlling the interagency detailing of its employees. Such procedures should ensure that the specifics of each detail are appropriately documented and monitored and that in the case of cost-reimbursable details, all costs are accounted for and promptly reimbursed.

Agency Comments and Our Evaluation

By letter dated April 1, 1999, the SBA Administrator's designee—the Assistant Administrator for Human Resources—commented on a draft of this report. Although the Assistant Administrator did not address our two recommendations directly, she noted actions that SBA had taken or was taking that were associated with those recommendations. In connection with the recommendation that SBA finalize and issue standard operating procedures for considering recruitment bonuses, setting salaries, and documenting starting salaries that are above the minimum step of a grade, the Assistant Administrator said SBA had finalized a policy document establishing procedures for, and requiring consideration of, recruitment bonuses, which it expected to publish during this spring (1999). We believe this new policy as well as the guidance SBA is developing on pay setting should, if effectively implemented, meet the intent of our recommendation.

In connection with our recommendation that SBA identify and establish appropriate procedures for better controlling interagency details, the Assistant Administrator said SBA was revising its detail procedures to ensure program managers know that extensions and terminations of interagency details must now be documented by a formal Notification of Personnel Action (SF-50). This new procedure, she said, will insure that SBA's personnel/payroll system provides automated ticklers and the combination of these actions should eliminate the possibility of any funds from reimbursable details not being collected. It is unclear from SBA's comments whether this new procedure is to apply to all details or to only those details that are extended or terminate early. If the former, then we believe such a procedure, if effectively implemented, should meet the intent of our recommendation. If the latter, then we believe the potential will still exist for overlooking collections.

Although the Assistant Administrator said SBA was taking these actions, she also said SBA found the draft “misleading.” Most of her letter addresses that statement, conveying SBA’s problems with the draft or providing additional information. Apparently, SBA officials considered certain conclusions that we drew from the facts to be overstated and certain facts that we presented to be incorrect. For example, the Assistant Administrator cited our conclusion that SBA “usually” followed appropriate laws and regulations in setting the salaries and later in providing salary increases for 310 political and Ramspeck Act employees. The Assistant Administrator indicated that the term “usually” was misleading because elsewhere in the report we said SBA appeared to have followed applicable laws and regulations in providing salary increases in 309 of the 310 cases. Information was not available to make a determination in the remaining case.

Regarding this example, we recognize that for 309 of the 310 appointments we conclude that SBA appeared to have appropriately provided salary increases. However, we also report a number of cases in which SBA could not provide documentation allowing a determination as to whether SBA followed appropriate procedures when setting advanced salaries at the time the employees were hired. Since receiving our draft report for comment, SBA sent further information to us on specific cases. The cases were of employees for whom SBA had been unable to provide documentation to support an advanced pay setting. In the draft report, these cases numbered 31 of the political and Ramspeck Act appointments that we reviewed in which the starting salaries were set above the minimum step of the grade. SBA has since found and provided us with the information justifying the advanced pay setting for several of these cases and we modified the report as appropriate. We now report that justifying documentation was not available for 12 cases. Because our overall conclusion encompasses both the initial salary setting and the periodic salary increases, we believe our characterization that SBA usually followed applicable laws and regulations is both fair and accurate.

Regarding recruitment bonuses, the Assistant Administrator said that SBA had at one time considered recruitment bonuses, but had decided as a matter of policy not to offer any. Consequently, SBA had not developed a recruitment bonus plan, as required by regulations. Without such a plan, the Assistant Administrator said recruitment bonuses could not be offered. As indicated earlier, SBA has since decided to initiate a recruitment bonus policy.

SBA's policy decision and rationale for not using recruitment bonuses were never mentioned by SBA officials during the course of our work. Had the policy decision and rationale been mentioned, we would have included those facts in the draft report. On the basis of SBA's comments, we have reflected that information in this report. The important point, in our opinion, is that recruitment bonuses can be an effective and cost efficient alternative to advanced pay setting, and we commend SBA for revisiting the issue at our suggestion.

SBA's written comments and our further responses to them are in appendix VI.

As agreed with the Committee, unless you publicly announce the report's contents earlier, we plan no further distribution of it until 30 days after the date of this letter. We will then send copies to Senator Barbara Milkulsi and to Representative James M. Talent, Representative Nydia M. Velazquez, Representative James T. Walsh, and Representative Alan B. Mollohan in their capacities as Chair or Ranking Minority Member of Senate and House Committees and Subcommittees. We will also then send copies to the Honorable Aida Alvarez, Administrator of SBA and to the Honorable Janice R. Lachance, Director of OPM. Also, at that time, we will make copies available to others on request.

Major contributors to this report are listed in app. VII. Please contact me at (202) 512-8676 if you or your staff have any questions.

Sincerely yours,



Michael Brostek
Associate Director, Federal Management and
Workforce Issues

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Abbreviations

AD	Administratively determined pay rate
CEO	chief executive officer
C.F.R.	Code of Federal Regulations
DOD	Department of Defense
EOP	Executive Office of the President
ERB	Executive Resources Board
HR	Office of Human Resources
NFC	National Finance Center
OFHEO	Office of Federal Housing Enterprise Oversight
OPF	Official Personnel Folder
OPM	Office of Personnel Management
RIF	reduction-in-force
SBA	Small Business Administration
SES	Senior Executive Service
SF-50	Standard form 50, Notification of Personnel Action
SOP	Standard operating procedure

Objectives, Scope, and Methodology

Our first objective was to determine the status of Small Business Administration (SBA) regional office employees following SBA's reorganization and whether SBA employees were shifted to regional offices after those offices were downsized. In addressing the first part of this objective—the status of regional office employees—we identified all employees assigned to an SBA regional, district, or branch office as of September 2, 1993, (which was prior to the reorganizing and downsizing efforts), and as of April 1997 (which was after the regional offices had been downsized.)¹ We obtained this data from SBA's Office of Human Resources (HR) database. We then entered each employee's name, and the office to which he or she was assigned as of those dates, into a database that we developed specifically for this purpose. Using our database, we sorted the information alphabetically by employee name and manually searched for name matches. In cases where (1) there was a name match; and (2) that employee had been assigned to a regional office as of September 2, 1993, we were able to determine that employee's employment status as of April 1997. In cases where (1) there was no name match; and (2) that employee had been assigned to a regional office as of September 2, 1993, we took additional steps to determine the employee's status. In those cases, we provided each name to SBA's HR officials and asked that information on the status of each be determined. HR officials provided us with documents from their database on each of those employees for whom a record existed. The documents showed that the employees resigned, retired, died, or were otherwise separated from the agency during the period September 2, 1993, through April 1997. In some cases employees' records were no longer in the database, and their status could not be determined.

In addressing the second part of this objective—the shifting of personnel—we determined that SBA officials do not usually document the temporary shifting of employees from one office to another. So, in order to obtain information on such shifting, we interviewed cognizant HR officials. These officials, on our behalf, also canvassed appropriate regional and district office staff for specific instances in which personnel were shifted to the regional offices and provided that information to us. In some cases we discussed specific instances of personnel shifts directly with district office officials.

¹We did not consider SBA's small number of post-of-duty offices because typically only 1 SBA employee was assigned to a post-of-duty office. According to SBA Human Resources officials, the downsizing of the regional offices had little, if any, effect on the employees assigned to the post-of-duty offices.

Our second objective was to determine whether SBA followed applicable policies and procedures when appointing—and setting the starting salaries of—individuals hired during the period January 1, 1993, through December 31, 1998, from outside of SBA for the position of District Director, and the procedures SBA’s Office of Advocacy used in hiring Regional Advocates and Assistant Advocates during calendar year 1998. In addressing the first part of this objective—the procedures used to hire District Directors from outside SBA and to set their salaries—we asked HR officials to identify all District Director changes that occurred between January 1, 1993, and December 31, 1998. We then focused upon six cases in which the District Director positions were filled by outside hires. We identified the starting salaries set by SBA in each of the six cases and, using previous employment and salary information contained in the individual’s application materials, referenced that information to the applicable federal laws and regulations regarding salary setting to determine if SBA complied with the laws and regulations. We also determined where the other individuals who were appointed to District Director positions since January 1, 1993, had come from; and we focused upon two cases involving individuals who had held non-District Director SBA positions before being appointed as District Directors. For each of the eight cases, we reviewed available information, including available competitive examination process case files. In some cases the appointments were made over 2 years before our review began, and SBA did not have a complete case file on the examination and appointment process. We examined available records and compared the examination and appointment procedures used to the competitive examination and appointment requirements contained in the Code of Federal Regulations (C.F.R.) and contained in SBA’s merit staffing plan.

In addressing the second part of the objective—the procedures used by SBA’s Office of Advocacy to hire Regional Advocates and Assistant Advocates during 1998—we first obtained a copy of, and reviewed, the federal statute that provides unique hiring authority to the Chief Counsel for Advocacy. We then interviewed the Deputy Chief Counsel for Advocacy and obtained information on nine employees hired during calendar year 1998. We examined information contained in each of their official personnel folders (OPFs), including the appointment authorities that were cited and the period of their appointments. Because the Chief Counsel for Advocacy has special hiring authority that is exempt from competitive examination procedures, case files and other documentation that is required under competitive examination procedures did not exist in these cases. As a result, we had to rely principally upon interviews with

the Chief and Deputy Chief Counsels for Advocacy in determining the recruiting and hiring processes that were used in these cases.

Our third objective was to determine if SBA followed applicable federal laws and regulations to set the salaries of, and provide salary increases to, political appointees and former congressional (Ramspeck Act) employees hired between October 1, 1991, and September 30, 1998. We first identified those employees by obtaining an accession list from HR officials of political appointees and former congressional employees hired under the Ramspeck Act since October 1, 1991.² We then obtained the OPF of each of those employees and reviewed standard forms 50B (SF-50s) that were filed in the OPFs. SF-50s contained salary setting and salary increase information on each employee and are supposed to be a permanent part of an employee's OPF. We examined the salaries that SBA set for those employees and the salary increases SBA provided to them for compliance with the regulations governing salary setting and salary increases contained in the C.F.R. and in SBA's policies. Because OPFs are to be maintained by the agencies for which the employees work, we obtained OPFs from (1) SBA's HR officials in cases in which the employee was still working for SBA at the time of our review, (2) HR officials of other agencies in cases where the employees had transferred from SBA to another agency, and (3) officials of the National Archives and Records Administration's National Personnel Records Center in cases in which the employees were no longer working for the government and their OPFs had been archived. In some cases, we were unable to locate and obtain OPFs of former SBA employees. In those cases we relied instead on personnel records contained in SBA's personnel database.

Our fourth objective was to determine whether SBA adequately controlled the interagency detailing of its employees during fiscal years 1992 through 1998. We obtained information from SBA's HR officials that identified the SBA employees who were detailed to other agencies and the agencies to which they were detailed during that time period. (SBA officials also provided us with information on other agency employees who were detailed to SBA.) We searched federal regulations, Comptroller General decisions, and the Federal Personnel Manual (now no longer in use) to ascertain what governmentwide guidance was available to SBA on the

²For purposes of this review, we defined political appointees as those receiving appointments to executive schedule positions, those appointed to noncareer Senior Executive Service (SES) positions, those appointed under excepted service schedules A and C authorities, and those appointed to positions involving administratively determined (AD) pay rates. Regarding former congressional employees, we examined the salary setting and salary increases only for those hired under authority provided by the former Ramspeck Act of 1940 (5 U.S.C. 3304(c)), which was repealed by Congress effective December 19, 1997.

matter of interagency details. We also obtained from SBA's HR officials agency personnel guidance regarding the detailing of employees and the interagency agreements that were used to effect and set the terms of the details. We examined the OPFs of those SBA employees who were detailed and searched for relevant documentation supporting the details. Using all available documented information, as well as information obtained from interviews of officials from SBA's Office of Human Resources, we compared the circumstances of each detail to the criteria for details included within SBA's personnel guidance. Using available documented information, as well as information obtained from interviews with officials from SBA's Office of the Chief Financial Officer, we examined (1) the status of recovering costs associated with the reimbursable interagency details and (2) the length of time each detail was to last and actually lasted.

Our fifth objective was to determine what positions were newly created or abolished between March 1996 and March 1998 in SBA's Office of the Administrator, Office of the Deputy Administrator, Office of the Chief of Staff, Office of the Chief Operating Officer, and Office of the Associate Administrator for Field Operations and what were the sources of appointees to the newly created positions and the status of those employees in the abolished positions. We first determined the staffing changes that had occurred in each of those offices by comparing the organizational section of SBA's telephone books for 1996 and 1998. Those organizational sections identified specific employees of each of those offices by name and title. For those positions that were newly established since 1996, we obtained position descriptions from SBA's HR officials. We then interviewed SBA's HR and Chief of Staff officials to discuss establishing and making appointments to those new positions. We also discussed with them the circumstances related to positions being abolished. We examined information contained in the official personnel folders or examined relevant personnel information otherwise available and maintained by SBA's Office of Human Resources to determine the status of those employees whose positions were abolished.

Our sixth objective was to determine the status of SBA's response to a December 1997 congressional mandate to establish a Senior Executive Service (SES) position within SBA's Office of Women's Business Ownership. We first researched the law mandating that the position be established. We then obtained information from SBA's HR officials on all executive level positions that had been established and filled during the fiscal year the legislative mandate became effective. We interviewed cognizant SBA officials and obtained their explanation, as well as relevant

Appendix I
Objectives, Scope, and Methodology

documents, as to the status of the establishment and filling of the mandated position. We compared this information to information we obtained from SBA on how it established and filled other Senior Executive Service positions during the period after the congressional mandate but prior to compliance with the mandate.

Finally, our seventh objective was to determine whether SBA Regional Advocates attended a White House-sponsored political appointee meeting during fiscal year 1997. Our first step in determining which Regional Advocates attended the White House-sponsored meeting was to obtain their travel vouchers and review them for evidence that they traveled to the White House. We then contacted White House officials and confirmed that the Regional Advocates had visited the White House on the date the meeting occurred. We prepared a summary schedule of each instance we found and then contacted six former or current Regional Advocates by telephone to discuss the circumstances of their visits to the White House. We also interviewed the Chief and Deputy Chief Counsels for Advocacy and obtained their perspectives on why the Regional Advocates may have attended the White House-sponsored meeting.

In addressing our seven objectives, we relied extensively upon personnel records provided to us by SBA's HR officials. Some of the information contained in those records dated back to before October 1991. A significant portion of the records came from SBA's personnel records database. This database is contained on computers maintained by the U.S. Department of Agriculture's National Finance Center (NFC) in New Orleans, LA. NFC provides computer-based payroll and personnel services to many federal agencies, and the system is periodically examined for reliability by government and outside auditors.

We did our work in Washington, D.C.; Denver, CO; and St. Louis, MO; from March 1997 through January 1999 in accordance with generally accepted government auditing standards. We obtained written comments on a draft of this report from SBA. These comments are discussed on page 37 of this letter and are reprinted in appendix VI.

Status of Regional Office Employees Following Reorganization

On the basis of personnel-related data as of September 2, 1993, and as of April 1997, and provided to us by SBA Office of Human Resources (HR) officials, we determined that the total number of employees assigned to SBA's 10 regional offices was reduced from 504 to 29. We examined additional individual records that were available and determined the status—following SBA's reorganizing and downsizing efforts—of all but 25 of the 504 employees. In the 25 cases, individual employee records were not readily available, so the status of those employees could not be determined. Table II.1 below shows the status by the regional offices to which the 504 employees were assigned.

Table II.1: Status of 504 Regional Employees as of April 1997

Regional office	Employees assigned as of 9/93	Employees assigned as of 4/97	Transferred/ remained ^a	Status					
				Retired	Resigned	Removed ^b	Died	Appt. expired	Unacct'd for
Atlanta	77	3	44	17	11		2		3
Boston	41	2	27	6	5				3
Chicago	68	3	36	17	6	4	1		4
Dallas/Ft. Worth	60	4	38	13	7				2
Denver	41	3	23	9	3			2	4
Kansas City	36	3	22	10	1	1			2
New York City	7	3	4	2					1
Philadelphia	74	3	55	14	3	1			1
San Francisco	64	3	45	9	8				2
Seattle	36	2	22	8	2	1			3
Total	504	29^c	316	105	46	7	3	2	25

^a 10 employees remained assigned to their regional offices.

^b According to SBA HR officials, these employees were removed from their positions and employment with SBA after they refused to participate in (1) SBA's transfer program or (2) SBA's separation incentives program.

^c Includes 19 newly assigned employees consisting of 10 Regional Administrators and 9 staff.

Source: SBA personnel database.

Appointments of SBA District Directors

SBA had 69 district offices in 1998 located throughout the United States and in Puerto Rico. During the period January 1, 1993, through December 31, 1998, SBA appointed 46 District Directors to 39 district offices¹ In 6 of the 46 cases, the District Directors were newly hired and appointed to their positions from outside SBA after participating in a competitive examination process. In the other 40 cases, the individuals appointed were employees of SBA. This appendix provides case information on the six cases where the District Directors came from outside SBA. It also provides information about the appointments of SBA employees to District Director positions.

SBA Hired Six District Directors From Outside the Agency

During calendar years 1994, 1996, 1997, and 1998, SBA filled six vacant District Director positions with outside hires under competitive examination processes. In each of the six cases, to the extent that relevant documentation was available to review, we examined the steps SBA followed in the appointment process and determined that SBA appeared to have followed all relevant federal laws and regulations. In each case the individual selected was listed among the best-qualified candidates. In one case, we received allegations that the appointee benefited from favoritism—through use of political connections—in obtaining her career appointment as a District Director. We identified information that indicated that the appointee had worked for the Office of the Governor of Colorado. The Governor of Colorado also served as the Chairman of the Democratic National Committee at the time the appointee obtained her District Director position in Denver, Colorado. Despite obvious political connections to the Democratic party, we did not identify factors that we believe would prove favoritism was involved in the appointment process in this case. Determining whether or not favoritism was used in such a case is extremely difficult and can be done only if the intent and motivation of the selecting officials were known. Each of the six cases we reviewed is presented separately below.

Case 1: On May 26, 1994, a former SBA employee was appointed to the position of District Director of the Washington, D.C., District Office. Most District Director positions in SBA are at the GS-14 or GS-15 grade level. However, this position was advertised in the vacancy announcement as an SES career position and was open to all qualified federal employees.

¹The number of appointments exceeded the number of offices because some individuals received multiple appointments during the time period; e.g., they were reassigned from one District Director position to another.

During the years 1985 through 1988 the appointee served in a noncareer SES capacity at SBA as Associate Administrator for Minority Small Business. Since then, he had held other high-level positions at the Departments of Commerce and State as well as in the private sector. Information contained in his application materials showed that he had received a Bachelor of Arts degree in sociology from the University of Puerto Rico. Also, information contained in his application materials showed that his salary had progressed from about \$23,000 per year in 1976 when employed by the former U.S. Department of Health, Education, and Welfare, to \$68,000 per year in 1985 when initially employed by SBA; to \$90,000 per year in 1994 when employed by the Department of Commerce; and finally, to about \$112,000 when appointed by SBA to the SES District Director of Washington, D.C. position²

Relevant documentation regarding the other applicants and the competitive examination process used to fill this District Director position was unavailable. According to SBA's HR officials, there was no requirement to retain such information beyond 2 years and it is possible that the information was destroyed before we began our review³

Case 2: On June 19, 1994, an individual experienced in banking and mortgage lending was appointed to the position of District Director of the Cleveland, OH, District Office. Information in his resume showed that he received a Bachelor of Science degree in International Affairs from Georgetown University and a Master of Business Administration degree from the University of Notre Dame. Also, information contained in his resume showed that his salary had progressed from about \$38,000 per year in 1978 as a Vice President of a bank, to about \$75,000 per year in 1991 as a Vice President of a different bank. This individual's salary decreased to about \$68,000 when he was appointed by SBA to the GS-15, step 1, District Director of Cleveland, OH, position.

This individual was selected through a competitive examination process that began with a vacancy announcement advertising the job as a GS-14/15

²SES appointments are not subject to the rules and regulations of title 5 of the U.S. Code that pertain to competitive service appointments, and heads of agencies have greater discretion in setting the salaries of SES appointees.

³According to 5 C.F.R. 335.103(b)(5) such records may be destroyed after 2 years or after the agency's merit promotion program has been formally evaluated by the U.S. Office of Personnel Management (OPM).

position open to all qualified applicants in the United States. Information obtained from SBA showed that before the position was advertised, an SBA employee who had graduated from SBA's District Director Candidate Development Program had expressed interest in being appointed to the position. According to SBA's HR officials, successful graduates of SBA's District Director Candidate Development Program can be noncompetitively appointed to District Director positions. HR officials told us they conveyed to the SBA Administrator the employee's interest in being appointed to the position. However, according to the HR officials, without explanation the SBA Administrator directed that the position be advertised to the public.

Information obtained from the Office of Human Resources showed at least 37 individuals applied for the position. After evaluating the qualifications of the 37 applicants, SBA's Office of Human Resources established two certificates of numerically rank-ordered applicants from which a selection could be made. One certificate contained the names of five applicants eligible for appointment at the GS-15 grade level. The other certificate contained the names of five applicants eligible for appointment at the GS-14 grade level. According to federal personnel regulations, an individual selected from a rank-ordered certificate should be among the top three highest-ranked applicants on the certificate, and a preference-eligible veteran should not be bypassed. In this case, the appointee was selected from the GS-15 certificate. He was tied with another applicant in having the highest numerical ranking of those listed on that certificate, and both of them were awarded 5 extra points because they provided evidence of being preference-eligible veterans. The appointee was ranked second highest on the GS-14 certificate. The highest ranking applicant on that certificate claimed to be a preference-eligible veteran and was awarded 10 extra points because he claimed to be at least 10-percent disabled.

Information regarding the SBA employee who had graduated from the District Director Candidate Development Program and who had indicated an interest in being appointed to the position showed that he was serving as a GS-13 Financial Analyst in SBA. The information also showed that he had received a Bachelor degree in Business Administration from Howard University.

Documentation on the other applicants who applied under the vacancy announcement was not available. According to officials from the Office of Human Resources, given that the case was over 3 years old at the time of our review, most of the documentation regarding those applicants was likely destroyed.

Case 3: On May 29, 1996, an individual who had previously served as an SBA Regional Administrator, and who had since worked as an executive in banking and communications and in the Government of Puerto Rico, was appointed to the position of District Director of the Hato Rey, PR, District Office. According to information contained in his application materials, he received a Bachelor of Arts degree in government and economics from the University of Puerto Rico and had met the credit requirements for a Master of Public Administration degree at New York University. Also, information contained in his application materials showed that his salary had progressed from about \$16,000 per year in 1970 when employed as an Assistant Vice President of a bank; to about \$50,000 in 1977 when employed as a GS-17 SBA Regional Administrator for New York; to about \$86,000 in 1996 as the Deputy Administrator for Economic Development Administration, Government of Puerto Rico; and finally to about \$90,000 when appointed by SBA to the GS-15, step 10, District Director of Hato Rey, PR, position⁴

This individual was selected for the District Director position through a competitive examination process that began with a vacancy announcement advertising the job as a GS-14/15 position open to all qualified applicants. Information obtained from SBA's Office of Human Resources showed that at least 27 people applied for the position. After evaluating the qualifications of the 27 applicants, SBA's Office of Human Resources established two certificates of numerically rank-ordered applicants from which a selection could be made. One certificate contained the names of six applicants eligible for appointment at the GS-15 grade level. The other certificate contained the names of 12 applicants eligible for appointment at the GS-14 grade level. The appointee was selected from the GS-15 certificate on which he was the highest-ranking applicant. He provided evidence of being a preference-eligible veteran and was awarded 5 extra points. He was also the highest-ranking applicant on the GS-14 certificate.

Application materials from other applicants for this position were available for our review. We reviewed the employment histories and education information contained in those application materials. The applicant who was ranked second highest on the GS-15 certificate had served as Secretary of the Treasury of the Government of Puerto Rico in the 1980s.

⁴ The SES, established in 1978, incorporated the GS pay grades of GS-16, 17, and 18. Therefore, this individual's pay grade during the period when he was Regional Administrator of SBA's New York Office was equivalent to today's SES pay grades.

Also, she had served in executive positions with a major bank, a State of New York finance agency, and in a private sector securities corporation. This applicant received a Bachelor of Business Administration degree from the University of Puerto Rico and a Master of Business Administration degree from the Wharton School of Business. She would have been the highest-ranked applicant on the GS-15 certificate had the appointee not benefited from 5 extra points awarded under provisions of veteran preference laws. The third highest-ranked applicant on the GS-15 certificate was employed by SBA as a GS-14 Supervisory Attorney in a District Office. He too had received a Bachelor's degree from the University of Puerto Rico. In addition, he claimed he had met all credit requirements for a Master of Public Administration degree from that same University and a Juris Doctorate degree from the Inter-American University.

Case 4: On February 3, 1997, an individual who had previously worked in the State of Colorado Governor's Office was appointed to the position of District Director of the Denver, CO, District Office. According to her application materials, at the time she applied for the District Director position, she was serving as the Director for Citizen Advocacy and Outreach and as the Colorado State Diversity Coordinator for the Government of Colorado State. Before that, she was in business for herself as a human resources consultant and had worked for OPM as a GS-11 Personnel Management Specialist. Her application materials indicated that she had earned college credits in business administration courses from the University of Albuquerque and from the University of New Mexico. However, there was no indication that she had earned a college degree. None of the vacancy announcements for District Director positions we reviewed stated that a college degree was required. Also, her application materials showed her salary had progressed from about \$14,000 per year in 1974 when she was employed as a GS-9 Administrative Assistant working at the Caribou National Forest; to about \$31,000 per year in 1984 when employed as a Personnel Management Specialist by OPM; to \$100,000 per year in 1990 as a self-employed human resources consultant. This individual's salary decreased to about \$77,000 when she was appointed by SBA to the GS-14, step 7, District Director of Denver, CO, position.

She was selected for the District Director position through a competitive examination process that began with a vacancy announcement advertising the job as a GS-14/15 position open to all recruiting sources. At least 45 other applicants had applied for the position. After reviewing the application materials of all of the applicants, SBA's HR officials prepared several certificates and rosters of eligibles from which a selection could be

made⁵ One certificate contained the names of eight applicants, in numerically ranked order, eligible for appointment at the GS-15 level. Another certificate contained the names of 18 applicants, in numerically ranked order, eligible for appointment at the GS-14 level. The appointee was selected from a separate roster of applicants eligible for appointment at the GS-14 level under SBA's Merit Promotion and Placement Program. This was an alphabetical listing of 11 qualified applicants who already had competitive service status in the government. The appointee had acquired competitive service status from her previous employment with the federal government and was therefore eligible to be reinstated into the competitive service. According to 5 C.F.R. 335.103(b)(4), agencies may consider applicants eligible for reinstatement into the competitive service as part of the agency's merit promotion program.

We became aware of allegations that the appointee obtained this District Director position through her political connections. We noted that the appointee's application materials showed that at the time she applied for the position, she was working for the Office of the Governor of Colorado. The Governor was also serving at the time as the Chairman of the Democratic National Committee. Through this position, he had dealings with other Democratic party leaders, including President Clinton. We also noted that a key official in the selection process was the Regional Administrator of SBA's Denver Regional Office. The person selected as the District Director of the Denver, CO, District Office would be reporting to the Regional Administrator. The Denver Regional Administrator, as well as the other nine SBA Regional Administrators, were political appointees. However, despite these facts, and the appearance they give that favoritism could have been involved in the selection process, we did not identify other factors that would conclusively demonstrate that favoritism was in fact used in the appointment process in this case. According to a memorandum from the Chairman of SBA's Executive Resources Board (ERB) to the SBA Administrator, the ERB Chairman and the Regional Administrator of SBA's Denver Regional Office, the Assistant Administrator of SBA's Office of Human Resources, and three other SBA officials had interviewed the appointee and two other candidates.

⁵ A certificate of eligibles is used when the applicants do not have competitive service status and their qualifications must therefore be examined and rated numerically against other nonstatus applicants. The selecting official is required to select from the top three rated applicants on the certificate and may not pass over a preference-eligible for a nonpreference-eligible without sufficient justification. A roster of eligibles is prepared for applicants who do have competitive service status and whose qualifications meet the minimum requirements for the position. These applicants are listed in alphabetical order, and the selecting official may select anyone on the alphabetical list.

According to the memo, they determined that the appointee was clearly the top choice of each of the interviewers. They said that the appointee had demonstrated the requisite ability, energy, and enthusiasm needed for the position.

Employment histories and education information contained in the application materials of the other two candidates who were interviewed showed that one was a GS-14 Supervisory Contract Specialist at another federal government agency. This applicant received a Bachelor of Science degree in Human Resource Management from the University of Wyoming and a Master of Business Administration degree from California State University. The other applicant who was interviewed was the Acting District Director of the Denver District Office. He had obtained a temporary promotion to the GS-15 level as the Acting District Director. His application materials indicated he had taken college courses in accounting, but there was no indication that he had earned a college degree.

Information contained in the application materials of the two highest-ranking applicants on the GS-15 certificate showed that the highest-ranked applicant had been the Deputy Director for Economic Development for the State of Ohio. He received a Bachelor of Science degree from Tennessee State University in 1969 and a Master of Administration degree from Central Michigan University in 1979. The second highest-ranked applicant on this certificate had been a Credit Specialist with the Federal Deposit Insurance Corporation. Before that he was an executive level Subsidiary Program Manager at the Resolution Trust Corporation and had served as a Vice President of two different banks. He received a Bachelor of Science degree from California State Polytechnic University in 1968 and a Master of Business Administration degree from that same university in 1972.

Information contained in the application materials of the two highest-ranking applicants on the GS-14 certificate showed that the highest-ranked applicant had been a GS-13 (equivalent) Supervisory Management Analyst with the Department of the Army. He received a Bachelor of Arts degree in sociology from the University of the State of New York in 1976. He also received a Master of Business Administration degree from Pepperdine University in 1987. The second highest-ranked applicant on this certificate had been an executive level Director of Asset Management at the Resolution Trust Corporation. Prior to that he had served as General Counsel and Senior Vice President of a savings and loan association. He received a Bachelor of Science degree in public administration from Florida State University in 1957, and a Juris Doctorate degree from Florida State University in 1973.

Case 5: On August 11, 1998, an individual who had previously been an entrepreneur in the home health services field was appointed to the position of District Director of the New Orleans, LA, District Office. According to information contained in his application materials, as an entrepreneur the individual had participated in many of the SBA's programs. The individual's application materials cited the names of U.S. and local politicians who could be contacted as references for the individual and contained letters of recommendation from local politicians. According to information contained in his application materials, the individual obtained a Master of Business Administration degree from the University of New Orleans and a Bachelor of Science degree from Xavier University of New Orleans. The application materials also showed that his salary had progressed from about \$14,000 per year in 1974 when employed as a Vice President of an oil fields drilling fluids and service company; to \$65,000 per year in 1992 as the Chief Executive Officer (CEO) of a precision machine shop; to \$75,000 in 1997 as President and CEO of his own home health care company; and finally to about \$76,000 when appointed by SBA to the GS-15, step 1, District Director of New Orleans, LA, position.

This individual was selected for the District Director position through a competitive examination process that began with a vacancy announcement advertising the job as a GS-14/15 position open to all recruiting sources. According to a SBA HR official who initially reviewed all application packages for this position, between 60 and 70 people applied for the position. Information obtained from SBA's Office of Human Resources showed that 5 selection certificates and rosters were prepared that contained the names of 21 applicants found to be best qualified for the position. Two certificates contained the names of best-qualified applicants in numerically ranked order, and three rosters contained the names of best-qualified applicants in alphabetical order. Of the two numerically ranked certificates, one contained the names of three individuals, including the appointee, who were eligible for appointment at the GS-14 level. The appointee ranked third on this certificate. The other numerically ranked certificate contained the names of three individuals, including the appointee, who were eligible for appointment at the GS-15 level; the appointee was ranked second on this certificate and was appointed from it. However, the original certificate did not contain the appointee's name, and the certificate was amended to include it. According to the SBA HR official who handled the case, he was initially unaware that the appointee's application package contained both an abbreviated resume and a more substantive resume. The HR official told us that he examined the abbreviated resume and determined the appointee was eligible for

appointment only at the GS-14 level. According to the HR official, when the appointee learned that he was selected for appointment at the GS-14 level, the appointee appealed for reconsideration for appointment at the GS-15 level. The official told us that during a discussion of the matter with the appointee, the appointee referred to the substantive resume that he had submitted as part of his application materials. The HR official told us that he reexamined the appointee's application materials and found that the more substantive resume had been overlooked. On the basis of the HR official's reexamination of the application materials—including the more substantive resume—and on the basis of an independent examination of the same application materials by a second HR official, a determination was made that the appointee did qualify for appointment at the GS-15 level. As a result, an amended certificate was prepared to include the appointee's name.

The SBA HR official who conducted the initial examination and the reexamination told us that such mistakes sometimes occur because of the overwhelming number of applicants and the volume of materials each applicant submits for District Director positions. He also said that new procedures have recently been put into place that require a second HR official to also examine all application packages for the District Director positions. He believes the use of two independent examiners should help prevent the reoccurrence of such mistakes.

Of the three rosters from which a selection could have been made, one contained the names of two individuals—in alphabetical order—who had indicated interest in being transferred to the position at the GS-15 level. A second roster contained the names of two individuals—in alphabetical order—who were found eligible for promotion to the position at the GS-15 level. And the third roster contained the names of 11 individuals—in alphabetical order—who were found eligible for promotion to the position at the GS-14 level.

We noted that the appointee's application materials contained the names of two U.S. Senators and two U.S. Representatives, all from Louisiana, who could be contacted as references for the applicant. Also cited as references were the names of the mayors of the cities of New Orleans and Alexandria, LA. The application materials also included letters of recommendation from the mayors of the cities of Slidell and Opelousas, LA, as well as from several councilmen of the city of New Orleans. On the basis of these cited references and letters of recommendation, we questioned SBA's HR officials about any political connections that may have been used in the competitive examination process. SBA HR officials from both

headquarters and from the SBA Denver, CO, personnel processing center told us that other than the information that was contained in the application package, they were not aware of any political connections the appointee may have had within SBA or elsewhere within the administration. They also claimed that they did not contact the cited references and that there was absolutely no pressure of any kind placed upon them as they conducted the competitive examination process in this case. Other than the information contained in the application materials, we did not identify any other information that would indicate the use of political connections in this case. We did inquire about whether or not the appointee remained involved with any prior business that may be participating in SBA programs. SBA's HR officials told us that the appointee was completely out of all prior businesses at the time that he was appointed to the District Director position.

Our review of the application packages of the other best-qualified applicants is summarized below.

Of the two other individuals who were listed on the numerically ranked GS-15 certificate from which the appointee was selected, both were SBA employees. One had been serving as the Acting District Director of the New Orleans District Office since December 17, 1997; and the other was serving as the District Director of SBA's Detroit, MI, District Office. The Acting District Director was formerly the Assistant District Director for Economic Development, Finance, and Investment. According to his application materials, he obtained a Bachelor of Science degree in Personnel Management in 1961 from Louisiana State University. According to the other individual's application materials, he had been serving as the District Director of the Detroit, MI, District Office since June 1995 and obtained a Bachelor of Science degree in Mathematics from Howard University in 1968.

Of the other two individuals who were listed on the numerically ranked GS-14 certificate, one was a GS-13 Supervisory Business Marketing Executive with the Defense Reutilization and Marketing Service. According to his application materials, he obtained a Bachelor of Arts degree in Business Administration from the University of Maryland in 1975 and a Master of Arts degree in Management Supervision and Personnel Management from Central Michigan University in 1981. According to application materials from the other individual, he was president and owner of a steel cleaning, coating, and fabrication company. His application materials showed he obtained a Bachelor of Arts degree in engineering sciences from Dartmouth College in 1975 and had taken

master-level courses in finance and engineering at the University of Pittsburgh and at the Illinois Institute of Technology.

Application materials from applicants listed alphabetically on the rosters showed they had acquired levels of experience and education that ranged from being a GS-15 director of another agency federal program and having a doctorate degree in engineering, to current SBA employees serving in positions of a lesser grade and responsibility than that of District Director and having various levels of formal education.

Case 6: On August 30, 1998, an individual who had previously been a GS-15 Industrial Production Officer in the Department of the Air Force was appointed to the position of District Director of the Sacramento, CA, District Office. Information contained in the appointee's application materials showed that this individual obtained a Bachelor of Science degree from Wayland College in 1979. The information also showed that the individual's salary progressed from about \$46,000 per year in 1990 when he retired from the Air Force at the rank of Captain; to about \$51,500 per year in 1995 as a GS-13 civilian employee of the Air Force; to \$75,000 per year in 1997 as a GS-15 Division Chief in the Air Force; and finally to about \$82,000 when appointed by SBA to the GS-14, step 8, District Director of the Sacramento, CA, position.

SBA conducted a competitive examination in filling this position that began with a vacancy announcement advertising the job as a GS-14/15 position open to all sources. Information regarding the total number of applicants for this position was not included in the materials we reviewed. However, available information showed that SBA established 6 certificates and rosters containing the names of 17 applicants whom SBA had determined to be the best-qualified applicants for the position. The appointee already had competitive service status from his previous employment with the Air Force, and SBA found him qualified for appointment to the District Director position at the GS-14 level. His name was listed on the GS-14 roster in alphabetical order with the names of other status applicants found to be qualified for appointment at that level. The appointee's application materials included (1) a letter from him to SBA advising that he was to be adversely affected by a reduction in force (RIF) action due to the upcoming closure of his Air Force base and (2) a copy of a memorandum to him from the Air Force advising him of the impending RIF.

Of the six certificates and rosters from which a selection could have been made, one was a certificate that contained the names of seven individuals

in numerically ranked order who were eligible for appointment to the position at the GS-14 level. The top three candidates on that list included a GS-13 Project Manager employed by the Department of Defense (DOD); a Chief Administrative Officer of a California university school of medicine; and the owner of the steel cleaning, coating, and fabrication company who was also identified as a top candidate for the position discussed in case 5 above. Application materials from the GS-13 DOD Project Manager showed that he obtained a Bachelor of Science degree in journalism from Northwestern University and a Master of Arts degree in economic development from the University of Wisconsin. The dates these degrees were awarded were not shown. The application materials from the Administrative Officer of a California university school of medicine showed that he obtained a Bachelor of Science degree from the University of California in 1972, a Master of Business Administration degree from UCLA in 1976, and a Master in Public Health degree from UCLA in 1976. The materials also showed that he was working on a doctoral degree in public policy when he applied for the District Director position.

Five rosters contained the names of 13 individuals, in alphabetical order, including the appointee, who were eligible for promotion to either the GS-14 or GS-15 level, were eligible for transfer at either the GS-14 or GS-15 level, or were eligible for noncompetitive appointment at the GS-14 level due to Peace Corps service. Application materials from the nonselected applicants on these rosters showed they had acquired levels of experience and education that ranged from being a former GS-15 Deputy Regional Manager at SBA and having a Master of Public Administration degree; to the former Peace Corps Volunteer who also had been a partner in a law firm and, in addition to her Juris Doctorate degree in law, had obtained a Master of Business Administration degree from the University of California at Berkeley in 1983, a Master of Arts degree in Special Education from the University of Northern Colorado in 1975, and a Bachelor of Arts degree in Sociology from Colorado College in 1972.

Two Cases in Which SBA Employees Were Appointed to District Director Positions

As noted earlier in this appendix, 40 appointments of SBA employees were made to District Director positions between January 1, 1993, and December 4, 1998. In 14 of these appointments, the individuals had recently graduated from SBA's District Director Candidate Development Program and were noncompetitively appointed to their District Director positions. In nine of these appointments, the individuals had been reassigned from District Director positions in other district offices. In the remaining 17 cases, the individuals had held various other positions at SBA and had either competed for, or were reassigned to, their District Director positions.

In order to understand how some of these latter appointments to District Director were made, we examined the circumstances in 2 of the 17 cases. In both cases, on the basis of the information available for our review, it appeared that SBA followed procedures consistent with federal laws and regulations in filling the District Director positions.

Case 1: On July 23, 1995, the SBA Deputy Regional Administrator for region I in Boston, MA, was reassigned to the position of District Director of the Boston District Office. The previous District Director retired. According to an SBA HR official familiar with this case, there were two principal reasons for reassigning the Deputy Regional Administrator to the position of District Director of the Boston office. First, as part of SBA's reorganization and downsizing effort, the number of employees at each of the 10 SBA Regional Offices was being significantly reduced. As a result, there was a need to reassign the Deputy Regional Administrator to another position within SBA. Second, the HR official told us that the Boston District Director vacancy had been advertised to the public, but SBA management was not happy with the quality of the applicants and determined that reassigning the Deputy Regional Administrator to that position was the best option.

According to information contained in her application materials for the Deputy Regional Administrator position, this individual had worked for Senator George Mitchell's Office since 1989 and was losing her job due to the Senator's retirement. Using her Ramspeck Act eligibility, she obtained a career appointment at SBA as a GS-15, step 6, (\$84,791) Deputy Regional Administrator. Her appointment was made on January 22, 1995, just 6 months before she was reassigned to the position of District Director of the Boston District Office. Her grade level and salary remained unchanged when she was reassigned to the District Director position. Since then, this individual has been reassigned again, this time to the position of District Director of the Augusta, ME, District Office. Her application materials showed that she obtained a Bachelor of Arts degree from Merrimack College in 1963. Her replacement as District Director in Boston was an individual who was holding the position of Boston Regional Advocate. This individual was selected for the position of District Director of the Boston office through a competitive examination process after having applied for the position which was advertised as being open to all sources.

Case 2: On August 26, 1996, the Regional Advocate for King of Prussia (Philadelphia) was selected for, and appointed to, the position of District Director of the Clarksburg, WV, District Office. In this case, the position was filled through a competitive examination process that began with a

vacancy announcement advertising the job as a GS-14/15 position open to all recruiting sources. According to information that was available for our review, a certificate of numerically ranked eligibles was prepared that contained the name of two applicants. The appointee had the highest ranking of the two and was selected and appointed to the position at the GS-15, step 1 level (\$72,162). This was about a \$2,000 decrease from her salary as Regional Advocate. Limited information on two other applicants was available for our review, but the case file was incomplete and information on any other applicants was not included.

According to the appointee's application materials, she had served as an Account Coordinator and as a Research Assistant in the private sector before becoming Development Administrator for a West Virginia software foundation in 1989. In the latter position she described the foundation as having been started by Senator Byrd of West Virginia, and she listed the Governor of West Virginia as her supervisor. She also claimed to have worked with Senator Byrd's staff in this position, facilitating subcontracting agreements. Also, according to her application materials, she received a Bachelor of Science degree in journalism in 1987 from West Virginia University and a Master's degree in administration in 1991, also from West Virginia University. In April 1994 she received a noncompetitive appointment to the position of Regional Advocate in the King of Prussia office. Her appointment to that position was not to exceed May 3, 1995 (13 months), and her salary was set at about \$50,300 (equivalent to the GS-13, step 1 level.) In October 1994 her salary was increased to about \$61,400 (equivalent to the GS-14, step 2 level); and on May 4, 1995, she was reappointed as Regional Advocate not to exceed May 3, 1996 (13 months). According to her application materials for the District Director position, beginning in July 1995 she served as Acting Regional Administrator for region III, which included King of Prussia as well as Clarksburg, WV, and her salary was temporarily increased to about \$72,200 (equivalent to the GS-15, step 1 level.) In December 1995, she was again reappointed as Regional Advocate, not to exceed November 19, 1996. On August 26, 1996, she obtained a career-conditional appointment as GS-15, step 1, District Director of the Clarksburg, WV, District Office. At that time, her salary as Regional Advocate had been about \$74,000. Her salary was reduced to the GS-15, step 1 level of about \$72,100 at the time of her District Director appointment.

The other individual on the certificate of eligibles, who also could have been selected, had appeared on certificates of eligibles for other SBA District Director positions. He was a Director of Logistics at the GS-14 level in the Department of Defense. In addition to this applicant, according

Appendix III
Appointments of SBA District Directors

to the SBA ERB, a recent graduate of SBA's District Director Candidate Development Program also expressed interest in the Clarksburg District Director position. ERB, in a memorandum to the SBA Administrator, identified this individual as a very strong candidate but said it believed that the individual would have excellent placement potential in other District Director positions and recommended that the appointee be selected.

Additional Information on Interagency Details

Using SBA documents we prepared the following tables to provide additional information on interagency details of SBA employees during fiscal years 1992 through 1998.

Table IV.1: Reimbursable Details From SBA to Other Agencies During the Period FY 1992 Through FY 1998

No.	Grade	Agency to which detailed	Agency from which detailed	Planned period of detail	Duration (in days)		Reimbursable basis (annual salary)	Actual amount reimbursed	Date of Reimbursement
					Planned	Actual			
1.	GS-13	Library of Congress	SBA	12/01/91-11/30/95	1,460	? ^a	\$50,692 ^b	110,872 ^c	7/26/94
2.	ES-5	Department of Energy	SBA	01/27/92-01/26/93	366	? ^a	\$121,296	121,296	8/25/94
3.	GM-14	Department of Agriculture	Office of Advocacy	04/13/92-09/30/92	171	? ^a	\$68,610	? ^d	
4.	ES-6	Agency for International Development	SBA	11/01/92-08/31/93	317	? ^a	\$112,100	112,045	8/27/98
5.	GS-14	National Aeronautics & Space Administration	SBA	05/29/94-05/28/95	365	? ^a	\$64,926	29,286	9/26/94
6.	GS-12	General Services Administration	SBA	12/12/94-06/30/95	201	949	\$51,001	\$46,899 ^e	multiple
7.	GS-12	Peace Corps	SBA	07/05/95-07/04/96	365	? ^a	\$48,365	62,874 ^f	8/27/98
8.	GS-15	Environmental Protection Agency	SBA	07/09/95-07/08/97	730	240	\$93,855	\$73,331	6/10/98
9.	GM-13	Portland Federal Executive Board/DOE	SBA	10/01/95-09/30/96	365	? ^a	\$79,000	70,367	8/27/98
10.	EL-III	Office of Management and Budget	SBA	07/20/98-07/19/99	365	? ^a	\$125,900	31,190 ^g	11/4/98
Total								\$658,160	

^aSBA could not provide sufficient, documented evidence to show the actual length of the detail.

^bAverage annual salary over 4-year period; benefits amount not shown in SBA documents.

^cReflects reimbursement made for a portion of the detail period, including all of fiscal year 1993 and part of fiscal year 1994.

^dSBA could not provide sufficient, documented evidence of reimbursement.

^eRepresents amount of payment made by GSA to SBA for overtime worked.

^fReflects salary plus benefits totaling 30 percent of salary.

^gReflects reimbursement for portion of detail—but portion not identified in SBA documents.

Source: Documents obtained from SBA.

**Appendix IV
Additional Information on Interagency Details**

SBA officials told us that SBA's internal control processes regarding interagency details needed improvement. SBA was unable to provide sufficient, documented evidence in most cases that it had received the correct amounts of reimbursements for its employees detailed to other agencies on a reimbursable basis. At the time of our review, SBA officials indicated that the internal control problems were being corrected and that billings to the other agencies were going to be prepared.

Table IV.2: Nonreimbursable Details From SBA to Other Agencies During the Period FY 1992 Through FY 1998

No.	Grade	Agency to which detailed	Agency from which detailed	Planned period of detail	Duration (in days)	
					Planned	Actual
1.	GS-15	U.S. Int'l Cultural and Trade Center Commission	SBA	10/01/91-01/30/93 ^a	488	? ^b
2.	GS-15 ^c	Nat'l Advisory Council on Public Service	SBA	05/01/92-04/30/93	365	354
		Office of the Vice President, Nat'l Performance Review	SBA	04/20/93-10/18/93	182	? ^b
3.	? ^g	Export-Import Bank	SBA	06/02/92-11/30/92 ^d	182	? ^b
4.	GS-15	Office of the Vice President, Nat'l Performance Review	SBA	04/15/93-10/11/93	180	? ^b
5.	GM-14	Office of the Vice President, Nat'l Performance Review	SBA	04/15/93-10/11/93	180	? ^b
6.	GM-15	Office of the Vice President, Nat'l Performance Review	SBA	05/17/93-11/12/93	180	? ^b
7.	GS-13	Office of the Vice President, Nat'l Performance Review	SBA	05/19/93-11/14/93	180	? ^b
8.	ES-6	Office of Congressman Michael P. Forbes	SBA	02/21/95-10/20/95	242 ^e	? ^b
9.	GS-12	Executive Office of the President	SBA	04/16/95-? ^f	? ^f	? ^b
10.	? ^g	Dept. of the Navy	SBA	03/17/97-07/14/97	120	? ^b

^aThese dates show the extensions of a detail that began on 02/01/90.

^bSBA could not provide sufficient, documented evidence to show the actual number of days of the detail.

^cThis individual's detail to the National Advisory Council on Public Service was terminated on 04/19/93; and he was detailed the next day to the Office of the Vice President.

^dThese dates show the extension of a detail that began on 05/15/91.

^eThis total represents an initial planned detail of 120 days and an extension that was not supposed to exceed 120 days but in which the planned extension detail days totaled 122.

^fNo interagency agreement was available for examination in this case, so the planned ending date and the planned number of days of the detail are unknown.

^gInformation on this individual's grade was not available.

Source: Documents obtained from SBA.

Additional Information on Position Changes in Key SBA Offices

Office of the Administrator

Executive Assistant: In 1996, the Executive Assistant position existed as an excepted service, Schedule C position and was filled by a GS-13 political appointee.¹ In February 1997, the position was newly established as a competitive service position, which meant that it had to be filled by a career federal employee rather than a political appointee. The political appointee who formerly held the excepted service position resigned. The current incumbent of the new position, a GS-13 career-conditional employee, transferred to SBA from the Office of Federal Housing Enforcement and Oversight (OFHEO), an independent agency within the Department of Housing and Urban Development. At OFHEO, she had been converted from an excepted service appointment to a career-conditional competitive service appointment about 1 month before transferring to SBA.

White House Liaison: This position was filled on September 3, 1996, by a Schedule A, GS-14 White House Fellow.² The appointment was not to exceed September 4, 1997, and was authorized by 5 C.F.R. 213.3102(z), which permits the appointments of not more than 30 individuals designated by the President to be White House Fellows to positions as assistants to top-level federal officials. On February 15, 1997, the incumbent resigned her position at SBA to accept a position in the Director's Office at the U.S. Peace Corps.

Project Director for Lender Oversight: This position was newly established in September 1997 as an SES position and was filled by a political appointee under a limited-term SES appointment not to exceed 36 months. According to the job description, the incumbent would be responsible, in part, for modifying the existing interface between SBA, financial institutions, and trade groups in order to ensure that financial transactions were improved, operating efficiently, and in place prior to the 21st century. Prior to this appointment, the incumbent had held an excepted service appointment at OFHEO. According to SBA's HR officials, in June 1998 the incumbent returned to that agency to accept a permanent, part-time position. The Project Director for Lender Oversight position remained vacant as of December 1998.

¹ Excepted service positions are filled by individuals hired under Schedules A, B, or C authority. Schedule C authority is used to provide political appointments to individuals who work closely with, and have the confidence of, the head of the agency or other high level agency officials, who usually are also political appointees.

² Schedule A authority is generally used for appointing individuals to attorney positions. However, Schedule A authority can also be used in the appointment of White House Fellows.

Special Assistant: This position was newly established in November 1997 as an excepted service position and was filled by a political appointee under a Schedule C, GS-13 appointment. Prior to this SBA appointment, the individual had been a Staff Assistant at the White House Office.

Staff Assistant: This position was newly established in February 1997 as a competitive service position, and, as had been done with the Executive Assistant position, the incumbent was converted from an excepted service appointment at OFHEO to a career-conditional competitive service appointment about 1 month before transferring to this SBA position.

Office of the Deputy Administrator

Senior Advisor: This position was a Schedule C, GS-15 position filled by a political appointee. The political appointee resigned from SBA in November 1996, and the position was eliminated thereafter.

Program Support: This position was established as a competitive service position in January 1997 and was filled by a GS-9 SBA employee who was reassigned from a Program Support Specialist position in SBA's Office of Communications and Public Liaison.

Office of the Chief of Staff

Special Assistant: This position was newly established in October 1997 as an excepted service position and was filled by a Schedule C, GS-14 political appointee who had been in a similar political appointee position at the Department of Housing and Urban Development. In 1996 a different Special Assistant position existed as a competitive service position and was filled by a GS-7 career employee. The employee was reassigned within the same Office to a secretary position (see Staff Assistant positions below in this section).

Receptionist: This position was vacant in 1996 and was eliminated thereafter.

Deputy Chief of Staff: This position was newly created in September 1997 as an SES position. In October 1997, an individual who had been serving as an Office of Advocacy Regional Advocate in San Francisco was converted to a limited-term SES appointment and placed into the Deputy Chief of Staff position. The following year, in October 1998, this individual became the Chief of Staff, and the Deputy Chief of Staff position became vacant. It remained vacant as of December 1998.

Staff Assistant: Two competitive service staff assistant (secretary) positions were filled by SBA career employees who were reassigned from other SBA positions. One was reassigned in May 1996 from the Special

Assistant position in this Office, and the other was reassigned in February 1997 from an Automation Assistant position within the Office of the Administrator.

Office of the Chief Operating Officer

Chief Operating Officer: This position was newly established in August 1997 as an SES position and was filled by a career SES employee who transferred to this position from the Justice Department's Immigration and Naturalization Service in September 1997. About 1 year later, this individual was detailed to the Office of Management and Budget. According to an SBA HR official, a new Chief Operating Officer has been selected and was to soon be appointed. She is a career senior executive and will be transferring to SBA from the Immigration and Naturalization Service.

Office of the Associate Administrator for Field Operations

Program Support Specialist: The incumbent of this GS-9 position resigned from SBA in August 1997 to accept a position in a local public school system. The position was eliminated thereafter.

Program Analyst: Two Program Analyst positions were eliminated during the period 1996 through 1998. The career employee incumbents of those positions were reassigned to other SBA positions. One was reassigned to a Deputy District Director position in September 1996, and the other was reassigned to a position in SBA's Office of Congressional and Legislative Affairs.

Associate Director: This position was newly established in October 1997 as an excepted service position and was filled by a Schedule C, GS-12 political appointee who, just prior to this appointment, had been a GS-11 Special Assistant political appointee in SBA's Office of Communications and Public Liaison.

Office Automation Assistant: This position was newly created as a GS-6 excepted service position in August 1997 and was filled on a temporary basis by a newly hired SBA employee. In 1998 the employee was promoted to a GS-7 Office Automation Assistant and converted to a career-conditional appointment.

Comments From the Small Business Administration



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

APR 1 1999

Michael Brostek
Associate Director
Federal Management and Workforce Issues
General Accounting Office
Washington, D.C. 20548

Dear Mr. Brostek:

We have reviewed your draft report on SBA Personnel Practices, GAO code 410226, and appreciate the opportunity to provide comments.

We find the draft misleading. Your evaluators reviewed hundreds of actions. In all but a handful of these cases, your evaluators reported that they "found nothing procedurally amiss." We provided extensive documentation for current employees and most of the requested documentation for former employees. On the opening page of the report it states "the 1990s have been turbulent times for SBA." Given the changes caused by several reorganizations and downsizing, it is conceivable that some documentation was lost in the various transitions. Since a number of actions reviewed were for separated employees (some of whom had separated years earlier), providing documentation for their appointment or salary setting wasn't always possible. In only one case, did your evaluators conclude that the initial salary was regulatorily improper. That case was for a separated employee's 1994 appointment and we have taken appropriate corrective action.

On page 4 of the draft, there is a footnote that shows GAO included in the definition of political appointees, those appointed under Schedule A excepted service and those under administratively determined (AD) pay rates. Page 2 of Appendix VI suggests you also included limited term SES appointments as political. This is incorrect. Schedule A appointments include attorneys, disabled and student appointments to name just a few. While the report is accurate that the administratively determined (AD) Regional Advocates "...share many of the characteristics of political appointees...", their mission is significantly different than that of political appointees. Regional Advocates need to ensure that small businesses have meaningful input in the formulation of public policy. Thus, the subject matter of their mission is extremely diverse. To illustrate, they were instrumental in identifying small business leaders to participate in the 1995 White House Conference on Small Business and ensuring that the small business delegates were briefed and knowledgeable in ten issue areas ranging from taxes to environment to technology. They helped organize small business input into regional meetings sponsored by OSHA on health and safety programs. They also devoted significant time reaching out to rural and other communities to explain the impact of a proposed FCC rule that would have eliminated funding for universal telephone service. Since the Chief Counsel is independent, they too are independent but take their direction from him.

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Now on p. 3.

Now on p. 49.

See GAO comment 1.

Appendix VI
Comments From the Small Business Administration

Clarified. See p. 4.

On page 7, the draft states, “in the rare cases where we were unable to locate an employee’s OPF.” This should be clarified by defining the missing OPF as belonging to a former or separated employee. OPFs were available for all current employees.

See GAO comment 2.

On page 14, the draft states, “the Assistant Administrator for Human Resources... was unaware of any federal agency that uses recruitment bonuses.” This is incorrect. She said she did not have any information on the effectiveness of recruitment bonuses in any other agency.

Now on p. 10.

Also on page 14, speaking of one case, and again on page 18 of the draft, speaking of 32 appointments for which there was insufficient evidence to reconstruct the salary setting process, it says, “SBA’s Human Resources officials were unable to explain why proper documentation was not available.” In all but a handful of cases, we provided this documentation. In these few cases, the documentation which we had prepared was either misplaced or destroyed as we downsized.

See GAO comment 3.

On pages 10 and 12, you cited lack of salary setting documentation for one of the district director hires. Documentation was provided.

Now on pp. 10 and 12. See GAO comment 4.

On page 17, the draft states, “SBA appeared to have followed applicable rules in awarding periodic salary increases.” The words “appeared to” should be deleted.

The draft report states, “SBA, as a matter of practice, did not consider the possibility of authorizing a recruitment bonus as required by federal regulations.” In fact SBA, as a matter of policy, considered offering recruitment bonuses and decided not to offer any at that time or for the foreseeable future. Consequently, we never developed the necessary procedures to approve recruitment bonuses. According to 5 CFR 575.104(a)(1), before paying recruitment bonuses under this subject, the head of an agency shall establish a recruitment bonus plan. Not having such a plan, we could not offer recruitment bonuses. Times have changed, and your evaluators have influenced us. We have finalized a policy document establishing procedures for, and requiring consideration of, recruitment bonuses. It is currently in our clearance process and we expect to publish it this spring.

Now on p. 13.

On page 21, your draft report states, “the actual length of 22 details was not documented.” Each detail is for a limited time. The not-to-exceed date is clearly stated in the documentation of the detail. There is no requirement to document details that end on their not-to-exceed date. We document extensions of details, and the termination date of details that end early. While the statement is true, our procedure is proper. Your evaluators did find one detail where program managers did not notify the servicing personnel office or our finance office when the interagency detail terminated early. We are revising our detail procedures to ensure program managers know extensions and terminations of interagency details must now be documented on a Notification of Personnel Action (SF-50). This new procedure will ensure that our personnel/payroll

Appendix VI
Comments From the Small Business Administration

Now on p. 13.

system provides us with automated ticklers. The combination of these actions should eliminate the possibility of any funds from reimbursable details not being collected.

On page 22, the draft states, "finance center officials have since told us that SBA has received reimbursement for six of the seven details." We have now collected all but a small amount on the last detail. We have also contacted the agencies for whom we detailed 9 of their employees and requested they bill us for the service rendered. We have paid the one bill we have received to date.

Table modified. See p. 16.

On page 26, Table 1 lists the Office of the Associate Administrator. We suggest you clarify which Associate Administrator. We believe you're referring to the Associate Administrator for Field Operations.

Now on p. 19.

On the top of page 33 of your draft, you make the following statements, "With the exception of one case, SBA also followed applicable federal laws and regulations when setting the starting salaries." Later on the same page, you state "SBA Human Resources staff usually followed appropriate laws and regulations in setting their salaries..." We object to the use of "usually" in the second quote, since the first quote shows it is in all but one case. It should be noted that this case involves an employee who separated from SBA in February 1995.

Text modified.

Now on p. 20. See GAO comment 5.


Also on page 33 the draft states "SBA hired 310 political and Ramspeck Act employees and insofar as we can tell, SBA Human Resources staff usually followed appropriate laws and regulations." The word "usually" suggests that while we commonly do it right, we don't always. We take pride in doing it right. If on occasion we slip, when we identify an error, we correct it. On page 20 of your draft it says, "SBA appeared to have followed applicable federal laws and regulations... in 309 of the 310 cases. For the remaining case, the information available was not sufficient for us to make a determination." It should be noted that this case involved an employee who separated from SBA in February 1995, and SBA should no longer have detailed records on this employee. We suggest using the synonym "habitually" rather than "usually".

Clarified. See p. 50.

On page 3 of Appendix VI, under the Office of the Chief of Staff, a reader could get the false impression that in October 1997, SBA displaced a GS-7 career Special Assistant to hire a GS-14 political Special Assistant. In fact, the GS-7 career employee classified as a Secretary continued to work in the office. Your evaluators compared the listings in our 1996 phone directory to the listings in our 1998 phone directory. While her classification title had not changed, in 1996, she was listed in the telephone directory as a Special Assistant, and in 1998, as a Staff Assistant. The 1996 listing shows her as the only employee reporting to the Chief of Staff. The 1998 listing includes a Deputy Chief of Staff, the GS-14 Special Assistant, and a second Staff Assistant.

Appendix VI
Comments From the Small Business Administration

Once again, we appreciate the opportunity to comment on the draft, and we would like to commend your evaluators for their professionalism during the 22-month duration of this review. While Scott Einhorn, Brenda Lindsey and Gerard Burke were always tenacious and often demanding, they were always professional.


Carolyn J. Smith
Assistant Administrator
for Human Resources

GAO Comments

The following are GAO's comments on SBA's April 1, 1999, letter.

1. SBA said that we were incorrect in including Schedule A excepted service appointees, appointees whose pay rates were administratively determined, and limited term SES appointees in our definition of political appointees. We recognize that Schedule A appointees, appointees whose pay rates are administratively determined, and limited term SES appointees are not traditionally recognized as political appointees. However, such appointments share certain characteristics with traditionally recognized political appointees, such as Schedule C appointees and noncareer SES appointees. Among other things, such appointments can be made noncompetitively as are traditional political appointments, and the appointees serve at the pleasure of the agency head as do traditional political appointees. Because of this sharing of characteristics, we included Schedule A appointees, administratively determined pay rate appointees, and limited term SES appointees in our definition of political appointee. Although SBA is correct that Schedule A appointees can include students and the disabled as well as attorneys, the Schedule A appointees included in this report were all attorneys.
2. SBA said that a statement we attribute to a SBA official that she was unaware of any agency that uses recruitment bonuses was incorrect. The official believes she told us that she did not have any information on the effectiveness of recruitment bonuses in any other agencies. We understood from an interview two of our staff held with the official that she was unaware of the use of recruitment bonuses by other agencies. Nevertheless, we have modified the language in the report. Elsewhere in its comments SBA pointed out that it has developed a policy for the use of recruitment bonuses, and we commend SBA for that effort.
3. While commenting on a draft of this report, SBA found and provided missing documentation for the advanced salary setting for an employee hired as a district director. We reviewed the documentation now supplied by SBA and have changed that case in this report. Now, documented justification of the salary setting was provided for all six outside hired District Director appointments that we reviewed.
4. We believe it would be inappropriate to delete the words "appeared to" because our work was based only on the evidence that was available. Further, we do not believe the wording detracts from giving SBA credit for the subject personnel actions.

5. SBA's comment pertains to our conclusions. It objected to our phrasing of a sentence that says that SBA usually followed appropriate laws and regulations in setting the salaries of political appointees. Elsewhere on the same page we made the statement that with the exception of one case, SBA followed applicable federal laws and regulations when setting the starting salaries. SBA believes the qualifying use of the term "usually" is inappropriate because only one case was cited as an exception. The two statements that SBA referred to were in the conclusion section of our draft report, and we believe "usually" is an appropriate characterization. The statements refer to two different groups of employees. For one group, we were referring to the pay setting of six district director appointees. For the second group, we were referring to the advanced pay setting of 141 political appointees.

In our draft report, we said that SBA could not provide documentation justifying the advanced pay setting for 1 of 6 district directors and for 31 of the political appointees. While commenting on the draft, SBA found and provided missing documentation for the 1 district director and for several of the 31 political appointees. We have changed the report accordingly. However, supporting documentation is still missing for the advanced pay rates for 11 political appointees, and we believe our characterization that SBA usually followed appropriate federal laws and regulations is accurate.

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Related GAO Products

Personnel Practices: Career Appointments of Former Political and Congressional Employees (GAO/GGD-97-165, Sept. 2, 1997).

Personnel Practices: Improper Personnel Actions on Selected CPSC Appointments (GAO/GGD-97-131, June 27, 1997).

Federal Recruiting and Hiring: Authority for Higher Starting Pay Useful but Guidance Needs Improvement (GAO/GGD-91-22, Sept. 10, 1991).

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