



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D C 20548

GENERAL GOVERNMENT
DIVISION

SEP 1 1976

Mr Julian R Dugas
City Administrator
District of Columbia Government
Washington, D C 20004

Dear Mr Dugas

We have been studying the District's motor vehicle management activities to determine how effectively and economically the city acquires and maintains its vehicles. During our study, which is not yet complete, we noted that the Department of Human Resources (DHR) apparently violated Federal grant regulations by spending \$8,740 of Department of Health, Education, and Welfare (HEW) grant funds for leasing two intermediate sedans (equipped with air-conditioning, AM-FM radio, deluxe wheel covers, and radial tires) which were not used for grant purposes. In addition, other Federal regulations regarding limits on vehicle size and purchase price were circumvented. We are reporting this matter at this time because we believe it warrants immediate attention. Comments of the DHR Director, and the Department of General Services (DGS) Director have been considered in the preparation of this report.

In May 1974, DHR informed HEW that two automobiles would be purchased with grant funds awarded for maternity-infant care and children-youth projects. In November 1974, DHR requested HEW's permission to lease rather than purchase the vehicles. DHR stated that it was impossible to purchase an automobile within the purchase price limitation imposed by District regulations. Federal law which applied to the District and was in effect at the time imposed a \$2,100 per vehicle limitation. The stated purpose of acquiring the vehicles was to provide the staff and the project director with transportation to health clinic sites and project related meetings within DHR and the District community. The request was approved by HEW with the stipulation that the transaction be carried out within the approved budget limits.

Each of the two revised grant budgets subsequently submitted to HEW by DHR allotted \$3,000 for a sedan. The budget justification for the maternity-infant care grant stated that the sedan would serve the project staff and clinics as needed. The children-youth grant budget stated that the automobile, which along with other equipment, was needed in the clinics' operation and would provide transportation for core staff and other DHR staff while on official duties.

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✓ In reviewing the lease proposal, DGS asked DHR in December 1974 to reconsider its plans, based on the following information

- (1) The requested vehicles were performance-oriented, used primarily by police, and cost more to operate and maintain than smaller cars (GSA Federal Management Circular 74-1 (Jan 21, 1974), which the District follows, suggests that only vehicles with minimum body and engine size and maximum fuel efficiency be acquired)
- (2) Air-conditioning had to be specifically authorized by the grant or by the Director, DGS

DGS also asked that the intended use of the vehicles be restated with full supporting evidence

The DHR Director responded by saying that an urgent program requirement existed for the two vehicles authorized for purchase by the grants. He asked that arrangements be made for lease with option to purchase and assured DGS that funding required for the lease in excess of the grant authorizations would be provided by other funds. DGS officials said that although DHR did not submit the requested documentation, bids on the lease were solicited because HEW had granted permission to acquire the vehicles.

The District Materiel Management Manual requires that all air-conditioned vehicle requests, except Police and Fire Department passenger carrying vehicles, must be approved prior to bid solicitation by the District Office of Budget and Financial Management (OBFM). The DGS Director told us DGS solicited bids for the sedans without OBFM's approval because the vehicles were urgently needed. The Director said that a misunderstanding among his staff led to the air-conditioning being approved. He added that he never approved nor would he ever approve air-conditioning without some form of justification.

In March 1975 a one-year contract was entered into for lease of the sedans at an annual cost of \$7,878 including \$840 for insurance. Fuel and maintenance was to be provided by the District. An option to renew the lease for two additional one-year terms was provided. From the inception of the contract through April 1976, DHR paid \$8,470 for rent of the vehicles.

Although the lease had expired in April 1976, DHR continued to use the vehicles. HEW authorized purchase or continued leasing of the automobiles on July 21, 1976. On July 30, 1976, we met with the DHR Director and questioned the lease arrangement and the vehicles' use in relation to that authorized by the grants. In August 1976, DHR made arrangements to purchase with grant funds the used sedans for \$2,900 each. Along with the rental payments of \$1,970 for May-July 1976 which are now being processed, the total costs for leasing and purchasing the vehicles will be \$16,240 or about \$8,000 per vehicle. A leasing company official indicated that if the automobiles initially had been purchased rather than leased the cost would have been \$5,300 per vehicle. DHR could not have purchased the vehicles at that price because of the \$2,100 limitation imposed by law.

In its annual report to DHR on motor fleet operations, DGS intends to point out that 12 sedans and station wagons, which by District standards, were underutilized during fiscal year 1976. One of these vehicles accumulated only 627 miles (compared to a 12,000 mile standard) over the 12-month period. We therefore question whether a need actually exists for the two sedans which DHR plans to purchase using grant funds.

HEW approved DHR's initial request to acquire the vehicles based on DHR's statement that they would be used in connection with maternity-infant care and children-youth projects. The HEW official who gave DHR the authority to either continue to lease or purchase the vehicles said that he assumed the automobiles would be used for grant project activities.

The DHR Maternal and Child Health Division Acting Chief, who oversees the projects, said that the vehicles have never been used by project staff. Furthermore, the former Division Chief who initiated the request, said that these specific vehicles were never intended for exclusive use in the projects. The Chief said that when transportation was needed, the District or DHR motor pools were used. It was reasoned that by assigning these vehicles to a motor pool the projects would, in effect, be paying for their transportation. The vehicles, however, were never assigned to the District or DHR motor pool.

The DHR Director told us that the vehicles were used by personnel from his offices in the District Building. (The projects' administrative offices are located at 1875 Connecticut Avenue, NW.) The DHR Transportation Officer stated that one is used for the DHR Director's home-to-work transportation because he is on 24-hour call. The DHR Director also told us that no travel logs (as required by the DHR Standard Operating Procedures Handbook) were kept because the varied use of the vehicles made it impracticable. On July 26, 1976, the vehicles' odometers showed that they were driven 18,622 and 12,198 miles, respectively. However, in the absence of travel logs, we could not verify actual usage.

According to the DHR Director, informal DHR-HEW operating arrangements permit grant-funded equipment to be used in other DHR operations. However, DHR did not provide us with documentation to substantiate such an arrangement. He said also that, because the Director's Office has responsibility for overseeing programs, including those funded by maternal and child health grants, in locations around the city, the deployment of the vehicles is justified. The HEW grant approval, however, does not authorize DHR to use the vehicles for general DHR program purposes.

We believe that unless the vehicles are used for grant purposes, it is inappropriate to charge lease or purchase costs to grant funds. The use of appropriated funds for lease or purchase costs could lead to violations of Federal statutes (31 U.S.C. 638a) which state that no appropriation shall be expended to purchase or hire passenger motor vehicles, unless specifically authorized. The District's fiscal year 1976 budget and proposed fiscal year 1977 budget do not request authority to rent passenger vehicles for DHR. The proposed fiscal year 1977 budget does not either.

provide funds or request authority for the purchase of motor vehicles for DHR

Federal and HEW regulations (FMC 74-4 and 45 CFR 74, Appendix C) state that in order to be allowable, expenditures from a grant must be necessary and reasonable for proper and efficient administration of the grant program. By funding and using the vehicles as discussed, DHR violated Federal and HEW regulations and the terms of the maternity-infant care and children-youth grants. Unless the vehicles are used as authorized by the grants, the violation continues. Furthermore, by leasing the "performance-oriented" vehicles at an annual cost in excess of \$3,900 each, DHR circumvented the intent of the \$2,100 purchase price limitation and failed to acquire the most economical vehicle possible as required by FMC 74-1. The planned acquisition of the two used vehicles for \$2,900 each after they had been leased appears to circumvent the new purchase price ceiling of \$2,700 plus the cost of appropriate accessories.

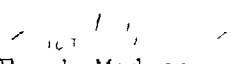
We therefore recommend that DHR be required to

- provide adequate justification and obtain required approvals before acquiring vehicles and related accessories,
- arrange for reimbursing the grant accounts for the vehicle costs incurred while they were used for non-grant project purposes,
- adhere to Federal and HEW requirements governing vehicle use and acquisition,
- adhere to DHR's regulations requiring travel logs to be maintained for each vehicle,
- obtain Congressional approval if appropriated funds are to be used for vehicle costs,
- determine whether there is an actual need for the vehicles and, if so, acquire more economical vehicles than the existing ones.

Copies of this report are being sent to the Mayor, City Council, Office of Management and Budget Systems, Department of Human Resources, Department of General Services, D C Auditor, and the Office of Municipal Audit and Inspection.

Please advise us within 30 days of the action you take on this matter.

Sincerely yours,


Frank Medico
Assistant Director