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September 2015

# SMALL BUSINESS ADMINISTRATION

## Leadership Attention Needed to Overcome Management Challenges

# GAO Highlights

Highlights of [GAO-15-347](#), a report to congressional requesters

## Why GAO Did This Study

SBA has provided billions of dollars in loans and guarantees to small businesses. As of March 31, 2015, SBA's total loan portfolio was about \$116.9 billion, including \$110.3 billion in direct and guaranteed loans and \$6.6 billion in disaster loans. GAO has previously reported on management challenges at SBA. GAO was asked to review SBA management, including whether those challenges were ongoing.

This report discusses SBA's efforts to address management challenges related to specific programs and internal controls. It also looks at challenges in strategic planning, human capital, organizational structure, enterprise risk, procedural guidance, and IT. To do this work, GAO reviewed SBA policies and compared them with federal requirements, key principles for human capital management, and internal control standards. GAO also interviewed officials at SBA headquarters, all 10 regional offices, and 10 of 68 district offices selected on the basis of location and size.

## What GAO Recommends

GAO makes eight new recommendations designed to improve SBA's program evaluations, strategic and workforce planning, training, organizational structure, ERM, procedural guidance, and oversight of IT investments. SBA generally agreed with these recommendations and provided additional context. In response, GAO clarified one of its recommendations. GAO also maintains that 69 recommendations it made in prior work have merit and should be fully implemented.

View [GAO-15-347](#). For more information, contact William Shear at (202) 512-8678 or [shearw.gao.gov](mailto:shearw.gao.gov).

September 2015

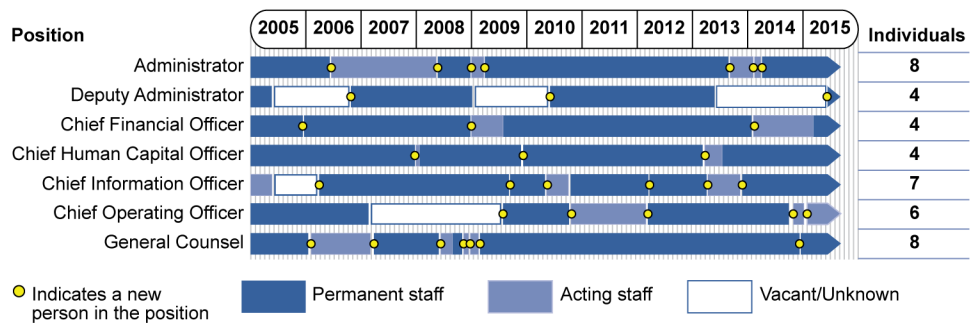
## SMALL BUSINESS ADMINISTRATION

### Leadership Attention Needed to Overcome Management Challenges

## What GAO Found

The Small Business Administration (SBA) has not resolved many of its long-standing management challenges due to a lack of sustained priority attention over time. Frequent turnover of political leadership in the federal government, including at SBA, has often made sustaining attention to needed changes difficult (see figure below). Senior SBA leaders have not prioritized long-term organizational transformation in areas such as human capital and information technology (IT). For example, at a 2013 hearing on SBA's budget, the committee Chairman stated that SBA's proposed budget focused on the agency's priorities but ignored some long-standing management deficits. This raises questions about SBA's sustained commitment to addressing management challenges that could keep it from effectively assisting small businesses.

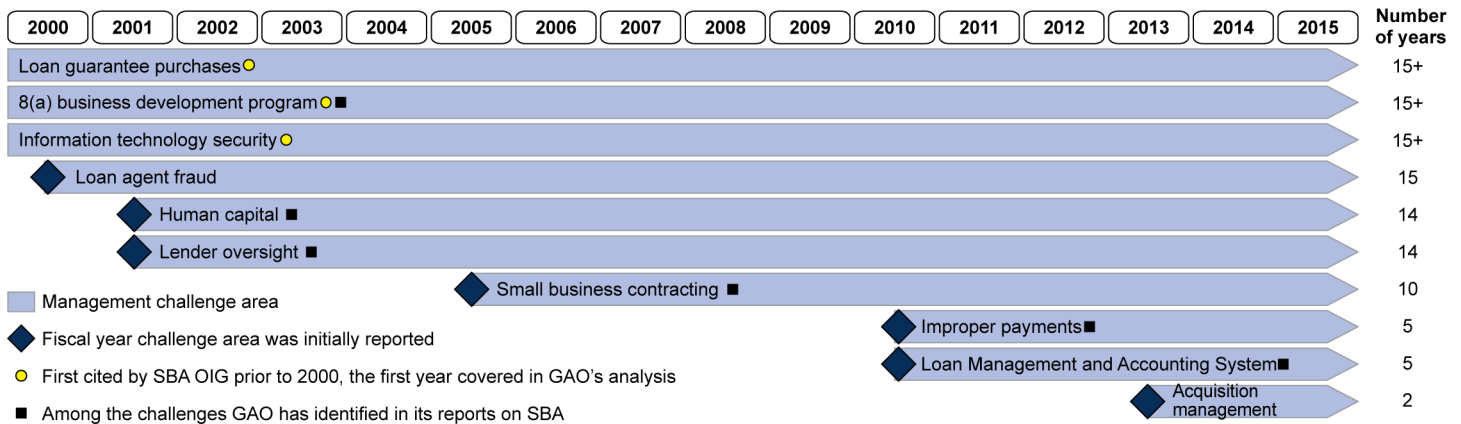
Turnover in Senior-Level Positions at SBA, 2005 through 2015



Source: GAO analysis of Small Business Administration (SBA) information. | GAO-15-347

Many of the management challenges that GAO and the SBA Office of Inspector General (OIG) have identified over the years remain, including some related to program implementation and oversight, contracting, human capital, and IT (see figure below). SBA has generally agreed with prior GAO recommendations that were designed to address these issues and other challenges related to the lack of program evaluations. The agency has made limited progress in addressing most of these recommendations but has recently begun taking some steps. A senior SBA official told us that improving human capital management, IT, and the 8(a) program (a business development program) were priorities for the new administrator. For example, he stated that SBA was exploring creative ways to recruit staff and plans to expand SBA One—a database currently used to process loan applications—to include the 8(a) program. Also, SBA has begun addressing some internal control weaknesses that GAO and the SBA OIG identified as contributing to the agency's management challenges. SBA officials noted that the agency had begun to update its standard operating procedure (SOP) on internal controls and planned more revisions after the Office of Management and Budget (OMB) updated its Circular A-123, which is expected to include guidance on implementing GAO's 2014 revisions to federal internal control standards. OMB issued a draft of the revised circular in June 2015 and is reviewing comments it received.

**Duration of SBA Management Challenges Identified by the SBA OIG, as of Fiscal Year 2015**



Source: GAO analysis of Small Business Administration Office of Inspector General (SBA OIG) Management Challenges Reports, Fiscal Years 2000-2015. | GAO-15-347

Note: Loan guarantee purchases occur when SBA purchases guarantees from lenders following loan liquidations or delinquencies. Loan agents are sometimes used to prepare documentation for an SBA loan application and refer borrowers to lenders. The Loan Management and Accounting System is a project to upgrade existing financial software and application modules and remove them from the mainframe environment.

GAO identified management areas in which SBA had not incorporated key principles or made other improvements.

- Strategic planning and program evaluation:** The strategic planning activities that GAO reviewed met most federal requirements. But SBA did not describe how it used results from the few program evaluations it had completed to help develop its current strategic plan, as required by the Government Performance and Results Act Modernization Act of 2010. OMB has encouraged agencies to increase their use of program evaluations, but SBA has not routinely conducted them and still lacks evaluations for 10 of 19 programs GAO reported on in 2012. Without evaluations, SBA lacks critical information for ensuring the validity and effectiveness of (1) its goals, objectives, and strategies and (2) both new and existing programs.
- Human capital management:** SBA improved its human capital plan by developing goals and objectives. SBA also conducted early retirement programs in fiscal years 2012 and 2014 to begin addressing long-standing skill imbalances, but fewer people than expected retired. SBA risked compromising these efforts because it did not first conduct a skills assessment or develop a workforce plan that would allow it to target its hiring and retention efforts. As of May 2015, SBA had not yet developed a workforce plan, and as of June 2015 it had not conducted a skills assessment or determined training goals. As a result, SBA cannot provide reasonable assurance that its workforce has the skills the agency requires.
- Organizational structure:** SBA's organizational structure has created complex overlapping relationships among offices that have contributed to challenges in program oversight. Although a contractor assessed SBA's organizational structure in March 2015, SBA has not documented its assessment of the contractor's work. Until SBA documents its assessment, it will not have an institutional record of its actions, and it will be difficult for SBA or a third party to validate that SBA's current organizational structure is contributing effectively to its mission objectives and programmatic goals.
- Enterprise risk management:** Given the range of programs SBA manages and oversees, having a robust enterprise risk management (ERM) system is critical to effectively managing risks. SBA initiated efforts to implement ERM in 2009 and developed a framework to guide its ERM approach in 2012. But the agency has not incorporated elements of a risk management framework, such as goals and specific actions. Without incorporating these elements, SBA cannot reasonably ensure that its ERM efforts fully identify, assess, and manage risks.
- Procedural guidance:** As of March 2015, SBA had determined that 74 of its 165 SOPs needed to be revised, 31 needed to be canceled, and 60 required no revision. An additional 9 needed to be issued. Federal internal control standards state that documentation must be properly managed and maintained, yet SBA has generally not set time frames for periodically reviewing and completing needed revisions or updates. Without such time frames, SBA staff and their partners may lack the guidance they need to effectively deliver program services in accordance with laws and regulations.
- Information technology:** SBA has not implemented more than 30 SBA OIG recommendations related to IT security but has recently increased its emphasis on improvements, according to a senior official. Further, SBA has only partially implemented several required IT management initiatives. For instance, SBA established policies to consolidate the number of its data centers and manage software licenses for IT investments. However, contrary to OMB guidance SBA has not conducted regular reviews of its operational IT investments to ensure that they continue to meet agency needs. Until SBA fully implements all of the required IT management initiatives, the agency cannot provide reasonable assurance that its IT investments are cost-effective, meet agency goals, or are effectively managed.

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### Abbreviations

ALP	Accredited Lenders Program
CDC	certified development company
CIO	chief information officer
CMR	commercial market representative
ERM	enterprise risk management
FEVS	Federal Employee Viewpoint Survey
FMFIA	Federal Managers' Financial Integrity Act
FTE	full-time equivalent
GCAR	Government Contracting Area Report
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization Act of 2010
HCAAF	Human Capital Assessment and Accountability Framework
HSPD	Homeland Security Presidential Directive
HUBZone	Historically Underutilized Business Zone
IDAP	Immediate Disaster Assistance Program
IIP	Incremental Improvement Projects
IT	information technology
LMAS	Loan Management and Accounting System
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCR	procurement center representative
R&D	research and development
SBA	U. S. Small Business Administration
SBDC	Small Business Development Center

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SBIC	Small Business Investment Company
SBIR	Small Business Innovation Research
SOP	standard operating procedure
STTR	Small Business Technology Transfer
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Payments
WOSB	women-owned small business

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September 22, 2015

The Honorable Nydia M. Velázquez  
Ranking Member  
Committee on Small Business  
House of Representatives

The Honorable Sam Graves  
Member  
House of Representatives

The U.S. Small Business Administration's (SBA) mission is to help Americans start, build, and grow businesses. Specifically, SBA oversees a number of programs that are designed to provide small businesses with resources and tools, including access to capital, help with federal contracting opportunities, entrepreneurial counseling and training, and disaster assistance.<sup>1</sup> According to SBA, in fiscal year 2015 its programs were to support more than \$32.5 billion in small business financing and nearly \$4 billion in long-term investment capital and provide access to over \$80 billion in federal contracting, among other things.<sup>2</sup> Through a network of field offices and partnerships with public and private organizations, SBA delivers its services to businesses throughout the United States, Puerto Rico, the U. S. Virgin Islands, and Guam. For fiscal year 2015, SBA's appropriation was just under \$888 million.

In recent years, we and SBA's Office of Inspector General (OIG) have identified a number of long-standing management challenges at SBA that have resulted in inefficient program operations. For example, SBA has not had effective human capital strategies and has not effectively managed acquisition and information technology. In addition, we and the

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<sup>1</sup>SBA provides low-interest rate disaster loans to businesses of all sizes, private nonprofit organizations, homeowners, and renters to repair or replace real estate, personal property, machinery and equipment, and inventory and business assets that have been damaged or destroyed in a declared disaster.

<sup>2</sup>Small Business Administration, *Fiscal Year 2015 Congressional Budget Justification and Fiscal Year 2013 Annual Performance Report* (Washington, D.C.: 2014). As of March 31, 2015, SBA's total loan portfolio was about \$116.9 billion, including \$110.3 billion in direct and guaranteed loans and \$6.6 billion in disaster loans.



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OIG have found deficiencies across several SBA program areas. For example, recent reports found that SBA needed to improve oversight of its (1) contracting programs that are to help eligible economically disadvantaged small businesses obtain federal contracts and (2) lenders.<sup>3</sup>

You asked us to conduct a comprehensive assessment of SBA's structure, processes, and systems, including its efforts to address its management challenges. This report examines the extent to which SBA (1) has addressed previously identified management challenges related to specific programs, including those related to internal controls; (2) is following federal requirements for strategic planning; (3) is following key principles or internal controls for human capital management, organizational structure, enterprise risk management, acquisition management, and procedural guidance; and (4) is making progress in implementing the Office of Management and Budget's (OMB) high-priority management practices for information technology (IT).<sup>4</sup>

To address our objectives, we reviewed relevant federal laws and regulations and interviewed SBA officials, including program officials, all 10 regional administrators, management and nonmanagement staff at 10

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<sup>3</sup>See GAO, *Small Business Contracting: Opportunities Exist to Further Improve HUBZone Oversight*, [GAO-15-234](#) (Washington, D.C.: Feb. 12, 2015) and Small Business Administration, Office of Inspector General, *The SBA's Portfolio Risk Management Program Can be Strengthened*, Report No. 13-17 (Washington, D.C.: July 2, 2013). These reports' findings and recommendations and SBA's responses are discussed later in this report.

<sup>4</sup>OMB's IT initiatives include accountability reviews for investments that are at risk and examinations of the performance of existing investments.

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district offices, and union representatives.<sup>5</sup> To assess the status of SBA's programmatic challenges, we reviewed prior GAO and SBA OIG reports on SBA programs and interviewed SBA officials and reviewed documentation to determine the status of any related recommendations.<sup>6</sup> To assess SBA's strategic planning efforts, we reviewed relevant SBA documents and compared SBA's strategic planning and reporting practices with requirements in the Government Performance and Results Act of 1993 (GPRA), as updated by the GPRA Modernization Act of 2010 (GPRAMA).

To evaluate SBA's human capital management practices, we reviewed relevant SBA documents such as its most recent human capital and training plans and SBA's 2014 Federal Employee Viewpoint Survey results.<sup>7</sup> We then compared SBA's human capital practices related to workforce planning and training with key principles identified in our

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<sup>5</sup>We visited one district office in each region. The 10 SBA district offices in the sample were selected purposively based on location and office size to ensure we included offices of varying size and geography. They are located in Atlanta, Georgia; Boise, Idaho; Boston, Massachusetts; Denver, Colorado; Detroit, Michigan; Fresno, California; New Orleans, Louisiana; New York City, New York; Omaha, Nebraska; and Washington, D.C. The results of our interviews cannot be generalized to the population of all district offices. We interviewed a total of 19 managers and 28 nonmanagement staff. The managers were district directors or deputy district directors. For our interviews with nonmanagement staff, district office management invited any interested nonmanagement staff to meet with us. At 4 of the 10 offices, no nonmanagement staff participated in the interviews. SBA required inclusion of district counsel in the nonmanagement interviews as a condition for holding the meetings. Because participation by such staff members was limited, we sent an e-mail to nonmanagement staff at all 10 offices again inviting them to share their thoughts on specific topics with us. Nine staff members from six of these offices responded to our e-mail, three of whom also attended our interviews. The e-mails were used as additional information sources and to corroborate what we heard in the interviews. The group of union representatives we interviewed were from headquarters and the field.

<sup>6</sup>See, for example, GAO, *Major Management Challenges and Program Risks: Small Business Administration*, [GAO-03-116](#) (Washington, D.C.: January 2003) and Small Business Administration, Office of Inspector General, *The Most Serious Management and Performance Challenges Facing the Small Business Administration in Fiscal Year 2015*, Report No. 15-01 (Washington, D.C.: Oct. 17, 2014).

<sup>7</sup>The Federal Employee Viewpoint Survey is an annual survey administered by the Office of Personnel Management (OPM), and the response rate for SBA in 2014 was 63.4 percent.

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previous work.<sup>8</sup> To assess SBA's organizational structure, we reviewed documentation on changes to SBA's organizational structure from fiscal years 2005 through 2014 (the period after SBA's last major reorganization in 2004). We also reviewed SBA's planned efforts to assess its organizational structure and compared these efforts to federal internal control standards related to organizational structure.<sup>9</sup> To assess SBA's risk management, we compared SBA's enterprise risk management practices with federal internal control standards related to documentation and criteria on elements of risk management.<sup>10</sup> For acquisition management, we reviewed data on SBA contracts awarded to small businesses in fiscal years 2011 through 2013 to assess whether SBA met contracting goals in the last 3 years; recent SBA OIG reports on SBA's acquisition management; and documentation on SBA's efforts to improve its acquisition management. We reviewed documentation on and conducted testing of the data we used and determined they were sufficiently reliable for the purpose of reporting on small business contracting. For procedural guidance, we reviewed an inventory of SBA's current standard operating procedures (SOP) to determine when they were last updated and documentation on SBA's efforts to update its

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<sup>8</sup>See GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003); and *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004). We developed the key principles for workforce planning by synthesizing information from meetings with organizations with government-wide responsibilities for or expertise in workforce planning; our own guidance, reports, and testimonies on federal agencies' workforce planning and human capital management efforts; leading human capital periodicals; and our own experiences in human capital management. We developed the key principles for training through consultations with government officials and experts in the private sector, academia, and nonprofit organizations; examinations of laws and regulations related to training and development in the federal government; and reviews of the sizeable body of literature on training and development issues, including our previous products on a range of human capital topics.

<sup>9</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

<sup>10</sup>[GAO/AIMD-00-21.3.1](#) and GAO, *Risk Management: Further Refinements Needed to Assess Risks and Prioritize Protective Measures at Ports and Other Critical Infrastructure*, [GAO-06-91](#) (Washington, D.C.: Dec. 15, 2005). We developed our risk management framework by reviewing, analyzing, and synthesizing several sources of information, including risk literature and our previous reports and testimonies; experts in the fields of risk management, risk modeling, and terrorism; and numerous frameworks from industry, government, and academic sources.

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SOPs and compared these documents to federal internal control standards related to documentation.<sup>11</sup>

To assess SBA's progress in implementing high-priority management practices for IT, we evaluated its progress on six OMB IT initiatives. We used the relevant sections of recent work to report on SBA's efforts on the initiatives, interviewed SBA officials about recent steps that they have taken to implement them, and analyzed SBA TechStat documentation to determine when past TechStat reviews had been held and to identify the outcomes of the reviews.<sup>12</sup> We reviewed SBA's ratings on the Federal IT Dashboard to determine if SBA had held a TechStat for the at-risk investments.<sup>13</sup> To corroborate the data reliability of those ratings, we interviewed SBA officials to determine their process for collecting, updating, and maintaining the data and asked them to verify the data's completeness and accuracy. We determined that the data were sufficiently reliable for the purposes of reporting on TechStat reviews of at-risk investments. We analyzed SBA's operational analyses to determine if, within the past year, the agency had performed such analyses on all of its major IT investments in the operations and maintenance phase. (See app. I for a detailed description of our scope and methodology.)

We conducted this performance audit from March 2014 through September 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the

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<sup>11</sup>[GAO/AIMD-00-21.3.1](#).

<sup>12</sup>GAO, *Data Center Consolidation: Agencies Need to Complete Inventories and Plans to Achieve Expected Savings*, [GAO-11-565](#) (Washington, D.C.: July 19, 2011); *Data Center Consolidation: Agencies Making Progress on Efforts, but Inventories and Plans Need to Be Completed*, [GAO-12-742](#) (Washington, D.C.: July 19, 2012); *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, [GAO-14-65](#) (Washington, D.C.: Nov. 6, 2013); *Information Technology Reform: Progress Made but Future Cloud Computing Efforts Should be Better Planned*, [GAO-12-756](#) (Washington, D.C.: July 11, 2012); *Cloud Computing: Additional Opportunities and Savings Need to Be Pursued*, [GAO-14-753](#) (Washington, D.C.: Sept. 25, 2014); and *Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide*, [GAO-14-413](#) (Washington, D.C.: May 22, 2014). A TechStat is a face-to-face, evidence-based accountability review of an IT investment that is failing or not meeting goals.

<sup>13</sup>The Federal IT Dashboard is a public website established by OMB to provide detailed information on approximately 700 major IT investments at 27 federal agencies, including ratings of their performance against cost and schedule targets.

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audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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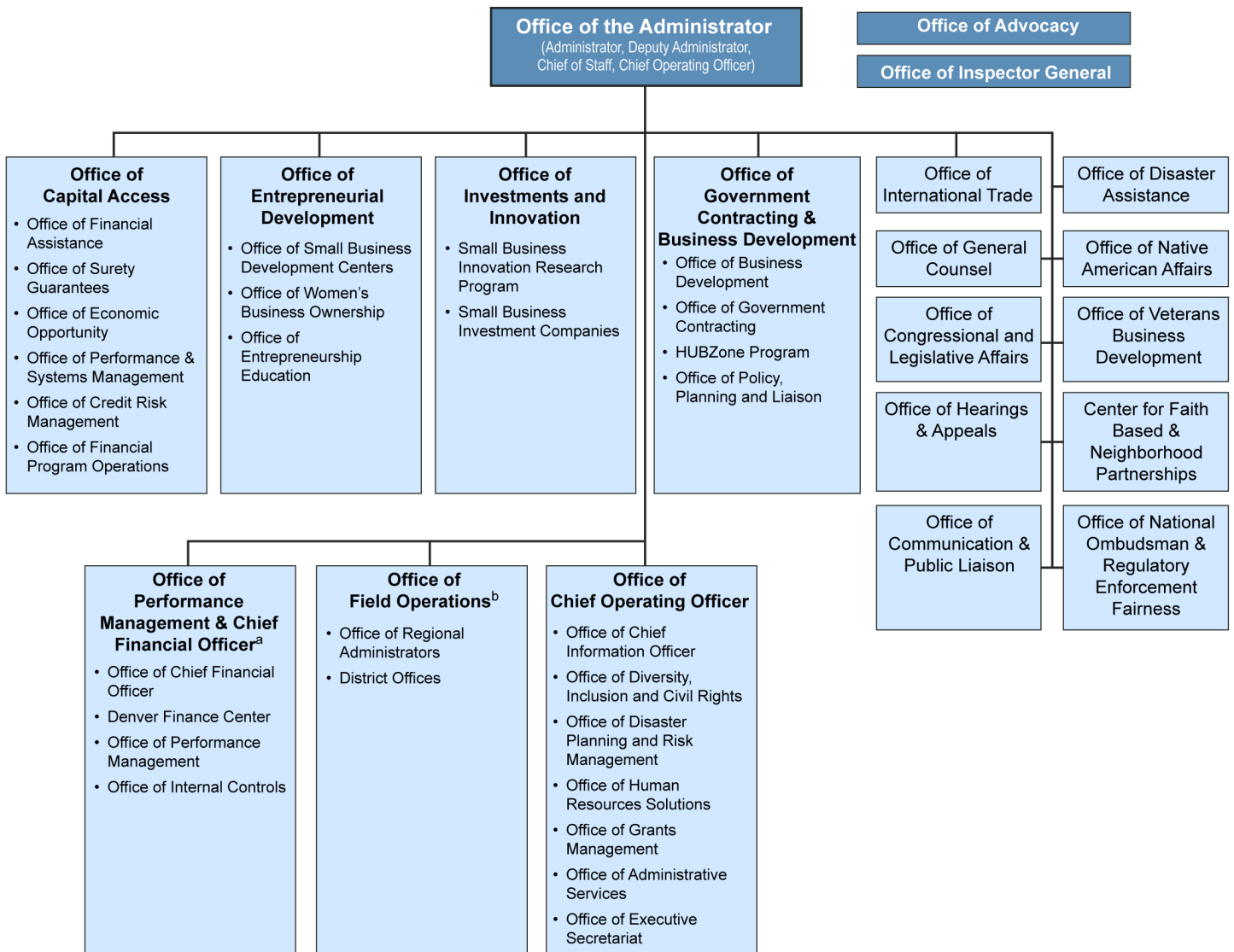
## Background

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### Organizational Structure

SBA's organizational structure comprises headquarters and both regional and district field offices. At the headquarters level, SBA is divided into several key functional areas that manage and set policy for the agency's programs. As shown in figure 1, 17 headquarters offices report to the Office of the Administrator.

**Figure 1: Small Business Administration (SBA) Organizational Chart, as of April 2015**



Source: SBA. | GAO-15-347

Note: The Offices of Advocacy and Inspector General are independent offices within SBA.

<sup>a</sup>The acquisition function is located within the Denver Finance Center.

<sup>b</sup>The Office of Field Operations includes branch offices and alternative work sites that report to the district offices.

In fiscal year 2014, the agency employed 2,137 regular funded full-time equivalent (FTE) staff (excluding staff in the Office of Advocacy, the

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Office of Inspector General, and the Office of Disaster Assistance) to carry out its mission of supporting small businesses.<sup>14</sup> Four program offices manage the agency's programs that provide capital, contracting, counseling, and disaster assistance services to small businesses:

- The Office of Capital Access administers, among other things, the 7(a) loan program. The 7(a) program is SBA's largest loan program and guarantees a portion of loans for establishing new businesses, operating or expanding existing businesses, or acquiring businesses. The Office of Capital Access also administers the development company (504) loan program, which provides businesses with long-term, fixed-rate financing for major assets such as real estate and equipment. In fiscal year 2014, the office had 569 FTEs.
- The Office of Government Contracting and Business Development promotes small business participation in federal contracting through a variety of programs such as the 8(a) business development, Historically Underutilized Business Zone (HUBZone), and women-owned small business (WOSB) programs.<sup>15</sup> In fiscal year 2014, the office had 180 FTEs.
- The Office of Entrepreneurial Development, which had 50 FTEs in fiscal year 2014, oversees a nationwide network of public and private "resource partners" that offer small business counseling and technical assistance. These include small business development centers, women's business centers, and SCORE chapters.<sup>16</sup>

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<sup>14</sup>SBA's regular-funded FTEs are those supported by the agency's regular salaries and expenses fund. The FTEs for the Office of Disaster Assistance are funded out of an account specific to that office. As previously mentioned, the Offices of Advocacy and Inspector General are independent offices within SBA.

<sup>15</sup>The 8(a) business development program helps small, disadvantaged businesses to participate in the federal contracting market through sole-source and set-aside contracts. The HUBZone program aids urban and rural small businesses that are located in designated economically distressed areas in accessing federal procurement opportunities. The WOSB program helps women-owned small businesses acquire federal contracts.

<sup>16</sup>Small business development centers provide technical assistance to small businesses and aspiring entrepreneurs. Women's business centers assist women in starting and growing small businesses. The SCORE Association is a nonprofit association comprised of over 13,000 volunteer business counselors located in 348 chapters throughout the U.S. and its territories. SCORE members are trained to serve as counselors, advisors, and mentors to aspiring entrepreneurs and business owners.

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- The Office of Disaster Assistance, which had 991 FTEs in fiscal year 2014, makes loans to businesses and families to rebuild and recover after a disaster.

SBA provides its services through a network of 10 regional offices and 68 district offices that are led by the Office of Field Operations.<sup>17</sup> In fiscal year 2014, there were 802 FTEs in the regional and district offices. Regional offices, whose administrators are political appointees, oversee the district offices and promote the President's and SBA Administrator's messages throughout the region. Considered by officials as SBA's "boots on the ground," district offices serve as the point of delivery for most SBA programs and services. Some district office staff work directly with SBA clients, including business opportunity, lender relations, and economic development specialists.<sup>18</sup> These employees provide counseling and training services that aid in the formation, management, financing, or operation of a small business enterprise. They also provide information on and promote SBA products to lenders, the small business community, and groups such as chambers of commerce and trade associations. Additionally, district offices are charged with completing statutorily mandated reviews, such as program participant reviews that ensure participants continue to qualify and are meeting program requirements.<sup>19</sup>

SBA's field structure has been revised over the years. In response to budget reductions, SBA streamlined its field structure during the 1990s by downsizing regional and district offices and shifting oversight

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<sup>17</sup>Other field offices include disaster offices, branch offices, alternate work sites, veterans business outreach centers, and loan processing centers. When a disaster is declared, officials from one of SBA's disaster offices arrive at the disaster site and begin assisting victims. According to SBA, its branch offices and alternative work sites have fewer staff than a district office and are strategically located to access markets that the district office cannot reach. Veterans business outreach centers provide entrepreneurial development services for eligible veterans. SBA's loan processing centers evaluate and issue guarantee commitments for loan applications, process guarantee purchase requests, and liquidate defaulted loans.

<sup>18</sup>Business opportunity specialists engage in the recruitment, training, education, and development of small businesses interested in SBA's contracting programs. Economic development specialists market SBA programs and conduct outreach, training, and education for small businesses and organizations. Lender relations specialists interact with lenders for the purpose of delivering SBA loan programs and services within the district.

<sup>19</sup>For example, district staff are to conduct annual reviews of 8(a) businesses.



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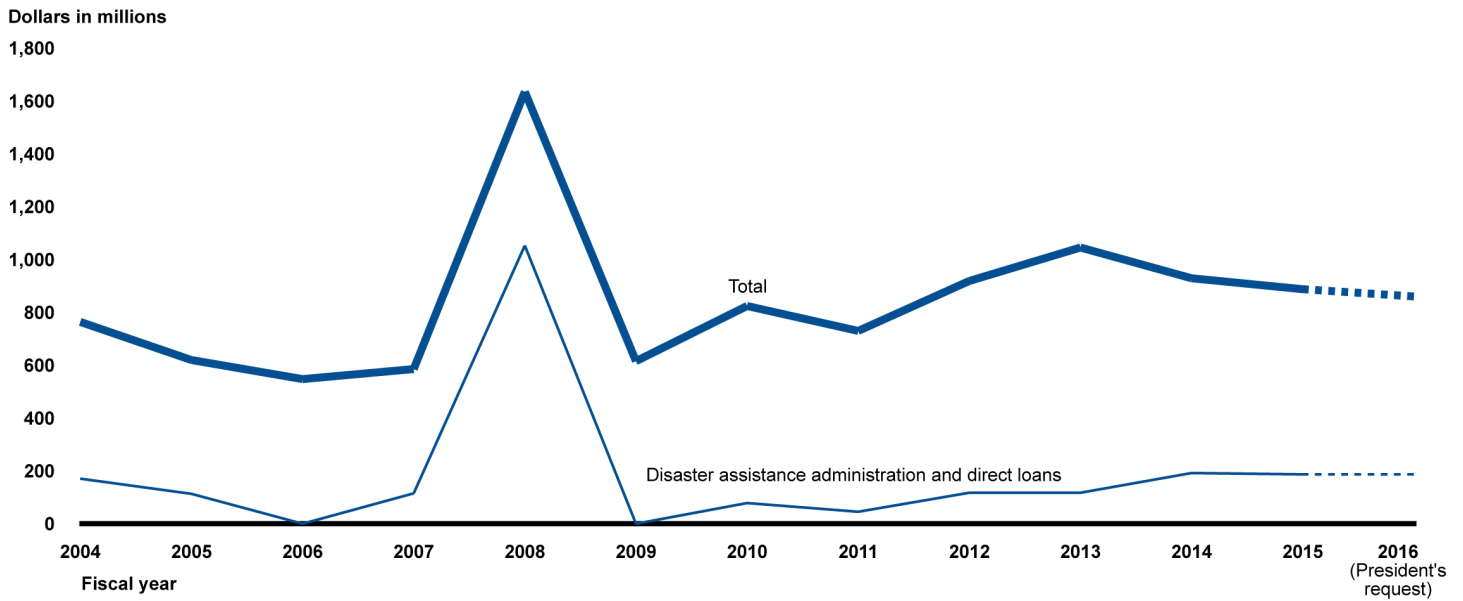
responsibilities to headquarters. Since the early 2000s, SBA has further restructured and centralized some key agency functions. For example, from 2003 through 2006, SBA completed the centralization of its 7(a) loan processing, servicing, and liquidation functions from 68 district offices to 1 loan processing center, 2 commercial loan servicing centers, and 1 loan liquidation and guarantee purchase center.<sup>20</sup>

Since fiscal year 2013, SBA's annual budget appropriation has declined. For fiscal year 2014, SBA's appropriation was \$928,975,000, approximately \$116 million less than in fiscal year 2013 (see fig. 2). SBA's fiscal year 2016 congressional budget request of \$860,130,000 was approximately \$27 million less than the amount enacted for fiscal year 2015. (See app. II for more information on recent trends in SBA's budget obligations, outlays, and authority.)

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<sup>20</sup>The two commercial loan servicing centers also carry out loan liquidation and guarantee purchases for SBAExpress loans (loans that feature an accelerated turnaround time for SBA review). The loan liquidation and guarantee purchase center carries out the liquidation and guarantee purchase functions for all other 7(a) loans. When a borrower with an SBA-guaranteed loan defaults and the loan has been liquidated, the lender has the option of submitting a purchase request to SBA to honor the guaranteed portion of the loan.

**Figure 2: Small Business Administration (SBA) New Budget Authority, Fiscal Years 2004 through 2016 (requested)**



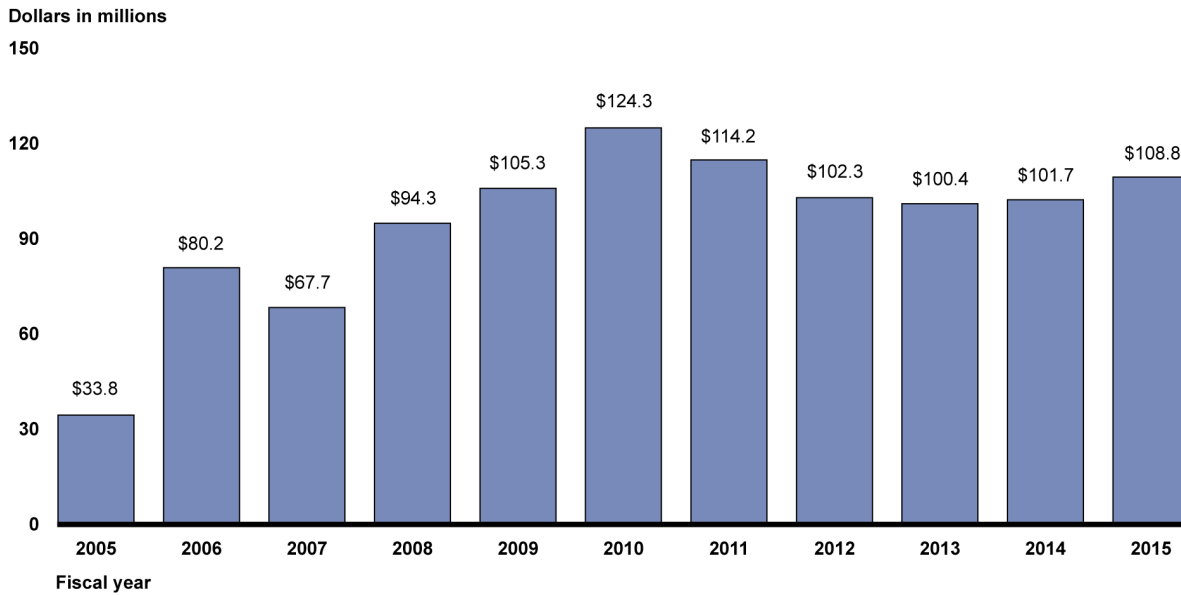
Source: Small Business Administration Annual Congressional Budget Justifications, 2006-2016. | GAO-15-347

Note: SBA's fiscal year 2008 appropriation was significantly higher than for other fiscal years to address necessary expenses related to the agency's disaster loan program. The increase in funding was related to Hurricane Katrina and other disasters.

## SBA IT Spending

SBA's spending on IT fluctuated from 2005 through 2008, as shown in figure 3. The sharp rise in spending in 2006 is attributed to increased amounts for IT investments for disaster credit management, loan and lender monitoring, and IT infrastructure. Since fiscal year 2008, the agency's yearly IT spending has remained fairly stable at about \$100 million.

**Figure 3: Small Business Administration Information Technology Spending from Fiscal Year 2005 through Fiscal Year 2015**



Source: GAO analysis of OMB data. | GAO-15-347

Note: The number for fiscal year 2015 is an estimate.

For fiscal year 2015, SBA estimates that it will spend approximately \$109 million for IT. Of that amount, \$83 million (77 percent) is to be spent on mission-critical systems to, among other things, support agency financial operations and the disaster loan assistance program. In addition, it plans to spend \$21 million (19 percent) on developing, modernizing, and enhancing IT investments, while the rest is to be spent on operations and maintenance of existing systems.

Government-wide, federal agencies spend more than \$80 billion annually to meet their increasing demands for IT. In a 2014 report, we found that duplicative, wasteful, and low-value investments had proliferated over the years, highlighting the need for agencies to avoid such investments whenever possible.<sup>21</sup> OMB has made a similar observation in its

<sup>21</sup>GAO, 2014 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits, [GAO-14-343SP](#) (Washington, D.C.: Apr. 8, 2014).

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guidance.<sup>22</sup> To help address their management of federal IT dollars, OMB has implemented a series of initiatives for federal agencies to use to, among other things, consolidate the growing number of federal data centers, shift to increased use of cloud computing, and promote the use of shared services.<sup>23</sup> In a June 2014 report, we found that OMB's IT reform initiatives could help to improve the efficiency and effectiveness of federal agencies and save billions of dollars.<sup>24</sup>

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## SBA Has Not Resolved Many of Its Long-Standing Management Challenges

In the last 15 years, we and the SBA OIG have identified management challenges at SBA, many of which are related to specific programs. In accordance with the Reports Consolidation Act of 2000, the SBA OIG issues annual reports in which it identifies SBA's most serious management challenges—programs or activities that it has determined pose significant risks.<sup>25</sup> These annual reports represent the SBA OIG's current assessment of SBA programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. The OIG's most recent report for fiscal year 2015 identified 11 such challenges, 7 of which are issues that have persisted for 10 years or longer.<sup>26</sup> These 7 long-standing challenge areas are loan guarantee purchases, the 8(a) business development program, IT security, loan agent fraud, human capital, lender oversight, and small business contracting (see fig. 4).<sup>27</sup> The other challenge areas

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<sup>22</sup>Office of Management and Budget, *Implementing PortfolioStat*, Memorandum M-12-10 (Washington, D.C.: Mar. 30, 2012).

<sup>23</sup>Cloud computing is a form of computing that relies on Internet-based services and resources to provide computing services to customers, while freeing them from the burden and costs of maintaining the underlying infrastructure. According to OMB, a shared service is an IT function that is provided for consumption by multiple organizations within or between federal agencies.

<sup>24</sup>GAO, *Information Technology: Reform Initiatives Can Help Improve Efficiency and Effectiveness*, [GAO-14-671T](#) (Washington, D.C.: June 10, 2014).

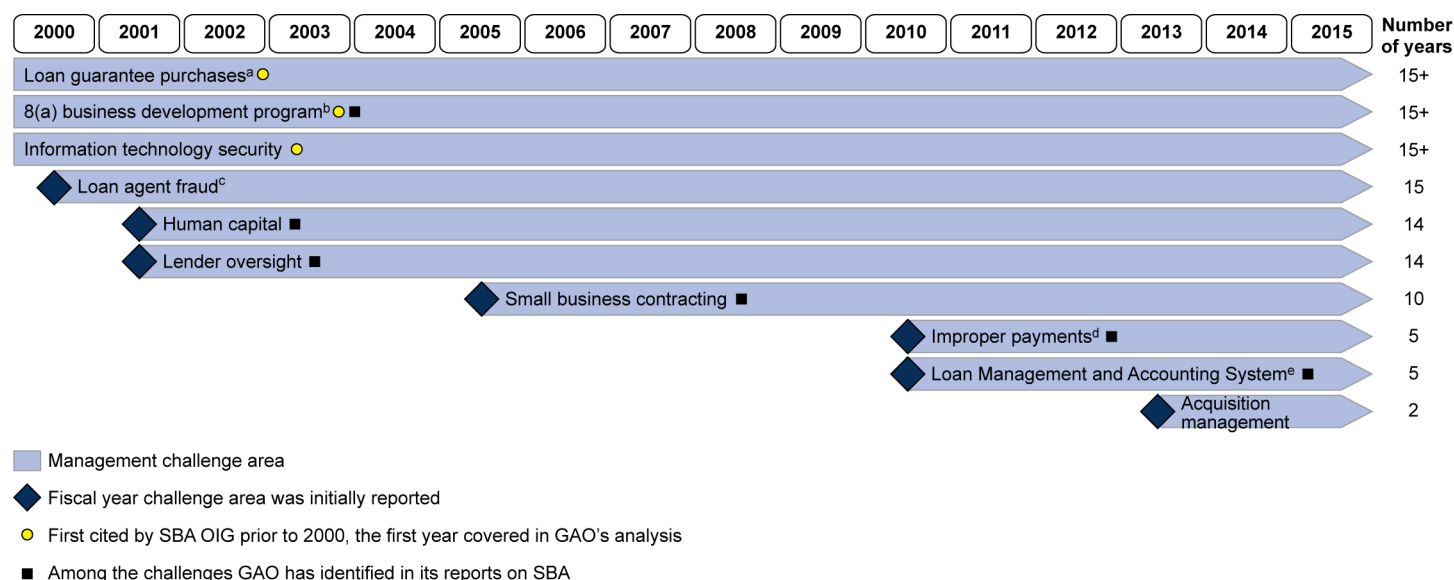
<sup>25</sup>Reports Consolidation Act of 2000, Pub. L. No. 106-531, 114 Stat. 2537 (2000).

<sup>26</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

<sup>27</sup>Loan guarantee purchases occur when lenders request that SBA purchase the guarantee following loan liquidation or delinquency. A prospective borrower or a lender sometimes pays a loan agent (e.g., a loan broker or packager) to prepare documentation for an SBA loan application and/or refer the borrower to a lender. Loan agents can bring borrowers and lenders together and facilitate loan transactions.

are: improper payments, the Loan Management and Accounting System, and acquisition management.<sup>28</sup>

**Figure 4: Duration of Small Business Administration Management Challenges Identified by the SBA OIG, as of Fiscal Year 2015**



Source: GAO analysis of Small Business Administration Office of Inspector General (SBA OIG) Management Challenges Reports, Fiscal Years 2000-2015. | GAO-15-347

Note: According to the SBA OIG, its fiscal year 2015 report on SBA's management challenges was based on OIG, GAO, and other official reports and generally considered those accomplishments that SBA had reported as of September 30, 2014.

<sup>a</sup>The loan guarantee purchase challenge area includes challenges related to loan guarantee requirements and controls cited from fiscal year 2000 to 2005. Loan guarantee purchases occur when SBA purchases guarantees from lenders following loan liquidations or delinquencies.

<sup>b</sup>The 8(a) business development program challenge area includes the 8(a) eligibility challenge included in reports from fiscal years 2000-2002.

<sup>c</sup>Loan agents are sometimes used to prepare documentation for an SBA loan application and refer borrowers to lenders.

<sup>d</sup>The challenge area on improper payments combines separate challenges on improper payments in the 7(a) and disaster loan programs. Improper payments in the 7(a) and disaster loan programs were first cited as challenges in fiscal years 2010 and 2012, respectively.

<sup>e</sup>The Loan Management and Accounting System is a project to upgrade existing financial software and application modules and remove them from the mainframe environment.

<sup>28</sup>The challenge area on improper payments combines separate challenges on improper payments in the 7(a) and disaster loan programs.

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Our past reports have identified some of the same long-standing management challenges that SBA needs to address, particularly in the areas of contracting, lender oversight, and the Loan Management and Accounting System (and other IT management issues). We and the SBA OIG have also identified problems in SBA's disaster loan processing that, while not long-standing, also pose risks to the agency. To address SBA's challenges, we and the SBA OIG have made various recommendations. While SBA has made some progress in addressing these challenge areas, many of our recommendations remain unimplemented. As of July 2015, 53 percent of the recommendations (32 of 60) we made to SBA across all subject areas in fiscal years 2010 through 2013 had not been fully addressed.<sup>29</sup> See appendix III for a list of all 69 recommendations we have made to SBA since fiscal year 2000 that remain open.<sup>30</sup> We maintain that these recommendations continue to have merit and should be fully implemented.

- **Loan guarantee purchases.** Loan guarantee purchases occur when lenders request that SBA purchase the guarantee following loan liquidation or delinquency. The SBA OIG has cited issues related to loan guarantee purchases as a serious management challenge since fiscal year 2000.<sup>31</sup> For example, in its fiscal year 2011 management challenges report, the OIG stated that its audits of defaulted loans and SBA's guarantee purchase and liquidation processes showed that reviews performed by the agency's loan centers did not consistently detect lenders' failures to administer loans in full compliance with SBA requirements and prudent lending practices, resulting in improper payments.<sup>32</sup> In its fiscal year 2012 management challenges report, the OIG stated that in the last decade, the agency had made significant

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<sup>29</sup>Recommendations we have made to SBA's Office of Advocacy, an independent office with SBA, are not included in this analysis.

<sup>30</sup>We did not include four recommendations—from reports GAO-14-233 and GAO-10-353—that had been addressed by SBA and were in the process of being closed as implemented as of July 2015.

<sup>31</sup>The SBA OIG identified issues related to loan guarantee purchases as a serious management challenge prior to fiscal year 2000, but fiscal year 2000 was the first year of our analysis. This challenge area includes challenges related to loan guarantee requirements, controls, and quality assurance.

<sup>32</sup>Small Business Administration, Office of Inspector General, *Fiscal Year 2011 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration*, Report No. 11-01 (Washington, D.C.: Oct. 15, 2010).

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progress in improving deficiencies identified in SBA loan liquidation and guarantee purchase processes but that a significant deficiency continued to exist in the area of quality assurance.<sup>33</sup> The report noted that while SBA had developed a quality assurance program, additional work remained before the agency could demonstrate that all elements of the program had been completed and followed. In its fiscal year 2015 report on management challenges, the SBA OIG found that SBA had made significant progress in developing and implementing a quality control program for all of its loan centers to verify and document compliance with the loan process, from origination to close-out, and to identify where material deficiencies might exist so that remedial action could be taken.<sup>34</sup> Further, the OIG stated that SBA had (1) developed and documented quality program manuals and review checklists for each center; (2) assessed center functions by risk to prioritize required quality control reviews; (3) refined feedback, training, and reporting processes; and (4) developed new systems to improve the tracking of quality control deficiencies and corrective actions. However, the SBA OIG noted that SBA would need to continue monitoring the quality control program during fiscal year 2015 to verify that (1) required quality control reviews were being completed, (2) quality control activities provided adequate coverage over loan center operations, and (3) quality control reviews were effective at identifying and correcting material deficiencies.

- **8(a) business development program.** The 8(a) business development program is a business assistance program for small disadvantaged businesses.<sup>35</sup> The SBA OIG has identified issues related to this program as a serious management challenge since fiscal year 2000.<sup>36</sup> For example, in its fiscal year 2003 report on management challenges (and in every report since), the OIG noted that SBA needed to modify the 8(a) business development program

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<sup>33</sup>Small Business Administration, Office of Inspector General, *Fiscal Year 2012 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration*, Report No. 12-01 (Washington, D.C.: Oct. 21, 2011).

<sup>34</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

<sup>35</sup>The 8(a) program offers a broad range of assistance to firms that are owned and controlled by socially and economically disadvantaged individuals.

<sup>36</sup>The SBA OIG identified issues related to the 8(a) business development program as a serious management challenge prior to fiscal year 2000, but fiscal year 2000 was the first year of our analysis.

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so more firms received business development assistance, standards for determining economic disadvantage were justifiable, and SBA ensured that firms followed 8(a) regulations when completing contracts.<sup>37</sup> In a 2003 report on management challenges, we found related problems with the 8(a) program.<sup>38</sup> For instance, SBA had begun to implement short- and long-term strategies to address problems in the 8(a) program, but data suggested that only a few firms continued to receive the bulk of 8(a) funding and that the volume of federal procurement funding awarded to 8(a) firms had not increased.

Further, in a March 2010 report on the 8(a) program, we found that although SBA had implemented new procedures for the program, there were inconsistencies and weaknesses in internal controls that increased the potential for abuse by ineligible firms.<sup>39</sup> Specifically, we found that monitoring of district staff needed to be improved and district staff needed better guidance, training, and criteria to follow the required annual review procedures for determining continued eligibility. We made six recommendations that individually and collectively could improve procedures used in assessing and monitoring the continuing eligibility of firms to participate in and benefit from the 8(a) program. SBA agreed with the six recommendations when the report was issued. As of July 2015, SBA had taken actions responsive to four of the recommendations. Specifically, it had assessed the workload of business development specialists, updated its 8(a) regulations to include more specificity on the criteria for the continuing eligibility reviews, developed a centralized process to collect and maintain data on 8(a) firms participating in the Mentor-Protégé Program, and implemented a standard process for documenting and analyzing complaint data.<sup>40</sup> The two remaining

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<sup>37</sup>Small Business Administration, Office of Inspector General, *FY 2003 Agency Management Challenges*, Report No. 3-04 (Washington, D.C.: Jan. 17, 2003). In fiscal years 2000 through 2002, the SBA OIG cited slightly different challenges related to the 8(a) business development program.

<sup>38</sup>[GAO-03-116](#).

<sup>39</sup>GAO, *Small Business Administration: Steps Have Been Taken to Improve Administration of the 8(a) Program, but Key Controls for Continued Eligibility Need Strengthening*, [GAO-10-353](#) (Washington, D.C.: Mar. 30, 2010).

<sup>40</sup>Under the Mentor-Protégé Program, experienced firms mentor 8(a) firms to enhance the capabilities of the protégé, provide various forms of business developmental assistance, and improve the protégé's ability to successfully compete for contracts.



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recommendations yet to be fully implemented as of July 2015 focus on (1) procedures to ensure that appropriate actions are taken for firms subject to early graduation from the program and (2) taking actions against firms that fail to submit required documentation.<sup>41</sup> In its fiscal year 2015 report on management challenges, the SBA OIG found that SBA had made progress towards addressing issues that hindered its ability to deliver an effective 8(a) business development program.<sup>42</sup> For example, it found that SBA had expanded its ability to provide assistance to program participants through its resource partners. In addition, it noted that SBA had taken steps to ensure that business opportunity specialists assessed program participants' business development needs during site visits. The OIG also found that SBA had revised its regulations, effective March 2011, to ensure that companies deemed "business successes" graduated from the program. However, for the second consecutive year the SBA OIG noted that SBA had not finished updating the SOP for the 8(a) business development program to reflect the March 2011 regulatory changes. In addition, the OIG continued to maintain that SBA's standards for determining economic disadvantage were not justified or objective based on the absence of economic analysis.

According to a senior SBA official, improving the 8(a) program is a priority for the new Administrator. For example, he stated that the agency was considering how to expand SBA One—an initiative designed to create a single application for most SBA loans and allow borrowers and lenders to populate forms from secure information storage—to include the 8(a) program. He noted that the goal would be to make it easier and less costly for small businesses to participate in the program. In addition, he stated that the agency was considering focusing its oversight on those 8(a) businesses that receive federal contracts.

- **IT security.** The SBA OIG has identified weaknesses in information systems security controls as a serious management challenge since

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<sup>41</sup>In May 2015, we met with SBA officials to help them gain an understanding of our recommendations.

<sup>42</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

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fiscal year 2000.<sup>43</sup> In its fiscal year 2015 management challenges report, it noted that SBA's computer security program operates in a dynamic and highly decentralized environment and requires management attention and resources as weaknesses are identified.<sup>44</sup> The OIG stated that SBA had shown progress in establishing an entity-wide incident management and response program and had improved network port security access controls, but found that SBA still needed to address long-standing security weaknesses identified in 35 open IT audit recommendations. In addition, the SBA OIG noted that SBA's Office of the Chief Information Officer, in conjunction with SBA's program offices, needed to implement tools and capabilities to provide effective oversight and continuously monitor computer security controls. According to a senior SBA official, the agency has recently placed an even greater emphasis on improving its IT security at the direction of the White House. He stated that one focus was increasing the use of personal identification verification cards, which are smart cards that govern access to federally controlled facilities and information systems.<sup>45</sup>

- **Loan agent fraud.** A prospective borrower or a lender sometimes pays a loan agent (e.g., a loan broker or packager) to prepare documentation for an SBA loan application or find a lender. The SBA OIG has identified loan agent fraud as a serious management challenge since fiscal year 2000. Its fiscal year 2015 management challenges report stated that for years its investigations had revealed a pattern of fraud by loan packagers and other for-fee agents in the 7(a) loan program involving hundreds of millions of dollars.<sup>46</sup> The report noted that SBA's oversight of loan agents had been limited, putting taxpayer dollars at risk. It added that SBA could reduce this risk by developing a database or equivalent means to track loan agent activity, updating regulations on loan agent enforcement, issuing new

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<sup>43</sup>The SBA OIG identified IT security as a serious management challenge prior to fiscal year 2000, but fiscal year 2000 was the first year of our analysis.

<sup>44</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

<sup>45</sup>To meet requirements in Homeland Security Presidential Directive (HSPD)-12, SBA is investing in a system to implement a new government-wide standard for secure and reliable forms of identification for employees and contractors who access government-controlled facilities and information systems. We discuss this system in more detail later in the report.

<sup>46</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

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guidance for lenders on not doing business with loan agents subject to enforcement actions, and implementing a loan agent registration system (including the issuance of a unique identifying number for each agent). Finally, the report noted that SBA had made substantial progress on tracking loan agency data, limited progress on updating its regulations and issuing new guidance to lenders, and had not yet started on its recent recommendation to implement a registration system.

- **Human capital.** The SBA OIG has included human capital as one of the most serious management challenges at SBA since fiscal year 2001, noting that SBA needs effective human capital strategies to carry out its mission successfully and become a high-performing organization. Problems that the SBA OIG cited in its management challenges reports over the years included the lack of a comprehensive human capital strategy that identified SBA's current and future human capital needs, including workforce capacity and skill gaps; failure to clarify the role of or appropriately staff district offices when key program functions were transferred to service centers; and failure to adequately analyze priorities and allocate resources consistent with them.<sup>47</sup> In our 2003 report on SBA's management challenges, we also found that SBA needed to strengthen its human capital management.<sup>48</sup> For example, we stated that SBA's organizational structure had weaknesses that contributed to the challenges it faced in delivering services to the small business community. We discuss the status of SBA's human capital management and additional challenges we identified as part of our current review later in this report.
- **Lender oversight.** SBA's major loan programs (7(a) and 504) require effective lender oversight because the agency generally relies on the lenders that make 7(a) loans and certified development companies (CDC) that make 504 loans to process and service the loans and to ensure that borrowers meet the programs' eligibility requirements. The SBA OIG has identified lender oversight as a serious management

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<sup>47</sup>See Small Business Administration, Office of Inspector General, Report No. 3-04; *FY 2007 Report on the Most Serious Management Challenges Facing the Small Business Administration*, Report No. 7-01 (Washington, D.C.: Oct. 16, 2006); and *Fiscal Year 2009 Report on the Most Serious Management and Performance Challenges Facing the Small Business Administration*, Report No. 09-02 (Washington, D.C.: Oct. 20, 2008).

<sup>48</sup>[GAO-03-116](#).

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challenge for SBA since fiscal year 2001. We also identified SBA's lender oversight as a challenge in our 2003 report on management challenges.<sup>49</sup> More recently, we and the OIG found the following weaknesses in SBA's lender oversight:

- In a July 2013 report, the SBA OIG found that SBA had not implemented procedures and policies to monitor risk across its loan portfolio and that SBA had not developed a process for ensuring that identified risks were addressed.<sup>50</sup> The SBA OIG recommended that SBA implement a portfolio risk management system, use data from that system to support risk-based decisions in its loan programs, and implement additional controls to mitigate identified risks where necessary. SBA agreed with the recommendations. According to the SBA OIG, while SBA has implemented a portfolio risk-management program in accordance with its recommendations, it has not yet used data from the program to support risk-based decisions in loan programs or develop additional internal controls to manage identified risks.
- In a September 2013 report, we found that internal controls over lenders participating in the Patriot Express pilot program may not have provided the agency with reasonable assurance that loans were made only to eligible borrowers.<sup>51</sup> For example, we found that SBA had not developed procedures for lenders to provide reasonable assurance that borrowers maintained their eligibility after the loans were disbursed. We recommended, among other things, that SBA enhance internal controls over borrower eligibility requirements. SBA subsequently decided to allow the program to expire in December 2013.
- In a March 2014 report, we found that although SBA had initiated actions to improve its reviews under the 504 loan program, its guidance for conducting risk-based reviews of the CDCs that

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<sup>49</sup>[GAO-03-116](#).

<sup>50</sup>Small Business Administration, Office of Inspector General, Report No. 13-17.

<sup>51</sup>GAO, *Patriot Express: SBA Should Evaluate the Program and Enhance Eligibility Controls*, [GAO-13-727](#) (Washington, D.C.: Sept. 12, 2013). The Patriot Express program assisted veterans and spouses of veterans by issuing loans to start or expand a small business and was offered by SBA's network of participating lenders, featuring SBA's lowest interest rates for business loans.

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make 504 loans did not require SBA staff to review supporting documentation on the number of jobs created or retained, a key requirement of the program.<sup>52</sup> Among other things, we recommended that SBA require examiners to review such documentation. SBA generally agreed with our recommendation and subsequently revised its review procedures. Specifically, the agency incorporated steps in the worksheet examiners use to review loan files during risk-based reviews that require the review of documentation supporting the number of jobs created or retained.

SBA has recently revised its procedures for conducting risk-based reviews of lenders and CDCs. A senior SBA official stated that he expected these changes to greatly improve SBA's lender oversight. Specifically, SBA developed a new risk measurement methodology to assign risk ratings to both 7(a) lenders and CDCs and new lender risk-based review protocols for using these ratings to determine the scope of lender reviews. Those lenders with composite risk ratings above an established threshold are to undergo a targeted review of specific identified risks or a full review if risks are more pervasive. In its fiscal year 2015 report on management challenges, the SBA OIG noted that SBA also had improved its monitoring and verification of corrective actions by lenders by (1) developing corrective action assessment procedures, (2) finalizing a system to facilitate the corrective action process, and (3) populating the system with lender oversight results requiring corrective action.<sup>53</sup> However, the OIG stated that in order for SBA to fully resolve this management challenge, the agency would need to demonstrate the effectiveness of the process for monitoring and verifying lenders' implementation of corrective actions.

- **Small business contracting.** SBA's contracting programs help eligible socially and economically disadvantaged small businesses

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<sup>52</sup>GAO, *Small Business Administration: Actions Needed to Ensure Planned Improvements Address Key Requirements of the Development Company (504) Loan Program*, [GAO-14-233](#) (Washington, D.C.: Mar. 6, 2014). CDCs are nonprofit corporations certified and regulated by SBA that work with participating lenders to provide financing to small businesses. SBA oversees the 504 loan program, and about 270 CDCs issue "504 loans" that generally cover up to 40 percent of project costs.

<sup>53</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

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obtain federal contracts on a set-aside basis. The agency has several such programs, including the HUBZone and WOSB contracting programs. The SBA OIG has identified small business contracting as a serious management challenge since fiscal year 2005. Its fiscal year 2015 management challenges report stated that SBA's procurement flaws allowed large firms to obtain small business awards and agencies to count contracts performed by large firms toward their small business goals.<sup>54</sup> In a September 2014 report, the OIG identified over \$400 million in contract actions that were awarded to ineligible 8(a) and HUBZone firms, which may have contributed to the overstatement of small business goaling dollars reported to Congress in fiscal year 2013.<sup>55</sup>

In addition, we and the SBA OIG have identified internal control weaknesses in individual contracting programs, as the following examples illustrate.

- In a June 2008 report, we found that many firms were in the HUBZone program for more than 3 years without being recertified as required, resulting in potentially ineligible firms participating in the program.<sup>56</sup> We recommended, among other things, that SBA eliminate the backlog using either SBA or contract staff and take the necessary steps to ensure that recertifications were completed in a more timely fashion in the future. SBA agreed, and in a 2009 testimony we found that the agency had eliminated the backlog of recertifications by hiring additional contract staff.<sup>57</sup> However, we found in a February 2015 report that SBA did not replace the contract staff with FTE staff because, according to SBA, part of its

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<sup>54</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

<sup>55</sup>Small Business Administration, Office of Inspector General, *Agencies Are Overstating Small Disadvantaged Business and HUBZone Goaling Credit by Including Contracts Performed by Ineligible Firms*, Report No. 14-18 (Washington, D.C.: Sept. 24, 2014).

<sup>56</sup>GAO, *Small Business Administration: Additional Actions are Needed to Certify and Monitor HUBZone Businesses and Assess Program Results*, [GAO-08-643](#) (Washington, D.C.: June 17, 2008). According to HUBZone regulations, HUBZone firms must recertify their continued eligibility every 3 years to remain in the program. (13 CFR § 126.500).

<sup>57</sup>GAO, *Small Business Administration: Status of Efforts to Address Previous Recommendations on the HUBZone Program*, [GAO-09-532T](#) (Washington, D.C.: Mar. 25, 2009).

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funding authority was rescinded in 2013.<sup>58</sup> As a result, we found that SBA once again had a backlog in recertifying firms. Therefore, we recommended that SBA assess the recertification process and implement additional controls, such as ensuring that sufficient staff were dedicated to the effort so that a significant backlog in recertifications did not recur. SBA agreed with the recommendation. According to SBA, it has since completed an evaluation of the current recertification procedures and plans to implement improved processes by September 30, 2015.

- In an October 2014 report on SBA's WOSB program, we found that SBA performed minimal oversight of third-party certifiers and had not developed procedures to provide reasonable assurance that only eligible businesses obtained WOSB set-aside contracts.<sup>59</sup> We recommended that SBA develop and implement comprehensive procedures to monitor and assess the performance of certifiers and enhance the examination of businesses that registered to participate in the WOSB program. SBA generally agreed with the recommendations and stated that the agency was in the process of implementing many of them. In June 2015, SBA officials told us that the agency was in the process of publishing a proposed rulemaking on how to proceed with certification in light of recent legislative changes to the program and planned to update its procedures for examining firms by the end of fiscal year 2015.
- In a May 2015 report, the SBA OIG found that federal agencies' contracting officers awarded 15 of 34 set-aside awards without meeting the WOSB program's set-aside requirements.<sup>60</sup> These firms received approximately \$7.1 million of fiscal year 2014 set-aside awards that may have been improper. It also found that of

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<sup>58</sup>GAO, *Small Business Contracting: Opportunities Exist to Further Improve HUBZone Oversight*, [GAO-15-234](#) (Washington, D.C.: Feb. 12, 2015).

<sup>59</sup>GAO, *Women-Owned Small Business Program: Certifier Oversight and Additional Eligibility Controls Are Needed*, [GAO-15-54](#) (Washington, D.C.: Oct. 8, 2014).

<sup>60</sup>Small Business Administration, Office of Inspector General, *Improvements Needed in SBA's Management and Administration of the Women-Owned Small Business Federal Contracting Program*, Report No. 15-10 (Washington, D.C.: May 14, 2015). Contract set-asides restrict the competition for a contract award to certain classes of firms, such as women-owned small businesses, whose members might not otherwise be considered for award in full and open competition.

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the 34 awards reviewed, only 25 had documentation of program eligibility in the WOSB program repository. Of those, 13 did not provide all of the required documentation, and 12 did not provide sufficient documentation to prove that the firm was controlled by women.

According to a senior SBA official, SBA plans to improve small business contracting by extending SBA One to the 8(a) and HUBZone programs and creating a more dynamic small business search engine so that agencies can more readily identify small businesses that are eligible for contracts.

- **Improper payments.** The Improper Payments Information Act of 2002 requires agencies to review and identify those programs susceptible to significant improper payments, report on the amount and causes of improper payments, and develop plans for reducing improper payments.<sup>61</sup> The SBA OIG has identified improper payments in SBA's 7(a) and disaster loan programs as serious management challenges since fiscal year 2010 and fiscal year 2012, respectively. Its fiscal year 2015 report on management challenges stated that previous OIG audits had determined that reported improper payment rates for 7(a) loan approvals and purchases and disaster loans were significantly understated because SBA had not adequately reviewed loans, had used flawed sampling methodologies, and did not accurately project review findings.<sup>62</sup> The OIG noted that SBA had taken actions to correct many of these deficiencies for the 7(a) program, including formalizing its improper payment sampling and its process for reviewing disputed cases and developing appropriate corrective action plans for the program. However, the OIG stated that SBA still needed to demonstrate that its process over disputed cases was ensuring adequate and timely resolution, that it was adhering to recovery time standards, and that corrective action plans for the 7(a) loan program were effective in reducing improper payments. The OIG also noted that SBA had implemented an improved corrective action plan for the disaster loan program that if properly implemented, should effectively reduce the improper payment rate in future years.

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<sup>61</sup>Improper Payments Information Act of 2002, Pub. L. No. 107-300, as amended (31 U.S.C. § 3321 note). An "improper payment" is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

<sup>62</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.



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In a February 2015 report on improper payments related to Disaster Relief Appropriations Act, 2013 funding, we found that SBA did not have policies and procedures for estimating improper payments for the Office of Entrepreneurial Development Grants program, one of its two programs that received funding under the act.<sup>63</sup> We also found that SBA's policies and procedures for its Disaster Assistance Loans program, the other program that received funding, did not cover many of the key requirements for estimating improper payments. For example, they did not define improper payments consistent with OMB guidance. SBA's internal guidance defines an improper payment as a loan approval that does not meet the eligibility requirements in its SOP for the program. However, OMB guidance clarifies that improper payments can include certain payments to eligible recipients, such as payments that are for the incorrect amount and duplicate payments. Such types of improper payments were not captured or addressed in SBA's policies and procedures. We recommended that SBA take eight actions to develop policies and procedures for the Office of Entrepreneurial Development Grants program and six actions to revise its Disaster Assistance Loans program policies and procedures for estimating improper payments. SBA did not explicitly concur with our recommendations but stated that it would address them by including a chapter on improper payments as it updates its SOP for internal controls. In June 2015, SBA officials told us that they planned to issue a policy notice containing additional guidance until the SOP could be updated.

In a May 2015 report on SBA's progress in complying with the Improper Payments Elimination and Recovery Act of 2010, the SBA OIG found that SBA continued to make progress in its efforts to prevent and reduce improper payments.<sup>64</sup> For example, the reported improper payment rate for disaster assistance loan disbursements had decreased from 18.4 percent in fiscal year 2013 to 12 percent in fiscal year 2014, exceeding SBA's goal of 15 percent. However, the OIG also found that SBA needed to make some improvements to

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<sup>63</sup>GAO, *Disaster Relief: Agencies Need to Improve Policies and Procedures for Estimating Improper Payments*, [GAO-15-209](#) (Washington, D.C.: Feb. 27, 2015).

<sup>64</sup>Pub. L. No. 111-204, 124 Stat. 2224 (codified at 31 U.S.C. § 3321 note). See Small Business Administration, Office of Inspector General, *SBA's FY 2014 Compliance with the Improper Payments Elimination and Recovery Act*, Report No. 15-11 (Washington, D.C.: May 15, 2015).

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effectively develop its improper payment controls and processes for Hurricane Sandy disaster relief grants and 7(a) loan guarantee purchases. Specifically, it found that the reported improper payment rate for Hurricane Sandy disaster relief grants of 3 percent might have been understated because reviewing personnel did not identify payment errors and related opportunities for correcting those errors. The OIG also noted that the reported improper payment rate of 1.33 percent for 7(a) loan guarantee purchases was slightly understated. The OIG made six recommendations to improve the effectiveness of improper payment controls over Hurricane Sandy technical assistance grants and Section 7(a) loan guarantee purchases.

A senior SBA official noted that SBA's improper payment rates were decreasing and that SBA One would help decrease them further because it included editing features designed to reduce the number of technical errors.

- **Loan Management and Accounting System (and other aspects of IT management).** SBA's Loan Management and Accounting System (LMAS) is one in a series of attempts by SBA during the past several years to upgrade existing financial software and application modules and remove them from the mainframe environment. The SBA OIG has identified this project as a serious management challenge since fiscal year 2010 on the basis of reviews that we and it conducted, as the following examples show.
  - In a 2012 report, we found inconsistencies in SBA's application of IT management practices (including IT risk management) resulting in part from inadequate executive oversight of the LMAS modernization project.<sup>65</sup> For example, we found that SBA had not fully prioritized risks related to one project or developed plans to mitigate them. Consequently, this modernization effort was severely delayed, and costs were well above initial estimates. We recommended that SBA ensure that appropriate IT management practices were applied to LMAS projects and that the executive bodies responsible for project oversight provide appropriate and

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<sup>65</sup>GAO, *Information Technology: SBA Needs to Strengthen Oversight of its Loan Management and Accounting System Modernization*, GAO-12-295 (Washington, D.C.: Jan. 25, 2012). The Loan Management and Accounting System remained in the planning phase until September 2008, when SBA awarded three blanket purchase agreements to get projects under way.

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ongoing reviews. SBA generally concurred with the recommendations and has taken some actions to address them as discussed below.

- In a series of reports in 2010, 2013, and 2014 on the LMAS project, the SBA OIG found that SBA did not follow federal regulations and internal guidance on IT acquisitions, leading to delays and weaknesses in project oversight.<sup>66</sup> For example, in 2014 the OIG found that SBA did not identify a plan for full user acceptance testing according to the requirements outlined in its own SOPs for IT system development.<sup>67</sup> The OIG also noted that SBA had made some progress but recommended that the agency adhere to internal guidelines in performing project oversight, approve and revise project baselines, and affirm the viability of project milestones. SBA agreed with the findings and recommendations and has taken actions to address them.

SBA has recently completed its LMAS projects. In response to our 2012 recommendation, SBA told us that it had instituted changes to provide consistent project management, including appropriate oversight of requirements, the engagement of an independent contractor, and the establishment of risk management processes. As of March 2015, SBA reported that development activities for these projects had been successfully completed and all projects had entered the operations and maintenance phase.

The SBA OIG has identified problems with other aspects of SBA's IT management. In a February 2014 report, the OIG found that SBA had not followed federal regulations and guidance in the acquisition of the OneTrack system, a system that the Office of Government Contracting and Business Development planned to use to track 8(a)

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<sup>66</sup>Small Business Administration, Office of Inspector General, *Adequacy of Quality Assurance Oversight of the Loan Management and Accounting System Project*, Report No. 10-14 (Washington, D.C.: Sept. 13, 2010); *Briefing Report: The SBA's Loan Management and Accounting System-Incremental Improvement Projects*, Report No. 13-11 (Washington, D.C.: Mar. 12, 2013); and *Evaluation Report: Review of the LMAS Incremental Improvement Projects*, Report No. 14-21 (Washington, D.C.: Sept. 30, 2014).

<sup>67</sup>Small Business Administration, Office of Inspector General, Report No. 14-21.

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and HUBZone program participants.<sup>68</sup> The SBA OIG reported that SBA had failed to perform market research or use a modular contracting strategy intended to reduce acquisition risks.<sup>69</sup> As a result, SBA did not receive a system with the full capabilities originally designed. The OIG recommended, among other things, that SBA conduct a requirements analysis and cost assessment of the system and ensure that all appropriate provisions of internal guidance on IT system development were met prior to placing OneTrack into production. SBA concurred with the recommendations, but according to the SBA OIG, the agency did not deploy the OneTrack system. Instead, as noted previously, a senior SBA official told us that the agency planned to use SBA One for the 8(a) and HUBZone programs as well as its loan programs. He further noted that improving IT was a priority for the Administrator and that she was devoting additional resources to IT to meet deferred needs.

- **Acquisition management.** The SBA OIG has identified SBA's acquisition management as a serious management challenge since fiscal year 2013. Although SBA had taken steps to improve its acquisition process—such as realigning its acquisition program within the organization, hiring new staff, and providing additional training to its acquisition personnel, the SBA OIG noted in its 2015 report on SBA's management challenges that challenges remained.<sup>70</sup> These challenges included (1) poorly defined requirements, (2) internal control deficiencies, (3) inadequate oversight of contractor performance, and (4) an incomplete acquisition SOP. We discuss SBA's efforts to address these challenges and the results of a contractor review that found additional areas in need of improvement later in this report.
- **Disaster loan processing.** Both we and the OIG have reported that SBA needs to further strengthen planning for and controls over its disaster loan program to improve its ability to respond effectively to

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<sup>68</sup>Small Business Administration, Office of Inspector General, *The SBA Did Not Follow Regulations and Guidance in the Acquisition of the OneTrack System*, Report No. 14-10 (Washington, D.C.: Feb. 12, 2014).

<sup>69</sup>Modular contracting is the acquisition of a major IT system through smaller, successive increments of interoperable modules.

<sup>70</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

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future disasters. SBA provides funding and assistance to individuals and businesses after disasters declared by either the President or SBA. SBA's disaster loan program is the primary federal program for funding long-range recovery for nonfarm businesses that are victims of disasters and is the only form of SBA assistance not limited to small businesses. After the 2005 Gulf Coast hurricanes (Katrina, Rita, and Wilma), SBA faced an unprecedented demand for disaster loans, while also being confronted with a significant backlog of applications. As a result, hundreds of thousands of loans were not dispersed in a timely way. In June 2008, Congress enacted the Small Business Disaster Response and Loan Improvements Act of 2008 (2008 Act), which placed new requirements on SBA to help ensure that it is prepared to respond to catastrophic disasters.<sup>71</sup> Since Hurricane Katrina, SBA has implemented reforms intended to improve disaster loan processing by increasing the capacity of the electronic loan processing platform and addressing requirements in the 2008 Act.<sup>72</sup> However, continued attention on efforts to strengthen internal controls in the disaster loan program is needed, as the following examples illustrate.

- In a September 2014 report, we found that SBA did not adequately respond to the higher volume of physical business disaster loans and economic injury loans early in its response to Hurricane Sandy and as a result did not meet its timeliness goal for processing applications.<sup>73</sup> We further found that the agency did not revise its disaster planning documents—the Disaster

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<sup>71</sup>Pub. L. No. 110-246, title XII, subtitle B, 122 Stat. 2168 (2008). The requirements in the Small Business Disaster Response and Loan Improvements Act of 2008 included the issuance of regulations by SBA to implement new guaranteed disaster programs using private sector lenders.

<sup>72</sup>For example, per requirements in the Small Business Disaster Response and Loan Improvements Act of 2008 on disaster planning and response, SBA began updating disaster planning documents.

<sup>73</sup>GAO, *Small Business Administration: Additional Steps Needed to Help Ensure More Timely Disaster Assistance*, [GAO-14-760](#) (Washington, D.C.: Sept. 29, 2014). On October 29, 2012, Hurricane Sandy made landfall, causing an estimated \$65 billion in damage. SBA's disaster loan program provides physical disaster loans (used to rebuild or replace damaged property) and economic injury disaster loans (used for working capital until normal operations resume) to help businesses and individual homeowners recover from disasters. In the aftermath of Hurricane Sandy, Congress passed the Disaster Relief Appropriations Act of 2013, which appropriated \$779 million to SBA for disaster loans and administrative expenses.

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Preparedness and Recovery Plan and the Disaster Playbook—to reflect the effects that loan application volume and timing could have on staffing, resources, and forecasting models for future disasters. We concluded that without accounting for its recent experience in its planning documents, SBA may be unprepared for future disasters. We recommended that SBA revise its disaster planning documents. SBA generally agreed with the recommendation and provided us in June 2015 with an updated Disaster Playbook—one of its two key disaster planning documents—that includes explicit recognition of the effects that high volumes of loan applications early in the response period could have on staffing and loan processing.

- Also in our September 2014 report on disaster assistance, we found that SBA had not developed an implementation plan for addressing the 2008 Act's requirements, as GAO recommended in 2009.<sup>74</sup> This plan was to include, among other things, challenges the agency faces in implementing the 2008 Act's requirements, including those to implement three new guaranteed disaster programs using private sector lenders. SBA had made a decision to focus attention first on implementing a pilot program for one of the requirements, the Immediate Disaster Assistance Program (IDAP). We found that SBA had not conducted a formal documented evaluation of lenders' feedback or taken other actions needed to establish the basis for proposed changes to requirements for Congress to consider. In order to provide Congress with reliable information on challenges SBA has faced in implementing IDAP, we recommended that SBA (1) conduct a formal documented evaluation of lenders' feedback that can inform SBA and Congress about statutory changes that may be necessary to encourage lenders' participation in IDAP and (2) report to Congress on the challenges SBA has faced in implementing IDAP and on statutory changes that may be necessary to facilitate SBA's implementation of the program. SBA generally agreed with the recommendations. While SBA has solicited some lender feedback, it has not adopted a plan for the steps the agency will take to implement IDAP (and by implication, the other two loan programs) or to reach a determination on

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<sup>74</sup>GAO, *Small Business Administration: Additional Steps Should Be Taken to Address Reforms to the Disaster Loan Program and Improve the Application Process for Future Disasters*, [GAO-09-755](#) (Washington, D.C.: July 29, 2009).

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whether IDAP or the other loan programs should be implemented.

- In a February 2015 report, the SBA OIG found that loan officers did not have guidance for performing the financial analysis to determine whether Hurricane Sandy business loan applicants had repayment ability.<sup>75</sup> It noted that because there was no guidance, loan officers used inconsistent methodologies when evaluating Hurricane Sandy business loans for repayment ability. The OIG estimated that SBA approved at least 537 Hurricane Sandy disaster business loans, totaling at least \$17.9 million, without sufficiently considering principals' living expenses when determining repayment ability and that as a result, these loans were at a higher risk of default.

As this discussion of SBA's management challenges indicates, we and the SBA OIG have identified a number of internal control weaknesses that have contributed to programmatic challenges. We have made a number of related recommendations, many of which SBA has begun to address. SBA also has a process in place to help ensure that internal controls are in place for financial reporting, an effort that is overseen by a Senior Assessment Team.<sup>76</sup> Among other things, this team is responsible for determining the scope of the assessment; monitoring the assessment to confirm that it is carried out in a thorough, effective, and timely manner; and analyzing the results of the assessment. SBA's Office of Internal Controls within the Office of the Chief Financial Officer carries out each year's assessment of internal controls over financial reporting. These efforts are guided by federal internal control standards, which we updated

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<sup>75</sup>Small Business Administration, Office of Inspector General, *SBA's Evaluation of Principal's Repayment Ability for Hurricane Sandy Business Loans*, Report No. 15-05 (Washington, D.C.: Feb. 24, 2015).

<sup>76</sup>The Senior Assessment Team is chaired by the Chief Financial Officer and includes, among others, the Deputy Associate Administrator for Capital Access, Deputy Associate Administrator for Disaster Assistance, Deputy Associate Administrator for Government Contracting and Business Development, Deputy Associate Administrator for Field Operations, Deputy Chief Operating Officer/Chief Administrative Officer, Deputy Chief Operating Officer/Chief Human Capital Officer, Deputy Chief Financial Officer, Deputy General Counsel, Chief Information Officer, and Deputy Chief Information Officer.

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in September 2014.<sup>77</sup> The new standards are effective beginning with fiscal year 2016. To prepare for the implementation of these new standards, the Office of Internal Controls presented the new guidelines at a Senior Assessment Team meeting in fiscal year 2013 and at fiscal year 2014 FMFIA training provided to senior managers. SBA officials said that the agency had also begun to update its SOP on internal control and plans additional revisions after OMB has updated its Circular A-123, which is expected to include guidance on implementing the new standards.<sup>78</sup>

SBA has not resolved many of these long-standing management challenges due to a lack of sustained priority attention over time. In a September 2008 report, we noted that frequent turnover of political leadership in the federal government, including at SBA, often made it difficult to sustain and inspire attention to needed changes.<sup>79</sup> SBA has undergone turnover in its leadership positions (see fig. 5). Senior SBA leaders have not prioritized long-term organizational transformation in management challenge areas such as human capital and information technology. For example, since 2008 SBA has published three strategic plans, each signed by a different Administrator. The overview from the Administrator in SBA's 2008-2013 strategic plan acknowledged some of

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<sup>77</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014). The Federal Managers' Financial Integrity Act (FMFIA) requires the Comptroller General to issue standards for internal control in the federal government. *Standards for Internal Control in the Federal Government* (known as the Green Book) provide the overall framework for establishing and maintaining an effective internal control system. The Committee of Sponsoring Organizations of the Treadway Commission updated its internal control guidance in 2013 with the issuance of a revised *Internal Control - Integrated Framework*. The Green Book adapts these principles for a government environment. See Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control - Integrated Framework* (New York: American Institute of Certified Public Accountants, 2013).

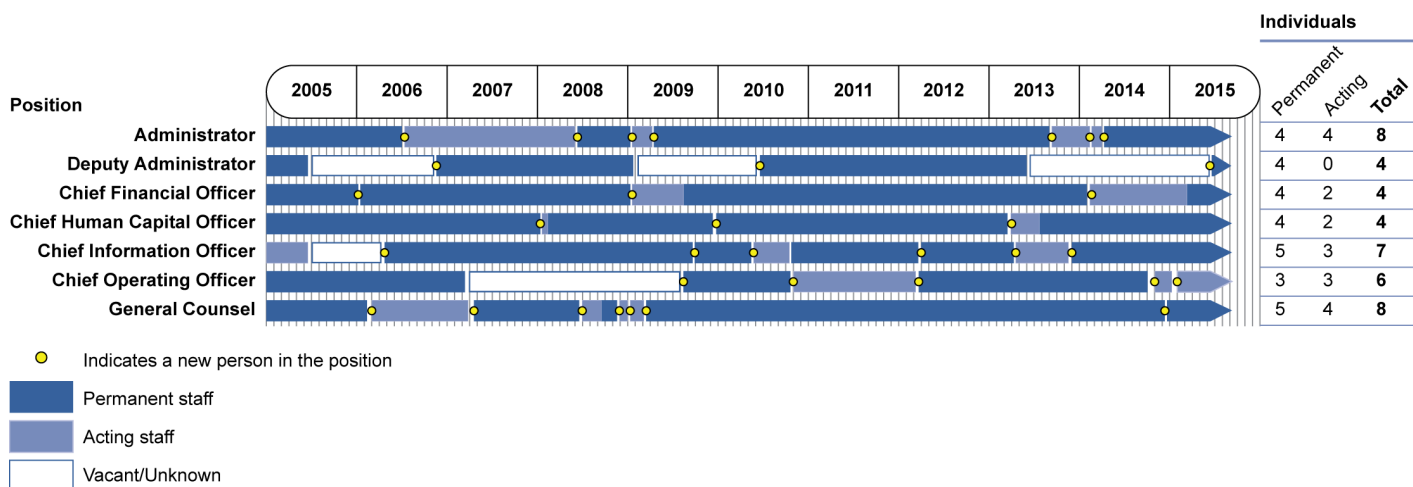
<sup>78</sup>OMB issued a draft of the revised Circular A-123 in June 2015 and is reviewing comments it received.

<sup>79</sup>GAO, *Small Business Administration: Opportunities Exist to Build on Leadership's Efforts to Improve Agency Performance and Employee Morale*, [GAO-08-995](#) (Washington, D.C.: Sept. 24, 2008). For example, in our September 2008 report, we found that one of the actions SBA took to improve the agency was creating SBA University, an initiative to provide core training to field employees and address concerns about training expressed in employee surveys. For that report, employees told us that they appreciated SBA University because it showed that the agency recognized that employees needed training for their new roles and responsibilities. However, SBA University no longer exists, and as discussed in more detail later in this report, training continues to be a challenge for SBA.



the internal management challenges the agency faced and noted that the plan reflected SBA's efforts to address them. However, the overviews from the Administrators in the two subsequent plans did not do so. Furthermore, in an April 2013 House committee hearing on SBA's proposed fiscal year 2014 budget, the committee Chairman stated that SBA's proposed budget focused on the agency's priorities but ignored some long-standing management deficits.<sup>80</sup> For example, the Chairman noted that SBA included initiatives in the budget to increase the availability of loans to small businesses, but reduced resources that would be devoted to LMAS.<sup>81</sup> These examples raise questions about SBA's sustained commitment to addressing management challenges that could keep it from effectively assisting small businesses.

**Figure 5: Turnover in Senior Leadership Positions at SBA from Calendar Years 2005 to 2015**



Source: GAO analysis of Small Business Administration (SBA) information. | GAO-15-347

Note: The number of permanent and acting officials may not add up to the total because in some cases the acting official became the permanent official.

<sup>80</sup>The Budget Outlook for the Small Business Administration, hearing before the House Committee on Small Business, 113<sup>th</sup> Cong. 2 (2013).

<sup>81</sup>As noted previously, the LMAS projects had not been completed at the time of the hearing.

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## SBA Met Most Statutory Requirements for Strategic Planning but Did Not Use Program Evaluations

As well as examining long-standing management challenges, we reviewed SBA's strategic plan for fiscal years 2014 to 2018 to determine whether it met federal requirements. We found that the plan met all the requirements for planning and all but one of the content requirements. It partly met the content requirement that it describe how program evaluations were used in developing the plan and that it include a schedule of evaluations planned for the next 4 years (see table 1). Strategic planning at federal agencies, including SBA, is subject to a variety of statutory requirements. First, in 1993 Congress passed GPRA, which established strategic planning, performance planning, and performance reporting as the components of a framework for agencies to communicate progress in achieving their missions.<sup>82</sup> Next, GPRAMA made some important changes to existing requirements by placing a heightened emphasis on priority setting, cross-organizational collaboration to achieve shared goals, and the use and analysis of goals and measures to improve outcomes.<sup>83</sup> GPRAMA enhanced agency-level planning and reporting requirements and required agencies to increase leadership involvement and accountability. OMB has published guidance for federal agencies on the implementation of GPRAMA, including guidance on strategic planning.<sup>84</sup> The statutes and guidance describe the elements agencies must include in their strategic plans and the planning process they must follow when developing them.

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<sup>82</sup>Pub. L. No. 103-62, 107 Stat. 285 (1993).

<sup>83</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011).

<sup>84</sup>Office of Management and Budget, *Strategic Plans, Annual Performance Plans, Performance Reviews, and Annual Program Performance Reports*, OMB Circular A-11 Part 6 (Washington, D.C.: July 2013). Although OMB updated this guidance in 2014, we refer to the 2013 guidance in this report because it was in effect when SBA developed its strategic plan for fiscal years 2014-2018.

**Table 1: Extent to Which the Small Business Administration (SBA) Met Federal Strategic Planning Requirements for Its Fiscal Years 2014-2018 Strategic Plan**

Requirements: strategic planning process	Extent SBA met requirement
Cover at least a 4-year period	●
Issued approximately 1 year after a presidential term begins	●
Solicit stakeholder input when developing or adjusting the plan	●
Consult with appropriations, authorizing, and oversight congressional committees, both majority and minority, at least every 2 years	●
Made available online and notify the President and Congress of its availability	●
Drafted by federal employees	●
Ensure performance plan is consistent with the agency's strategic plan	●
Requirements: contents of strategic plan	Extent SBA met requirement
Contains a comprehensive mission statement	●
Contains strategic goals and objectives	●
Describes how goals and objectives contribute to federal government priority goals	●
Describes how goals and objectives will be achieved	●
Describes how goals and objectives incorporate views obtained from congressional consultations	●
Describes how performance goals contribute to strategic goals and objectives	●
Identifies key external factors that could affect achievement of strategic goals and objectives	●
Describes program evaluations used in establishing or revising strategic goals and objectives and includes a schedule for future evaluations	○

Legend: ● Met ● Partially met ○ Not met

Source: GAO analysis of Government Performance and Results Act Modernization Act and Office of Management and Budget guidance, SBA's fiscal years 2014-2018 strategic plan, SBA's 2016 Congressional Budget Justification and Performance Plan and 2014 Performance Report, and interviews with SBA officials. | GAO-15-347

- Planning process.** SBA's process for developing its fiscal years 2014-2018 strategic plan met all federal requirements, such as gathering input from stakeholders.<sup>85</sup> For example, officials from SBA's Office of Performance Management, which took the lead in developing the strategic plan, told us that they had met with the Associate Administrator and Deputy Associate Administrator from each program office as well as with senior staff to discuss the

<sup>85</sup>Per OMB guidance, agencies should consider the views of other interested and potentially affected parties, including nonfederal stakeholders and delivery partners, when preparing a strategic plan. Additionally, in a June 1996 report, we found that stakeholder involvement was an important aspect of an effective strategic planning process. See GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/IGD-96-118 (Washington, D.C.: June 1996).

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strategic objectives, the strategies the offices planned to use to achieve the objectives, and metrics for the objectives.<sup>86</sup> This office also met with the Associate Administrator of the Office of Field Operations to obtain input and published a notice in the *SBA Daily*, a daily e-mail communication sent to all SBA employees, to inform SBA employees that the draft strategic plan had been posted on SBA's website and to encourage them to review the plan and provide comments.

Externally, SBA officials met with relevant authorizing and oversight committees early on in the planning process to discuss a high-level outline of the plan.<sup>87</sup> According to SBA officials, these meetings allowed SBA to obtain some congressional input before it committed to specific strategic goals and objectives. SBA also consulted with OMB, which provided comments on SBA's priority goals and the structure and framing of its strategic plan, requested input from numerous stakeholder groups, and sought public comments by posting a notice in the *Federal Register* and making a draft strategic plan publicly available on its website.

- **Contents of strategic plan.** As shown in table 1, SBA's fiscal years 2014-2018 strategic plan met all but one of the content requirements, partly meeting the requirement on program evaluations. For example, the plan has a comprehensive mission statement that covers the agency's major functions and includes outcome-oriented, long-term strategic goals and objectives that reflect the results SBA is trying to achieve.<sup>88</sup> It also contains specific strategies to achieve the agency's

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<sup>86</sup>In addition to SBA's agency-wide strategic plan, SBA's regional and district offices and some program offices have developed their own strategic plans that outline the strategies they will use to meet office-level performance goals and measures. The goals and measures for the regional and district offices were developed by the Office of Field Operations. The program offices we interviewed that had their own plans stated that they had developed their own performance goals and measures.

<sup>87</sup>For purposes of GPRAMA, SBA's authorizing and oversight committees are the House Small Business and the Senate Small Business and Entrepreneurship Committees. SBA officials told us they reached out to these committees and the House and Senate Appropriations Committees, but only the authorizing/oversight committees requested meetings to discuss the draft plan.

<sup>88</sup>For example, one of SBA's strategic goals is to grow businesses and create jobs. The strategic objectives under this goal include expanding access to capital and ensuring that federal contracting goals are met or exceeded.

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goals and objectives.<sup>89</sup> In addition, SBA's strategic plan includes a list of external parties that have evaluated SBA's programs, describes SBA's efforts to build its capacity to conduct more program evaluations, and discusses two evaluations it plans to conduct in 2015.<sup>90</sup> But it does not describe how program evaluations were used in developing the strategic goals and objectives or include a schedule of evaluations planned for the full 4 years. According to OMB, program evaluation is among the most important analytical tools for agency decision making. It can help agency managers, such as those at SBA, determine how best to spend taxpayer dollars effectively and efficiently, identify appropriate goals, and address questions about the effectiveness of strategies.<sup>91</sup> Per OMB guidance, a strategic plan should describe how information from program evaluations and research was used to develop the strategic plan, including in establishing or revising the agency's strategic objectives and identifying evidence-based approaches to meeting objectives. The plan should also (1) describe efforts to support high-quality evaluations, (2) discuss efforts to increase capacity for conducting them and using their findings, and (3) include a schedule of evaluations planned for the next 4 years. SBA officials stated that SBA did not use program evaluations to develop or revise its strategic objectives because the agency had conducted a limited number of them. SBA officials also told us that the agency had limited financial resources available for independent program evaluations but was

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<sup>89</sup>For example, one of the strategies SBA plans to use to expand access to capital is to offer loan guarantee products to assist small businesses in obtaining financing when they do not qualify for conventional credit.

<sup>90</sup>On May 27, 2015, we found an updated version of SBA's strategic plan for fiscal years 2014-2018 on its website that contained additional information on program evaluations. Specifically, the prior version of the plan did not include information on SBA's efforts to build its capacity to conduct more program evaluations and discussion of two evaluations it plans to conduct in 2015.

<sup>91</sup>In a May 1997 report, we similarly found that program evaluations can be a potentially critical source of information for Congress and others in ensuring the validity and reasonableness of goals and strategies; can be useful in explaining results in the agency's annual performance reports, including, when applicable, the reasons annual performance goals were not met; and can help identify appropriate strategies to meet unmet goals. See GAO, *Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review*, [GAO/GGD-10.1.16](#) (Washington, D.C.: May 1997).

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working on three and considering some in other areas.<sup>92</sup> SBA officials said that it thought the information included in the plan would be sufficient to meet GPRAMA's requirements on program evaluations.

Because SBA has not routinely conducted program evaluations, we have questions about whether the agency will have program evaluations on which to rely when developing its next strategic plan. GPRAMA aims to ensure that agencies use performance information in decision making and holds them accountable for achieving results and improving government performance. OMB has also encouraged agencies to improve government effectiveness by increasing their use of evidence and rigorous program evaluation in making budget, management, and policy decisions. In addition, in a June 2013 report we concluded that evaluations helped in assessing program effectiveness or value, explaining program results, implementing changes to improve program management or performance, developing or revising performance goals, designing or supporting program reforms, and sharing what works with others.<sup>93</sup> We and the SBA OIG have in the past found instances in which SBA did not evaluate the effectiveness of new or existing programs, and the agency has not yet fully addressed our recommendations in this area, as the following examples show.

- In an August 2010 report, the SBA OIG found that SBA had not assessed the Community Express pilot loan program's effectiveness.<sup>94</sup> The OIG recommended, among other things, that SBA not extend the program after its expiration in December 2010 but instead evaluate the need for it. Rather than evaluate the

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<sup>92</sup>According to SBA officials, the agency's Office of Entrepreneurial Development plans to evaluate the impact of Scale Up America, which is an initiative designed to help small firms with high potential grow their businesses. SBA's Office of Native American Affairs also plans to conduct an evaluation on Native American outreach, and SBA's Office of Veterans Business Development has initiated an impact evaluation to assess its services and help analyze its economic impact.

<sup>93</sup>GAO, *Program Evaluation: Strategies to Facilitate Agencies' Use of Evaluation in Program Management and Policy Making*, [GAO-13-570](#) (Washington, D.C.: June 2013).

<sup>94</sup>Small Business Administration, Office of Inspector General, *Assessment of the Community Express Pilot Loan Program*, Report No. 10-12 (Washington, D.C.: Aug. 25, 2010). The Community Express program authorized approved lenders to adopt streamlined and expedited loan procedures to provide financial and technical assistance to borrowers in the nation's underserved communities.

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program, SBA ended it in April 2011 and replaced it with the new Small Loan Advantage and Community Advantage programs.<sup>95</sup> SBA officials told us that while the agency annually publishes loan program measures that incorporate initiatives such as these, it had not evaluated the initiatives.

- In an August 2012 report, we found that SBA lacked program evaluations for 10 of the 19 entrepreneurial assistance programs we reviewed.<sup>96</sup> We recommended that SBA conduct more program evaluations to better understand the reasons the programs were not meeting their performance goals and to determine the programs' overall effectiveness. SBA did not say whether it agreed or disagreed with the recommendation but did take some steps to begin to address it. For example, SBA has begun meeting monthly with other agencies as part of an OMB-led interagency working group that shares best practices in program evaluation and has started pilot programs to test evaluation methods. However, we are unsure of SBA's commitment to conducting more program evaluations because as of May 2015, the agency had not completed evaluations of any of the programs covered by our recommendation. Therefore, we continue to maintain that our recommendation has merit and should be fully implemented.
- In a September 2013 report, we found that SBA lacked an evaluation plan to assess the performance of the Patriot Express pilot loan program.<sup>97</sup> As a result, we concluded that SBA was unable to determine if the program was achieving its intended

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<sup>95</sup>According to SBA, the Small Loan Advantage program was a pilot initiative under the Office of Capital Access that aimed to increase the number of low-dollar loans (less than \$350,000) in underserved communities. The initiative ended in fiscal year 2014. The Community Advantage program, also under the Office of Capital Access, is an ongoing pilot program focused on increasing the number of community-based financial institutions that are approved SBA 7(a) lenders in order to expand credit access to underserved communities.

<sup>96</sup>GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, [GAO-12-819](#) (Washington, D.C.: Aug. 23, 2012).

<sup>97</sup>GAO, *Patriot Express: SBA Should Evaluate the Program and Enhance Eligibility Controls*, [GAO-13-727](#) (Washington, D.C.: Sept. 12, 2013). The Patriot Express program assisted veterans and spouses of veterans by issuing loans to start or expand a small business.

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goals. We recommended, among other things, that SBA design an evaluation plan for pilot programs prior to implementation and consider the results of such an evaluation before extending any pilot. SBA responded to the report by stating that the agency would consider our findings as it determined whether to extend the program. Subsequently, SBA did not conduct a performance evaluation of the program and instead decided to terminate the program by allowing it to expire in December 2013. SBA replaced the Patriot Express program with the Veterans Advantage initiative in 2014.<sup>98</sup> Although SBA officials told us the agency tracks performance measures for its loan programs and keeps raw data for each of the loan types (including veterans fee relief), the agency had not evaluated the initiative as of May 2015 and had no plans to do so.

- In April 2014, the House Committee on Small Business held a hearing on initiatives that SBA had created. The hearing explored the committee's concerns that SBA had requested funding for potentially duplicative new programs while lacking adequate performance metrics to measure their success or failure.<sup>99</sup> While they did not specifically address the lack of performance metrics for all the programs discussed during the hearing, two SBA witnesses cited the agency's legislative authority for the new initiatives. Our August 2012 report on entrepreneurial assistance

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<sup>98</sup>The Veterans Advantage program, which was originally to operate from January 1, 2014, through September 30, 2014, reduced the upfront guarantee fee from 3 percent to 0 percent for SBAExpress loans over \$150,000 approved to small businesses owned by qualified veterans. Through September 20, 2014, SBA had guaranteed 153 such loans totaling \$38,861,900. Fee relief for these loans resulted in savings to borrowers of about \$571,000. SBA subsequently extended the program through September 30, 2015.

<sup>99</sup>*SBA-created Initiatives: Necessary or Redundant Spending*, hearing before the House Committee on Small Business, 113th Cong. (2014). Specifically, the committee was concerned about the Entrepreneurial Education program, the Growth Accelerators program, the Boots to Business program, and the Regional Innovation Clusters program. According to SBA, the Entrepreneurial Education initiative, which began in 2009, provides high-growth small businesses in underserved communities with a 7-month executive leader education series. The Growth Accelerators program, which SBA requested funding for in 2014, is a mentorship program that provides startups with the resources to support their product and customer development. The Boots to Business program, launched in 2012, is an entrepreneurial development program for transitioning service members and veterans with curriculum delivered through the Department of Defense's Transition Assistance Program. SBA's Regional Innovative Cluster initiative, which began in fiscal year 2010, awards grants to nonfederal entities that help create geographically defined groups of firms in similar industries.



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raised similar concerns about overlap in programs and stressed the importance of program evaluations.<sup>100</sup>

A senior SBA official acknowledged the agency's challenges in conducting program evaluations and stated that it was developing a more systematic approach to conducting them, including determining how to collect needed data. While he identified two ongoing studies, he did not provide detailed information on the systematic approach, an expected completion date, or whether the agency would prioritize additional resources to conduct evaluations.

Without prioritizing resources to conduct more evaluations of its programs and incorporating the results into its strategic planning process, SBA lacks a critical source of information for ensuring the validity and effectiveness of its goals, objectives, and strategies. In addition, SBA lacks pertinent information that would help in determining the effectiveness of both new and existing programs.

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## SBA Planning and Oversight Are Limited in Several Management Areas

SBA needs better planning and oversight in several key management areas. We reviewed SBA's management of its (1) human capital, (2) organizational structure, (3) enterprise risk, (4) acquisition, and (5) procedural guidance. We found that SBA continued to face long-standing human capital challenges and had not completed development of a workforce plan or training goals to help address them. We also found that SBA faced a skill gap resulting from a 2004 reorganization, and as of June 2015 SBA officials told us the agency had not completed an assessment of its organizational structure. Further, SBA initiated in 2009 efforts to implement enterprise risk management but had only recently begun assessing agency-wide risks and lacked adequate documentation of its progress and future plans. In the area of acquisition management, SBA hired a contractor to assess its acquisition operations and, as of May 2015, was in the process of finalizing its action plan in response to the contractor's findings. Finally, we found that SBA had not updated many of its guidance documents that it had identified as outdated.

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<sup>100</sup>[GAO-12-819](#).

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## SBA Has Not Completed Its Workforce Plan or Developed Training Goals

As previously noted, SBA's OIG has identified SBA's need for effective human capital strategies—the programs, policies, and processes that agencies use to build and manage their workforces—as one of the most significant management challenges facing the agency since 2001.<sup>101</sup> We have also identified challenges to SBA's human capital management. For example, in our January 2003 report on SBA's management challenges, we found that SBA needed to strengthen its human capital management by, among other things, getting properly trained people into the right places, identifying the knowledge and skills requirements of its employees, and providing professional development opportunities as needed.<sup>102</sup>

According to SBA documents, the agency faces programmatic, demographic, and budgetary challenges that have had an effect on its workforce. To begin to address these challenges, SBA requested Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments (VERA/VSIP) programs for fiscal years 2012 and 2014.<sup>103</sup> Agency officials said that the VERA/VSIP programs were intended to allow SBA to begin reshaping its workforce to meet its ongoing needs in light of its evolving mission. In its applications for these programs, SBA identified the following challenges it faced.

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<sup>101</sup>In addition, a 2011 OPM report found a number of weaknesses in SBA's human capital management, including a lack of metrics for goals in the strategic human capital plan, which also was not aligned with the agency's strategic plan. Further, OPM found that SBA did not have a comprehensive human capital accountability system to assess its progress and had not done any recent agency-wide workforce planning. SBA addressed the actions required by OPM and the evaluation was closed in 2013. See Office of Personnel Management, *Small Business Administration Human Capital Management Evaluation Report Quarter 1 FY 2012* (Washington, D.C.: 2011).

<sup>102</sup>[GAO-03-116](#). At the time of that report, SBA had developed a draft workforce transformation plan designed to help address some of its human capital management issues. However, SBA came under new leadership in 2006, and with the appointment of a new Administrator, SBA's draft transformation plan was never approved.

<sup>103</sup>VERA/VSIP authority is administered by OPM. VERA provides agencies the option to offer voluntary early retirement to their employees when restructuring and downsizing, while VSIP allows agencies that are downsizing or restructuring to offer employees lump-sum payments as an incentive to voluntarily separate. Agencies can request an agency-wide VERA, which would open the early retirement option to all employees, or can request a targeted VERA, which would open the option to specific positions. SBA requested and received authority to conduct targeted VERA programs and described its programmatic, demographic, and budgetary challenges in its requests for fiscal years 2012 and 2014 VERA/VSIP authority that it submitted to OPM. SBA officials stated that each program office was consulted to determine which positions were eligible for VERA/VSIP.

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- **Programmatic.** SBA stated that its workforce faced an ongoing skill gap resulting from the 2004 centralization of its loan processing function.<sup>104</sup> SBA noted that this organizational change resulted in a gap between the competency mix of employees who had been hired for one mission and the competency mix needed to accomplish a new mission. Specifically, after loan processing was moved from the district offices to loan processing centers, the district offices were given new responsibilities, including business development and outreach. These new responsibilities created a skill gap because employees who were originally required to have a financial background for loan processing were now required to have different skills, such as a marketing background and interpersonal skills. SBA stated that the skill gap was particularly pronounced among 885 employees in two job series—GS-1101 and GS-1102. These employees include business opportunity specialists, economic development specialists, and procurement staff. According to SBA, despite its efforts during the last several years to address this skills imbalance through training and the fiscal year 2012 VERA/VSIP, among other things, the competency gap remains. SBA also noted that the skill gap had been compounded by recent changes in job requirements and new initiatives that required new skill sets for its employees.<sup>105</sup>
  - **Demographic.** SBA has stated that it has a high number of employees who will retire or will become eligible to retire in the next 5 years. As of June 24, 2014, about 25 percent of SBA employees were eligible to retire, and 50 percent will be eligible in 2019. According to SBA, its aging workforce presents two issues. First, 43 percent of those fully eligible to retire work in two mission-critical job series—GS-

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<sup>104</sup>SBA officials stated that SBA identified this gap based on a competency and skill gap assessment conducted in 2006, the most recent agency-wide assessment it had completed.

<sup>105</sup>For example, the National Defense Authorization Act for Fiscal Year 2014 now requires business opportunity specialists to obtain federal acquisition certification in contracting as a prerequisite for employment. SBA stated that although it had worked with its business opportunity specialists to ensure proper training and preparation for certification, a number of its current employees might not be able to pass the certification test. In addition, other job titles within the 1101 series have similar new job requirements, such as being able to address new risk compliance issues in SBA's lender oversight function. SBA said that it anticipated that many employees would be motivated to take on these new challenges, but that employees in the GS-1101 and GS-1102 series had found it difficult to accept changes or major shifts in their duties and responsibilities.

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1101 and GS-1102—that have a significant competency gap, but SBA noted that using attrition to obtain a better competency mix in the GS-1101 job series would be slow. SBA thought that offering VERA/VSIP programs would give it an opportunity to more quickly reshape its workforce to obtain the needed competencies and skill set.<sup>106</sup> Second, SBA stated that the high number of retirement-eligible employees meant that the agency needed a pipeline of new leaders. Creating this pipeline could mean increasing the number of employees who were at the early stages of their careers.

- **Budgetary.** SBA has also stated that current economic challenges mean that the agency cannot afford to retain staff with skills that do not support its mission. SBA noted that the fiscal years 2012 and 2014 VERA/VSIP programs kept the agency from having to implement a reduction in force in order to meet budgetary constraints, which would have exacerbated the skills imbalance. Specifically, SBA stated that under reduction-in-force procedures, the agency would lose the types of employees it had recently been recruiting—those with the needed mix of competencies to better ensure SBA’s mission success.<sup>107</sup>

SBA has recently developed goals and objectives for its strategic human capital plan and has developed an accountability policy, steps that should help improve its human capital management. It also obtained authority for the two VERA/VSIP programs that it believed would help reshape its workforce.

- **Strategic human capital plan.** OPM requires agencies to have documented evidence of a current agency human capital plan that includes human capital goals, objectives, and performance

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<sup>106</sup>According to SBA, the attrition rates over the past 4 fiscal years have been low. Specifically, in the GS-1101 job series, the attrition rate has been approximately 5 percent, of which 2.9 percent were from retirements. In comparison, the attrition rate for SBA as a whole was 11 percent, but the retirement rate was the same. In fiscal year 2012, the retirement rate jumped to 9 percent due to the VERA/VSIP offering, or more than 3 years of normal attrition.

<sup>107</sup>OPM regulations govern reduction-in-force actions in federal agencies. These regulations determine whether an employee keeps his or her present position, or whether the employee has a right to a different position. Per OPM regulations, the following four factors are used to determine which employees will lose their positions as a result of a reduction in force: (1) tenure of employment, (2) veterans’ preference, (3) total creditable years of federal civilian and uniformed service, and (4) performance ratings.

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measures.<sup>108</sup> Additionally, in our 2003 report on strategic workforce planning we concluded that periodic measurement of an agency's progress toward human capital goals provided information for effective oversight by identifying performance shortfalls and appropriate corrective actions.<sup>109</sup> SBA's fiscal years 2013-2016 strategic human capital plan incorporates these practices. For example, the plan identifies human capital goals and objectives, such as building strategic partnerships and incorporating human capital flexibilities, and is designed to support SBA's agency-wide strategic plan, particularly SBA's strategic objective to invest in its employees. The plan also includes action items and performance measures that SBA tracks annually and demographic information about SBA's workforce.<sup>110</sup>

- **Human capital accountability policy.** OPM requires agencies to have documented evidence of a human capital accountability system that provides for an annual assessment of agency human capital management progress and results. SBA has developed a human capital accountability policy that outlines SBA's processes for evaluating its human capital systems and a multiyear schedule for conducting human resource program assessments.<sup>111</sup>
- **VERA/VSIP programs.** As discussed previously, SBA requested VERA/VSIP authority for fiscal years 2012 and 2014 in hopes that these initiatives would enable the agency to begin reshaping its workforce to meet its ongoing needs. In both years, OPM authorized SBA to offer this authority to 300 employees.

## Workforce Planning

SBA has taken several other steps to begin addressing its human capital management challenges, including working toward a workforce plan and identifying mission-critical competencies. According to federal internal

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<sup>108</sup>Office of Personnel Management, *The Human Capital Assessment and Accountability Framework (HCAAF): Systems, Standards, and Metrics* (Washington, D.C.: September 2005).

<sup>109</sup>[GAO-04-39](#).

<sup>110</sup>Examples of action items and performance measures in SBA's strategic human capital plan include recruiting, hiring, and retaining people with critical skills; implementing a new on-boarding program for new hires; and ensuring training records are maintained and accurate.

<sup>111</sup>These assessments are discussed in more detail later in this report.

control standards, workforce planning is a key internal control that allows agency management to ensure that skill needs are continually assessed and that the organization is able to obtain and maintain a workforce with the skills necessary to achieve organizational goals.<sup>112</sup> Although agencies may take various approaches to workforce planning, in a December 2003 report we identified key principles they should address.<sup>113</sup> SBA has taken some recent actions to incorporate these principles but has not completed a formal workforce plan that fully incorporates them (see table 2).

**Table 2: Extent to Which the Small Business Administration (SBA) Follows Key Principles for Workforce Planning**

Key principle	Extent SBA follows
<b>Workforce plan:</b> Involve top management, employees, and other stakeholders in developing, communicating, and implementing the strategic workforce plan	●
<b>Critical skills and competencies:</b> Determine the critical skills and competencies that will be needed to achieve current and future programmatic results; making this determination can involve collecting qualitative information and identifying skill gaps	●
<b>Gap-closure strategies:</b> Develop strategies, including programs, policies, and practices, which will enable the agency to recruit, develop, and retain the critical staff needed to achieve program goals	●
<b>Support capacity:</b> Build the capability needed to address administrative, educational, and other requirements important to support workforce planning strategies, such as providing guidance on the availability and use of human capital flexibilities	●
<b>Evaluation:</b> Monitor and evaluate the agency's progress toward its human capital goals and the contribution that human capital results have made toward achieving programmatic results	●

Legend: ● Follows ● Partially follows ○ Does not follow

Source: GAO analysis of GAO-04-39, SBA documents, and interviews with SBA officials. | GAO-15-347

- **Workforce plan.** SBA indicated in its fiscal years 2013-2016 strategic human capital plan that it was working on a separate workforce plan. SBA officials said that they had taken steps to develop the plan but as of May 2015 had not completed it.<sup>114</sup> SBA officials told us that they

<sup>112</sup>GAO/AIMD-00-21.3.1.

<sup>113</sup>GAO-04-39.

<sup>114</sup>SBA developed an eight-step action plan to develop a workforce plan. The steps are: (1) identify strategic direction; (2) understand the current workforce; (3) determine how the mission-critical occupations perform within the current organization; (4) understand how mission-critical occupations fit into the organization in the future; (5) identify competencies for the mission-critical occupations; (6) identify competency gaps; (7) identify strategies to close gaps; and (8) finalize the multiyear workforce plan. SBA officials told us that they have completed steps one through five. SBA officials stated that they had reached out to program office leadership to obtain input on the workforce plan. They also told us that they had worked with the union as required by the Master Labor Agreement signed January 2013.

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had been unable to complete the workforce plan because a current agency-wide competency and skill gap assessment was necessary to develop it.<sup>115</sup> As discussed in more detail later, they have not yet completed this assessment because of a delay in deploying the system needed to conduct it. As stated earlier, SBA has faced a long-standing skills imbalance resulting from organizational changes dating to 2004.

- **Critical skills and competencies.** SBA has taken steps to identify competencies for its mission-critical occupations. For example, in 2011 SBA conducted competency assessments for its human resources staff and its managers and supervisors.<sup>116</sup> In addition, in fiscal year 2013 SBA's Office of Human Resources Solutions reviewed 31 of SBA's mission-critical position descriptions, developed competency lists, and requested that program offices review and make adjustments to those lists. SBA's Office of Disaster Assistance has also taken steps to identify competencies for its employees by developing a baseline competency framework based on OPM-recommended competencies, current position descriptions, performance goals, and organizational strategic goals.

However, SBA has not completed an agency-wide competency and skill gap assessment since 2006, and an up-to-date assessment is critical for determining whether there are additional skill gaps in its current workforce. In 2012, SBA began using an electronic system called the Talent Management Center to manage employee training and performance. The system consists of two components—a learning management module and a performance management module. The learning management module is a software application that provides SBA employees with access to online training courses and allows employees to track their training. The performance management module allows employees to track their performance goals and evaluations. According to SBA officials, the contractor that implemented the Talent Management Center was also going to

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<sup>115</sup>This assessment would allow the agency to evaluate an observable, measureable pattern of skills, knowledge, abilities, behaviors, and other characteristics needed to perform work roles and identify gaps in those skills. As discussed earlier, SBA has not conducted an agency-wide competency and skill gap assessment since 2006.

<sup>116</sup>These assessments provided SBA with information about the current skill levels of these staff.

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implement a tool as part of the learning management module that would allow SBA to conduct a competency and skill gap assessment. However, SBA was unable to conduct the assessment because the contractor did not deploy the tool on time as planned. SBA officials told us the agency had contracted with another vendor to conduct the assessment during fiscal year 2015 and had held several meetings with the vendor to discuss the methodology and process for the assessment as of June 2015.

- **Gap-closure strategies.** As discussed earlier, SBA has taken initial steps aimed at addressing the skills imbalance in its workforce that resulted from its 2004 organizational change. SBA's VERA/VSIP programs in fiscal years 2012 and 2014 were intended to provide the agency needed flexibility to address this skills imbalance by creating vacancies that would allow it to strategically recruit new employees who have the needed competencies and skills. Under the VERA/VSIP programs, a total of 327 employees left the agency, but this number was lower than SBA expected.<sup>117</sup> In addition, SBA has developed a Leadership Succession Plan. The purpose of the plan is to strengthen current and future agency leadership capacity by creating leadership readiness programs and adopting a succession planning model to develop pools of potential leaders. The plan also outlines other succession strategies, such as job rotations to broaden employees' understanding across different functional areas of the agency and a mentoring program to help employees clarify career goals and analyze strengths and developmental needs. In addition, a senior SBA official stated that improving human capital management was a priority for the Administrator and that SBA was focused on developing different ways to recruit a younger and more diverse workforce. For example, SBA has revised its Presidential Management Fellows program with the goal of improving retention and is working with the Peace Corps to identify returning volunteers who may be interested in a career in public service.

Despite these steps, SBA does not have a current agency-wide competency and skill gap assessment and as a result cannot develop

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<sup>117</sup>OPM authorized up to 300 employees for SBA's fiscal year 2012 VERA/VSIP program, but only 180 retired under the program. SBA stated that as a result of this smaller-than-expected number of retirees in its fiscal year 2012 VERA/VSIP program, it was not able to complete its skill set recomposition goal. Similarly, OPM authorized up to 300 employees for SBA's fiscal year 2014 VERA/VSIP program, but only 147 took advantage of the program.



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and document an effective long-term strategy to fully address its previously identified skill gaps and any additional skill gaps that may exist. SBA officials told us they had not developed a long-term plan because they were relying in part on their VERA/VSIP programs to help reshape SBA's workforce to address its long-standing skills imbalance. SBA developed guidance outlining how vacancies were to be filled after the fiscal year 2014 VERA/VSIP program, and SBA officials stated that options for restructuring and related hiring following this program were still being considered as of May 2015. However, because both the fiscal year 2012 and fiscal year 2014 VERA/VSIP programs resulted in a smaller-than-expected number of retirees, whether these efforts will ultimately allow SBA to reshape its workforce to achieve its needed skill mix is unclear.<sup>118</sup>

- **Support capacity.** Although SBA has policies in place that enable the use of human capital flexibilities to support its workforce, such as a recruitment and retention incentives policy, the use of these flexibilities is not directly tied to a workforce plan.
- **Evaluation.** SBA has taken steps to monitor and evaluate its progress toward its human capital goals through its human capital accountability policy and tracking progress of the measures in its strategic human capital plan. However, because SBA has not established a strategic workforce plan, the agency has not monitored and evaluated the results of its workforce planning efforts.

Without a workforce plan that fully addresses key principles, including a current agency-wide competency and skill gap assessment and a long-term strategy to close skill gaps, SBA cannot provide reasonable assurance that its workforce has the skills needed to meet the agency's mission. For example, having a current assessment and completed workforce plan prior to its early retirement programs would have helped SBA target its hiring and retention efforts. Without having first taken these steps, SBA risked compromising its efforts to reshape the agency.

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<sup>118</sup>Of the 180 employees who retired under SBA's fiscal year 2012 VERA/VSIP program, 105 were employees from the two job series where the skill gap was pronounced. Of the 147 employees who retired under SBA's fiscal year 2014 VERA/VSIP program, 72 were employees from the two job series where the skill gap was pronounced.

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## Training and Development

In a 2004 report, we concluded that effective training and development programs are an integral part of a learning environment that can enhance an agency's ability to attract and retain employees with the skills and competencies needed to achieve results.<sup>119</sup> We also noted that training and development programs help an agency achieve its mission and meet its goals by improving individual and ultimately organizational performance.

In the same 2004 report, we identified key principles that could help federal agencies produce a strategic approach to their training and development efforts. SBA has taken steps to incorporate these principles but has only partly incorporated them (see table 3).

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<sup>119</sup>[GAO-04-546G](#).

**Table 3: Extent to Which the Small Business Administration (SBA) Follows Key Principles for Training and Development Programs**

Key principle	Extent SBA follows
<p><b>Planning:</b> Develop a strategic approach that establishes priorities and leverages investments in training and development to achieve agency results</p> <ul style="list-style-type: none"> <li>Establishes training goals and related performance measures that are consistent with the agency's overall mission, goals, and culture</li> <li>Determines the skills and competencies its workforce needs to achieve current, emerging, and future agency goals and missions and identify gaps</li> <li>Incorporates employees' developmental goals in its planning processes</li> </ul>	●
<p><b>Design and Development:</b> Identify specific training and development initiatives that, in conjunction with other strategies, improve individual and agency performance</p> <ul style="list-style-type: none"> <li>Compares the merits of different delivery mechanisms (such as classroom or computer-based training) and determines what mix of mechanisms ensure efficient and cost-effective delivery</li> <li>Takes steps to ensure that training is connected to improving individual and agency performance in achieving specific results</li> </ul>	●
<p><b>Implementation:</b> Ensure effective and efficient delivery of training and development opportunities in an environment that supports learning and change</p> <ul style="list-style-type: none"> <li>Communicates the importance of training and developing employees, and their expectations for training and development programs to achieve results</li> <li>Takes actions to foster an environment conducive to effective training and development and encourages employees to buy into the goals of training and development efforts</li> </ul>	●
<p><b>Evaluation:</b> Demonstrate how training and development efforts contribute to improved performance and results</p> <ul style="list-style-type: none"> <li>Systematically plans for and evaluates the effectiveness of its training and development efforts</li> <li>Uses performance data to assess the results achieved through training and development efforts</li> </ul>	●

Legend: ● Follows ● Partially follows ○ Does not follow

Source: GAO analysis of [GAO-04-546G](#), SBA documents, and interviews with SBA officials. | GAO-15-347

- Planning.** SBA officials told us that SBA had conducted a training needs assessment in the summer of 2014, which helped the agency identify a list of top training courses for its employees. SBA also developed a fiscal years 2014-2015 training plan that outlines SBA's major training programs and activities. However, the plan does not fully establish a strategic approach to training that would help achieve agency results. First, it does not establish training goals and related performance measures to help SBA determine whether its training and development programs are achieving their intended results.<sup>120</sup>

<sup>120</sup>Training goals can be either short term or long term. Examples include defining the scope of training activities, supporting the rollout of training initiatives, and developing supervisors who can effectively lead.

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SBA officials told us that they had not developed these goals and measures because the employees developing the plan had left the agency, but that they planned to develop them for the next iteration of the training plan. However, as of June 2015, SBA did not have an expected completion date for the revised plan. Second, as previously discussed, SBA has not conducted a competency and skill gap assessment since 2006.<sup>121</sup> Third, SBA officials told us that the training plan incorporated input from supervisors but did not directly incorporate employee development goals because the agency was not required to have individual development plans for its staff. However, while SBA is not required to have individual development plans, it could choose to require them or to obtain employee development goals through other means.<sup>122</sup>

- **Design and development.** SBA has also taken steps to identify specific training and development initiatives. For example, as discussed earlier SBA recently began using an electronic system called the Talent Management Center which, among other things, allows employees to take certain training courses online. SBA officials stated that SBA is currently developing the curriculum for its online courses in consultation with program office management, supervisors, and hiring managers. SBA officials told us that they decided to use this system due to its cost-effectiveness and flexibility. The training plan also identifies a number of other training initiatives, such as a leadership development program. However, whether these training and development initiatives are directly connected to improving individual and agency performance is unclear. For example, although SBA launched an electronic learning module and is developing a curriculum for it, the lack of a completed competency assessment makes it difficult to specifically design the curriculum to improve individual performance. Furthermore, while SBA offers a mix of centralized and decentralized training programs, a recent training assessment it conducted found that the decentralized training that program offices provide receives no review or oversight to detect duplicative offerings or identify opportunities to provide training more

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<sup>121</sup>In its most recent training plan, SBA stated that the competency and skills gap assessment would allow it to determine the skills, knowledge, abilities, behaviors, and other characteristics needed to perform work roles and help identify gaps in those skills.

<sup>122</sup>For example, agencies can survey or interview employees to determine their views on the agency's support for their developmental needs and identify particular training and development programs that may be needed.

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effectively and efficiently. According to SBA officials, its new electronic learning module will enable the agency to track and monitor both decentralized and centralized training. In addition, a senior SBA official stated that SBA was considering ways to offer more systematic training and mentorship programs.

- **Implementation.** SBA officials told us that they had taken steps to communicate information about training efforts to employees by, for example, publishing notices about upcoming training opportunities in the *SBA Daily*. SBA officials also told us that they had provided employees with training on how to use SBA's new electronic learning module and training for each staff member on their positions as part of their professional development. However, whether SBA has taken actions to foster an environment conducive to effective training and development is unclear. For example, results from SBA's 2014 Federal Employee Viewpoint Survey (FEVS) showed that just over one-third of employees felt that their training needs had been assessed.<sup>123</sup> Specifically, in response to a question asking whether their training needs were assessed, 39.22 percent (537 employees) agreed or strongly agreed, 24.82 percent (341 employees) neither agreed nor disagreed, and 35.96 percent (489 employees) disagreed or strongly disagreed.<sup>124</sup> In addition, about 40 percent indicated that they were satisfied with the training they had received. Specifically, in response to a question asking whether they were satisfied with the training they had received for their present job, 39.93 percent (533 employees) were satisfied or very satisfied, 25.48 percent (343 employees) were neither satisfied nor dissatisfied, and 34.59 percent (457 employees) were dissatisfied or very dissatisfied.<sup>125</sup> The SBA district office employees we interviewed also expressed mixed views about the training provided by SBA. For example, three employees stated that they received helpful training related to their positions.

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<sup>123</sup>The FEVS measures employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies. The survey results provide insight into the challenges agency leaders face in ensuring the federal government has an effective civilian workforce and how well they are responding to those challenges.

<sup>124</sup>A total of 1,367 employees out of 1,395 who completed the survey responded to this question. The percentages reported from the FEVS results are weighted to represent SBA's population. The number of responses is unweighted.

<sup>125</sup>A total of 1,333 employees out of 1,395 who completed the survey responded to this question.

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However, 15 employees described difficulties obtaining the training they needed.<sup>126</sup> For example, 9 of these employees—including 4 lender relations specialists, 2 economic development specialists, and 1 business opportunity specialist—stated that they did not receive any formal training related to their positions.<sup>127</sup> Two employees stated that they had multiple job responsibilities but did not receive the training needed to perform them all.<sup>128</sup> The other 4 employees stated that the training they did receive was not helpful or relevant to meeting their job responsibilities.

- **Evaluation.** In fiscal year 2012, SBA's Office of Human Resources Solutions established an accountability function in its Strategy, Policy, and Accountability Division with responsibility for conducting internal assessments. The program assessment schedule calls for reviewing SBA's training programs annually, and SBA conducted its first assessment of the centralized training program under this schedule in 2013.<sup>129</sup> SBA found significant weaknesses and areas of noncompliance with regulatory requirements, including not having evaluated its training programs on a regular basis, not maintaining records of training and expenditures, and not addressing federally mandated training requirements in written policies. The assessment contained 14 required actions designed to strengthen SBA's training and development programs and ensure regulatory compliance. In April 2015, SBA completed its fiscal year 2014 assessment of its training program to determine the agency's progress on correcting these deficiencies and found that 10 of the 14 required actions

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<sup>126</sup>Because this was a nonprobability sample, findings from our sample cannot be generalized to all SBA employees, but the sample provides illustrative examples of the difficulties some of the employees we interviewed experienced.

<sup>127</sup>Five of these employees stated that they learned to do their job through either informal training from their peers or by reviewing SOPs. However, one employee noted that it was not practical to read SOPs to understand her duties. In addition, as discussed later in this report, many of SBA's SOPs need to be updated.

<sup>128</sup>For example, one employee said she held two positions but had not received any formal training that would help her fulfill her responsibilities in one of the two positions. To get a better understanding of those job responsibilities, she asked a colleague for informal training because relevant, formal training was not offered to her.

<sup>129</sup>Per OPM regulations, federal agencies, including SBA, must evaluate their training programs annually to determine whether the programs operate effectively and efficiently, contribute to mission accomplishment, and meet organizational goals.

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## Employee Performance Management

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remained incomplete.<sup>130</sup> SBA stated that it planned to assess its training program again at the end of fiscal year 2015.

Without a more strategic approach to its training and development programs, including incorporating training goals and measures and input on employee development goals in its training plan, it will be difficult for SBA to effectively establish priorities in its training initiatives or address skill gaps.

In our 2003 report on results-oriented cultures, we identified key principles in employee performance management.<sup>131</sup> We concluded that an effective employee performance management system can be a strategic tool to drive internal change and achieve desired results. Specifically, we concluded that employee performance management systems must show how team, unit, and individual performance can contribute to overall organizational results and that the system serves as the basis for setting employee expectations and for evaluating individual performance.

In 2011, SBA updated critical elements and performance standards for its employees in the field, and in 2012 began using a new electronic system to manage performance (the Talent Management Center). But it did not update its March 15, 2000, SOP before the new system and standards were implemented. According to a recent SBA assessment of its performance appraisal program, the existing SOP does not reflect the agency's current practices.<sup>132</sup> SBA officials stated that as of August 2015

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<sup>130</sup>For example, SBA has completed actions to track consolidated training and has established one or more programs to ensure the continuing development of its senior executives. However, SBA has taken partial actions to, among other things, assess the agency's training needs annually, ensure employees receive mandatory training, and maintain records of mandatory training data.

<sup>131</sup>GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, [GAO-03-488](#) (Washington, D.C.: Mar. 14, 2003). As discussed later in this report, SBA is in the process of updating its SOP on its employee performance management system, and we were therefore unable to conduct a full assessment to determine whether it was consistent with these key principles.

<sup>132</sup>SBA assessed its performance appraisal program against OPM requirements. The assessment identified strengths and weaknesses with regard to whether procedures and requirements for planning, monitoring, and rating performance complied with legal and regulatory requirements and whether employees were effectively evaluated and rated. SBA has completed all required actions based on the assessment findings, except for updating and finalizing its SOP.

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they had revised the SOP, it had been signed by the Administrator, and it was in the process of being published. Prior to finalizing its SOP, SBA officials stated that the agency had provided employees with guidance on using the new electronic system and on new performance standards for the field.

Our review of a set of critical elements and performance standards that we received from SBA indicated that field office employees are primarily evaluated on the basis of quantitative measures.<sup>133</sup> For example, business opportunity specialists are evaluated in part on their participation in outreach events and procurement visits to assigned entities. In order to receive the highest rating of five for these activities, these specialists must conduct or participate in more than 65 events annually. According to the elements and standards, supervisors are responsible for monitoring the quality of employee activities. The elements and standards do not describe what criteria supervisors should apply to make that determination, but SBA officials stated that SBA provides program offices with guidance on incorporating qualitative measures.

Some of the 58 SBA managers and employees we spoke with in SBA's regional and district offices expressed mixed views about SBA's new employee performance management system. For example, 11 (10 managers and 1 nonmanager) said the system clearly laid out employee performance expectations. However, some managers and employees criticized certain aspects of SBA's employee performance management system. Specifically, 5 (2 managers and 3 nonmanagers) said the performance appraisal elements and standards focused primarily on quantitative measures and did not account for quality. As discussed earlier, our review of a set of critical elements and performance standards

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<sup>133</sup>We reviewed critical elements and performance standards for the following managers and employees in the field: regional administrators, district directors, deputy district directors, economic development specialists, business opportunity specialists, and lender relations specialists. These are the elements and standards for the staff whom we interviewed during our site visits. In addition, we reviewed one set of generic critical elements and performance standards for SBA employees and one set for SBA managers. SBA officials stated that they could not provide data on the total number of critical elements because the elements are tracked on an individual basis and not across the agency. SBA officials said that nonsupervisory employees are typically evaluated against 2 generic elements and 1-3 additional elements for a total of 3-5 elements. Supervisory employees are typically evaluated against 3 generic critical elements and 1-2 additional elements for a total of 5 elements.



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also indicated a lack of qualitative measures. In addition, 6 (3 managers and 3 nonmanagers) stated that there were problems with technical aspects of the electronic performance system. For example, 4 (1 manager and 3 nonmanagers) said that they had to track their performance activities in separate systems that did not communicate with one another. Employees responding to SBA's 2014 FEVS also expressed mixed views about SBA's employee performance management system. For example, in response to a question asking whether SBA employees understood what they had to do to be rated at different performance levels, 71.87 percent (986 employees) agreed or strongly agreed, 11.20 percent (158 employees) neither agreed nor disagreed, and 16.92 percent (229 employees) either disagreed or strongly disagreed.<sup>134</sup> In response to another question asking employees whether they believed their performance appraisal was a fair reflection of their performance, 68.06 percent (938 employees) agreed or strongly agreed, 13.03 percent (180 employees) neither agreed nor disagreed, and 18.91 percent (254 employees) either disagreed or strongly disagreed.<sup>135</sup> However, in response to a question asking whether differences in performance were recognized in a meaningful way, 36.09 percent (472 employees) agreed or strongly agreed, 24.90 percent (324 employees) neither agreed nor disagreed, and 39.01 percent (509 employees) disagreed or strongly disagreed.<sup>136</sup> SBA officials told us that a committee of district directors was working with the Office of Human Resources Solutions to bring qualitative components back into the performance appraisal elements and standards for the field offices and resolving technical problems with the system. SBA officials stated that these efforts were ongoing, but the agency does not have an expected completion date.

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## SBA Also Faces Ongoing Organizational Challenges

Despite long-standing organizational challenges affecting program oversight and human capital management, SBA officials told us that as of June 2015, SBA had not completed an assessment of its structure or made any needed changes to determine how to address the challenges.

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<sup>134</sup>A total of 1,373 employees out of 1,395 who completed the survey responded to this question.

<sup>135</sup>A total of 1,372 employees out of 1,395 who completed the survey responded to this question.

<sup>136</sup>A total of 1,305 employees out of 1,395 who completed the survey responded to this question.

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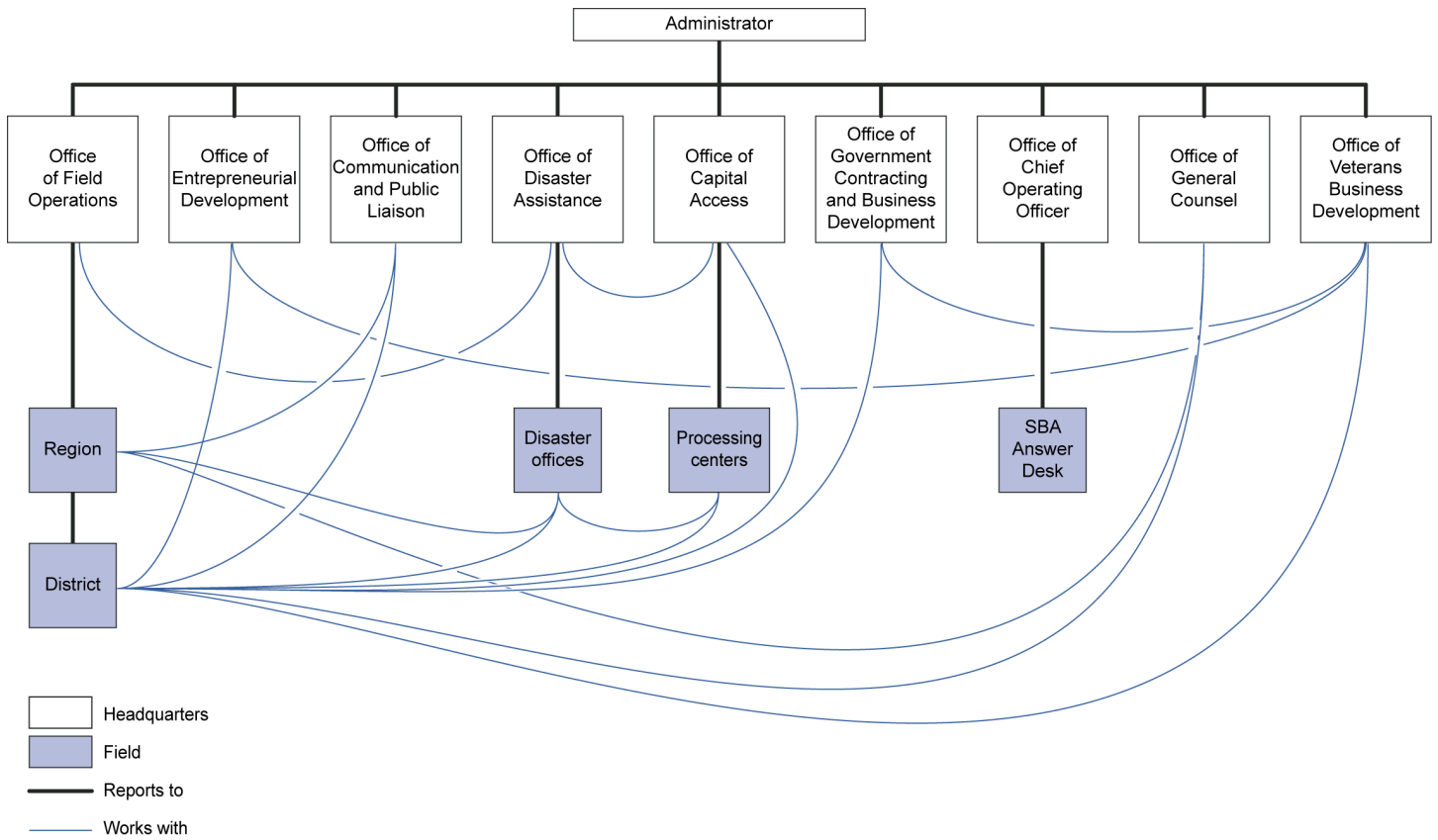
In a January 2003 report on SBA's management challenges, we found that the agency's organizational structure created complex overlapping relationships among offices that contributed to challenges in delivering services to small businesses.<sup>137</sup> In 2004, SBA centralized its loan functions by moving responsibilities from district offices to loan processing centers. However, some of the complex overlapping relationships we identified in 2003 still exist (see fig. 6).<sup>138</sup> Specifically, SBA's organizational structure often results in working relationships between headquarters and field offices that differ from reporting relationships, potentially posing programmatic challenges. District officials work with program offices at SBA's headquarters to implement the agency's programs, but these officials report to regional administrators, who themselves report to the Office of Field Operations. For example, the lender relations specialists in the district offices work with the Office of Capital Access at SBA headquarters to deliver programs but report to district office management. Similarly, the business opportunity specialists in the district offices work with the Office of Government Contracting and Business Development at SBA headquarters to assist small businesses with securing government contracts but report to district office management. Further, some officials have the same duties. The public affairs specialists at the district offices and the regional communications directors both handle media relations. In addition, district directors and regional administrators both are to conduct outreach to maintain partnerships with small business stakeholders such as chambers of commerce; lending institutions; economic development organizations; and federal, state, regional, and local governments. They also participate in media activities and speak at public events.

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<sup>137</sup> [GAO-03-116](#).

<sup>138</sup> We did not find evidence that some other organizational challenges we identified in 2003—confusion over the mission of district offices and a field structure that did not consistently match mission requirements—still exist.

**Figure 6: Small Business Administration’s Headquarters and Field Organizational Relationships, April 2015**



Source: GAO. | GAO-15-347

In later reports, we and others—including SBA itself—identified organizational challenges that affected SBA’s program oversight and human capital management.

- In a March 2010 report on the 8(a) business development program, we found a breakdown in communication between SBA district offices and headquarters (due in part to the agency’s organizational structure) that resulted in inconsistencies in the way district offices delivered the program.<sup>139</sup> For example, in about half of the 8(a) files we reviewed, we found that district staff did not follow the required

<sup>139</sup>GAO-10-353.

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annual review procedures for determining continued eligibility for the program. This was due in part to the lack of clear guidance from headquarters. In addition, we found that confusion over roles and responsibilities led to district staff being unaware of the types and frequency of complaints across the agency on the eligibility of firms participating in the 8(a) program. As a result, district staff lacked information that could be used to help identify issues relating to program integrity. As discussed earlier, we made six recommendations, including that SBA provide more guidance to help ensure staff more consistently follow procedures, and SBA agreed with them. As of July 2015, SBA had taken actions responsive to four of the recommendations.<sup>140</sup>

- In addition, in 2013 the SBA OIG found that communication from a headquarters program office to field offices about conducting examinations for a specific program had been limited.<sup>141</sup> The report noted that this lack of communication could have not only inhibited the sharing of crucial information but also caused inconsistencies in the examinations across field offices. It concluded that these weaknesses in the examination process had diminished the agency's ability to identify regulator violations and other noncompliance issues in the operation of the program. The OIG recommended that SBA create and execute a plan to improve the internal operations of the examination function, including a plan for better communication. Although SBA disagreed with the recommendation, the agency issued examination guidelines that the OIG in 2015 deemed satisfactory to close the recommendation.
- In documentation requesting fiscal years 2012 and 2014 VERA/VISP programs, SBA said that long-standing skill gaps, primarily in field offices, which had resulted from the 2004 reorganization and centralization of the loan processing function, still existed. SBA

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<sup>140</sup>The two recommendations that SBA had not fully implemented at that time focused on (1) procedures to ensure that appropriate actions are taken for firms subject to early graduation from the program and (2) taking actions against firms that fail to submit required documentation. We maintain that these recommendations continue to have merit and should be fully implemented.

<sup>141</sup>Small Business Administration, Office of Inspector General, *Improved Examination Quality Can Strengthen SBA's Oversight of Small Business Investment Companies*, Report No.13-22 (Washington, D.C.: Sept. 30, 2013). The staff who conduct these examinations are program office officials assigned to regional offices.

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determined that its organizational changes had resulted in a programmatic challenge because employees hired for a former mission did not have the skills to meet the new mission. Specifically, before the centralization effort field offices had primarily needed staff with a financial background to process individual loans. But the new mission required staff who could develop socially and economically disadvantaged businesses and conduct annual financial reviews of them, engage with lenders, and conduct outreach to small businesses.

Despite the organizational and managerial challenges it has faced, SBA's changes to its organizational structure since fiscal year 2005 have been incremental (piecemeal), as the following examples illustrate:

- In 2007, SBA reorganized five program offices and four administrative support functions in order to clearly delineate reporting levels, among other things.<sup>142</sup> The agency also eliminated the Chief Operating Officer as a separate office and integrated its functions into the Office of the Administrator.
- In 2008, the Office of Equal Employment Opportunity and Civil Rights Compliance began reporting directly to the Associate Administrator for Management and Administration to facilitate better oversight, planning, coordination, and budgeting for all of the agency's administrative management operations.<sup>143</sup>
- In 2010, SBA consolidated financial management by moving its procurement function to the Office of the Chief Financial Officer and transferring day-to-day procurement operations from headquarters to the agency's Denver Finance Center. This change was intended to improve the efficiency and effectiveness of SBA's acquisition

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<sup>142</sup>The Offices of Entrepreneurial Development, Government Contracting and Business Development, Capital Access, Disaster Assistance, and Field Operations became equivalent organizational units, each with an Associate Administrator. (The Offices of Disaster Assistance and Field Operations previously were not denoted as major program offices, although they contained over half of SBA's staff.) The Offices of Management and Administration, Chief Information Officer, Chief Financial Officer, and General Counsel were grouped together to reflect the broad agency administrative support they provide.

<sup>143</sup>The Office of Equal Employment Opportunity and Civil Rights Compliance previously reported to the Chief of Staff in the Office of the Administrator.

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programs.

- In 2011, SBA restructured the Office of Human Capital Management in response to significant turnover that had a serious effect on the level and scope of services. The reorganization streamlined the office, which was renamed the Office of Human Resources Solutions, by reducing the number of branches and divisions.
- In 2012, new offices were created in the Office of Capital Access to respond to, among other things, growth in small business lending programs and increased servicing and oversight responsibilities following the 2007-2009 financial crisis.<sup>144</sup> The changes sought to help the agency become a better partner with lending institutions and nonprofit financial organizations to increase access to capital for small businesses.
- In 2012, SBA established a headquarters unit within the Office of Government Contracting and Business Development and made it responsible for processing the continued eligibility portion of the annual review required for participants in the 8(a) program.<sup>145</sup> Prior to this change, district officials, who are also responsible for providing business development assistance to 8(a) firms, were tasked with conducting exams of continued eligibility. While district officials have continued to perform other components of the annual review, shifting the responsibility for processing continued eligibility to headquarters was designed to eliminate the conflict of interest for district officials associated with performing both assistance and oversight roles.
- In 2012, the Office of Field Operations revamped field office operations following a 2010 review of all position descriptions to ensure that they aligned with SBA's strategic plan and district office strategic plans. Many position descriptions were rewritten, although there were no changes in grade or series. Before the review, district offices had two principal program delivery positions—lender relations specialist and business development specialist. As a result of the

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<sup>144</sup>Among other things, SBA established the Offices of Economic Opportunity and Performance and System Management within the Office of Capital Access, and created a second Deputy Associate Administrator position to be held by a career employee to help ensure a greater level of continuity during transitional periods.

<sup>145</sup>The Small Business Act requires SBA to conduct exams of initial and continued eligibility of 8(a) program participants.

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review, descriptions for both positions were rewritten, and the business development specialist position became two—economic development specialist and business opportunity specialist. The skills and competencies for the new position descriptions focused on the change in the district offices' function from loan processing to compliance and community outreach in an effort to address skill gaps. As a result, staff were retrained for the rewritten positions.

- In 2013, SBA reestablished the Office of the Chief Operating Officer (formerly the Office of Management and Administration) to improve operating efficiency.<sup>146</sup> Among other things, this change transferred Office of Management and Administration staff to the reestablished office, along with the Office of the Chief Information Officer and the Office of Disaster Planning, which saw its mission expanded to include enterprise risk management.

While SBA has made incremental changes, SBA officials told us that as of June 2015, the agency had not completed an evaluation of its organizational structure and made changes as necessary in response to changing conditions. According to federal internal control standards, organizational structure affects the agency's control environment by providing management's framework for planning, directing, and controlling operations to achieve agency objectives.<sup>147</sup> A good internal control environment requires that the agency's organizational structure clearly define key areas of authority and responsibility and establish appropriate lines of reporting. Further, internal control guidance suggests that management periodically evaluate the organizational structure and make changes as necessary in response to changing conditions.<sup>148</sup> Since its last major reorganization in 2004, SBA has seen significant changes, including decreases in budget and an increase in the number of employees eligible to retire.

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<sup>146</sup>In 2007, SBA had eliminated the Office of the Chief Operating Officer and made the Offices of Management and Administration and Chief Information Officer equivalent offices.

<sup>147</sup>[GAO/AIMD-00-21.3.1](#).

<sup>148</sup>GAO, *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001).

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In 2012, the agency committed to assessing and revising its organizational structure to meet current and future SBA mission objectives.<sup>149</sup> However, the contractor that SBA hired to assess its organizational structure did not begin its assessment until November 2014. SBA officials told us that the effort was delayed because in February 2013 SBA's Administrator announced she was leaving the agency and the position was vacant from August 2013 until April 2014. In August 2015, SBA told us that after the new administrator reviewed business delivery models and became acclimated to the agency, the agency procured a contractor and work began on the organizational assessment in November 2014. According to the statement of work, the contractor was to assist the chief human capital officer by making recommendations regarding an agency-wide realignment to improve service delivery models, modernize systems and processes, and realign personnel, among other things. During the course of our review, SBA officials told us the contractor completed its assessment in March 2015, but SBA had not finished analyzing the results and determining what organizational changes, if any, to make. In its August 2015 comments on a draft of this report, SBA noted that the agency had recently completed that review and determined that major restructuring was not warranted at the time. However, SBA did not provide us with any documentation that shows when the assessment was completed or that supports its conclusions that major changes were not warranted. Until SBA documents its assessment, it will not have an institutional record of its actions.

Instead of conducting its planned assessment and subsequent reorganization when initially scheduled, SBA used two VERA/VSIP programs to attempt to address workforce challenges resulting from the 2004 reorganization. SBA's plans in the aftermath of the fiscal year 2014 VERA/VSIP program include restructuring. Specifically, an October 2014 guidance memorandum on staffing the agency-wide vacancies after the fiscal year 2014 VERA/VSIP stated that an Administrator's Executive Steering Committee for SBA's Restructuring would make decisions about

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<sup>149</sup>SBA committed to revising its organizational structure in its Strategic Human Capital Plan for fiscal years 2013-2016.



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restructuring.<sup>150</sup> The memorandum also stated that the Chief Human Capital Officer had been tasked with identifying vacant FTEs for new positions that would support any new functions or initiatives envisioned by the Administrator's restructuring efforts. For example, the memorandum noted that 82 of the 147 new vacancies from the VERA/VISP would be used to support the Administrator's restructuring. The memorandum added that the remaining 65 vacancies would remain in their respective program offices and that the position descriptions would be modified or positions relocated to meet internal needs. According to SBA, options for restructuring and related hiring were still being considered as of May 2015.

Although SBA told us that it has recently completed an assessment of its organizational structure, it had not documented this effort as of August 2015. Until it documents its efforts to examine its structure and any findings, it will be difficult for SBA to provide reasonable assurance, or for a third party to validate, that SBA's current organizational structure is contributing effectively to its mission objectives and programmatic goals.

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## SBA Lacks Documentation on and Has Made Limited Progress in Implementing an Effective Enterprise Risk Management Process

Given the range of programs SBA manages and oversees, having a robust enterprise risk management system is critical to effectively managing risks.<sup>151</sup> SBA initiated efforts to implement enterprise risk management in 2009, noting the importance of managing the range of cross-agency risks it faces. However, it could not provide us with adequate documentation on the progress of these efforts or on any future plans and had only recently begun assessing agency-wide risks. SBA began its enterprise risk management efforts in 2009 with the designation of an unofficial chief risk officer but considers itself to be in the "early

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<sup>150</sup>The committee is composed of the Associate Administrators and Deputy Associate Administrators of the Offices of Field Operations, Capital Access, Government Contracting and Business Development, and Entrepreneurial Development; the Associate Administrator for the Office of Diversity, Inclusion, and Civil Rights; the Chief Financial Officer and Deputy Chief Financial Officer; the Chief Operating Officer; and the Chief Human Capital Officer.

<sup>151</sup>For purposes of this report, enterprise risk management is defined as a process established by an entity's board of directors, management, and other personnel and used to set strategy across the enterprise. It is designed to identify potential events that may affect the entity, manage risk within the entity's risk appetite, and provide reasonable assurance on the achievement of entity objectives.

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stages” of implementation.<sup>152</sup> In 2013, SBA established an Office of Enterprise Risk Management under the chief operating officer and developed a process to guide its approach. SBA officials told us that they had developed this process based in part on recommendations made by Deloitte & Touche as part of that organization’s review of the risk management practices within SBA’s Office of Capital Access.<sup>153</sup> In the course of our work, SBA provided a graphic depicting the five phases of its enterprise risk management process: (1) identify risk; (2) assess risk; (3) strategize response; (4) implement; and (5) monitor and report (see fig. 7).<sup>154</sup> The agency also provided a brief summary of the progress it had made in implementing these phases. However, the agency could not elaborate on and did not provide any other documentation of its process, including on the goals it hoped to achieve or the specific actions it planned to take during each phase. Federal internal control standards require that significant actions be clearly documented in, for example, management directives, administrative policies, or operating manuals.<sup>155</sup>

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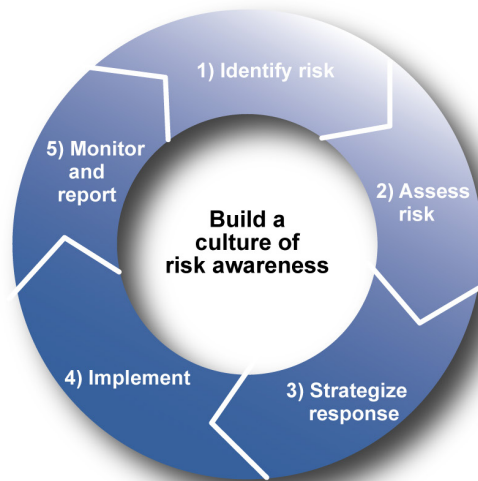
<sup>152</sup>In 2009, the SBA Administrator designated the then general counsel as the unofficial chief risk officer charged with reducing fraud, waste, and abuse in the agency’s lending and government contracting programs. SBA officially appointed a chief risk officer in November 2014. According to the position description, which was approved in October 2014, the responsibilities include managing enterprise risk, implementing an enterprise risk management framework and strategy for the agency, and overseeing the coordination of an annual high-level risk assessment at SBA. In June 2015, a senior SBA official informed us that the chief risk officer’s duties would be taken over by the Enterprise Risk Management Board, discussed later in this report.

<sup>153</sup>In 2010-2011, Deloitte & Touche LLP assessed the risk management practices within SBA’s Office of Capital Access in the following areas: organizational alignment and interactions; governance and oversight, to include quality assurance; business process improvement; and risk analytics. Deloitte & Touche LLP made several recommendations to improve SBA’s risk management practices. Specifically, Deloitte recommended that SBA define key risks; design targeted training to strengthen officials’ understanding of credit analysis; and integrate data sources into a central repository, among other things.

<sup>154</sup>According to SBA officials, the agency developed this process in 2012.

<sup>155</sup>[GAO/AIMD-00-21.3.1](#).

**Figure 7: Small Business Administration’s Enterprise Risk Management Process**



Source: Small Business Administration. | GAO-15-347

Although SBA’s enterprise risk management plans and efforts to date are not fully documented, we used available information to compare SBA’s process to our risk management framework (see table 4). GAO’s risk management framework calls for the following five phases and lays out key elements for each: (1) defining strategic goals, objectives, and constraints; (2) assessing risk; (3) evaluating alternatives; (4) selecting responses; and (5) implementing and monitoring.<sup>156</sup> As table 4 shows, SBA has partially implemented two phases of its risk management process and those phases partially align with one phase of our framework. Specifically, SBA has begun to identify and assess risks, which partially aligns with our risk assessment phase. However, we rated SBA as not following the other four phases of our framework, as it had not yet made progress on implementing the remaining phases of its process.

<sup>156</sup>GAO-06-91. We developed our risk management framework by reviewing, analyzing, and synthesizing several sources of information, including risk literature and our previous reports and testimonies; experts in the fields of risk management, risk modeling, and terrorism; and numerous frameworks from industry, government, and academic sources.

**Table 4: Extent to Which the Small Business Administration (SBA) Follows GAO Risk Management Framework**

GAO risk management framework stages	Description	Key elements	Comparable stages in SBA's process	Extent to which SBA's process aligns with GAO's framework
Strategic goals, objectives, and constraints	Addresses what the strategic goals and objectives are attempting to achieve and the steps needed to attain these results, and considers the constraints under which an agency operates such as statute, higher level policy, budget, or other factors beyond management's control that may affect an agency's risk management plans.	<p>An agency's risk management program should:</p> <ul style="list-style-type: none"> <li>Require mission-based strategic goals and objectives, which are clearly articulated and measurable, to be set as a pre-condition for effective risk management. Without clearly identified strategic goals and objectives, an agency cannot effectively identify and address potential risks to its mission, prioritize risk, or identify criteria against which to measure performance.</li> <li>Require agencies to identify constraints (e.g., legislative requirements or resources) that may limit effective risk management.</li> </ul>	N/A	○
Risk assessment	Addresses the identification and evaluation of potential risks to an agency's ability to achieve its goals and objectives so that management can design and implement responses to prevent or manage identified risks.	<p>An agency's risk management program should:</p> <ul style="list-style-type: none"> <li>Identify potential events which may adversely affect the agency, called risks, and evaluate the events based on likelihood of occurrence and impact. For example, an agency may identify and evaluate potential risks associated with economic and legislative changes, natural disasters, and criminal or terrorist activities.</li> <li>Require continuous identification and evaluation of potential risks since governmental, economic, industry, legislative, and operating conditions continually change.</li> </ul>	<p>Identify risk</p> <p>Assess risk</p>	◐

GAO risk management framework stages	Description	Key elements	Comparable stages in SBA's process	Extent to which SBA's process aligns with GAO's framework
Alternatives evaluation	Addresses the identification and evaluation of alternative ways in which the agency can act to alter either the likelihood of occurrence or the impact of a potential risk.	An agency's risk management program should: <ul style="list-style-type: none"> <li>Identify alternative ways the agency can respond to prevent or manage an identified risk. For example, to comply with new legislation, an agency may need to revise existing policy and procedures or develop new policies and procedures.</li> <li>Evaluate the alternatives identified to consider the effect on likelihood of occurrence and impact of a potential risk.</li> <li>Evaluate the alternatives identified to consider the costs and benefits.</li> </ul>	Strategize response	○
Management selection	Addresses the selection of a response to manage an identified risk based on the alternatives evaluated and management priorities, such as management's attitude towards risk and how limited resources will be targeted.	An agency's risk management program should: <ul style="list-style-type: none"> <li>Require management to select and document an alternative, such as revising or creating a policy or procedure for addressing an identified risk.</li> <li>Require management to document the rationale for selecting the alternative.</li> </ul>	Strategize response	○
Implementation and monitoring	Addresses how risk responses will be applied and assessed to improve efficiency and effectiveness. In addition, addresses how the risk management program will be assessed to determine whether changes are needed to improve efficiency and effectiveness.	An agency's risk management program should: <ul style="list-style-type: none"> <li>Implement management's selected alternative to address risk.</li> <li>Periodically assess management's selected alternative to address risk.</li> <li>Periodically assess the efficiency and effectiveness of the entire risk management program.</li> </ul>	Implement Monitor and report	○

Legend: ● Follows ○ Partially follows ○ Does not follow

Sources: GAO-06-91; The Committee of Sponsoring Organizations of the Treadway Commission, *Enterprise Risk Management—Integrated Framework* (Jersey City, N.J.: American Institute of Certified Public Accountants, September 2004); and GAO analysis of SBA documents and interviews with SBA officials. | GAO-15-347

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- **Strategic goals, objectives, and constraints.** Our risk assessment framework calls for fully documenting strategic goals and objectives, which should be clearly articulated and measurable, as well as any limitations or constraints that may limit effective risk management. In October 2014, the SBA Administrator approved the formation of an Enterprise Risk Management Board to ensure that the greatest risks to the agency are regularly identified, assessed, and monitored. The Administrator approved the membership of the board on April 24, 2015.<sup>157</sup> According to officials, the board plans to develop a charter by September 2015. However, because the board met for the first time on April 30, 2015, SBA had not yet documented the strategic goals and objectives it is attempting to achieve, the steps needed to attain these results, or the constraints under which the agency operates, as of May 2015.
  - **Risk assessment.** Our framework calls for identifying potential events that can adversely affect the agency and evaluating them based on the likelihood of occurrence and impact. SBA officials told us that as of November 2014, officials in SBA's risk management office had interviewed program office leaders and reviewed agency processes to draft an inventory of risks and complete an initial assessment. The officials explained that they needed to further refine this assessment and that the Enterprise Risk Management Board would determine additional steps. However, because the board was still reviewing the draft risks as of May 2015, SBA has not completed the risk inventory or developed procedures to identify and evaluate the potential risks to the agency's ability to achieve its goals and objectives.
  - **Alternatives evaluation.** Our framework calls for identifying alternative ways the agency can prevent or manage an identified risk while taking into consideration the costs and benefits of the alternatives. However, to date, SBA has not been able to consider managing risks because it has not completed the risk assessment process. According to SBA, risk responses will be guided by the

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<sup>157</sup>The Enterprise Risk Management Board is facilitated by the Director of Disaster Planning and Risk Management and includes the Deputy Administrator (Chair); Chief of Staff (Vice Chair); General Counsel; Chief Operating Officer; Deputy Chief Operating Officer and Chief Human Capital Officer; Chief Information Officer; Chief Financial Officer; and the Associate Administrators of Capital Access, Government Contracting and Business Development, Entrepreneurial Development, Field Operations, Investment and Innovation, and Disaster Assistance.

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Enterprise Risk Management Board.

- **Management selection.** Our framework requires management to select and document responses to potential risks and provide a rationale for its selections. To date, SBA has not proceeded to this step. As noted earlier, SBA told us that the Enterprise Risk Management Board would guide risk responses.
- **Implementation and monitoring.** Our framework includes implementing management's selected alternatives to address risks and periodically assessing the efficiency and effectiveness of the entire risk management program. Because it has not identified risks and possible responses to them, SBA cannot proceed to this step. According to SBA officials, the Office of Risk Management will maintain records of the Enterprise Risk Management Board's decisions and follow up with the chief risk officer to ensure that the steps the board decides on are implemented.

According to a senior SBA official, the Enterprise Risk Management Board will be assessing SBA's risks in the near future, and he plans to ask the Board to consider our risk management framework at that time.

Given the long-standing management challenges related to specific SBA programs discussed earlier, it may be challenging for SBA to establish an agency-wide system. However, until SBA identifies and fully documents the steps that it plans to take to implement its enterprise risk management process and incorporates the elements of our risk management framework, it will not be able to provide reasonable assurance that its enterprise risk management efforts effectively identify, assess, and manage risks before they can adversely affect SBA's ability to achieve its mission.

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## SBA Has Met Its Contracting Goals and Taken Steps to Address Acquisition Management Challenges

SBA has met its small business contracting goals and taken steps to address acquisition management challenges. Contracting represents a small portion of SBA's obligations.<sup>158</sup> SBA's total contract obligations for fiscal year 2014 were approximately \$116.6 million, compared with total obligations for fiscal year 2014 of about \$845.8 million. But the agency in recent years has exceeded its primary goals for awarding contracts to small businesses.<sup>159</sup> By statute, federal agencies are to award 23 percent of their prime contract funds to small businesses.<sup>160</sup> To help meet this government-wide goal, each agency has its own individual goal. In fiscal year 2013, of approximately \$106.7 million in total small business-eligible contracting dollars, SBA awarded \$76.8 million to small businesses, exceeding the agency's goal of 67 percent (see table 5).<sup>161</sup>

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<sup>158</sup>An obligation is a binding agreement that will result in outlays, immediately or in the future.

<sup>159</sup>SBA's total contract obligations for fiscal year 2014 were approximately \$116.6 million, the majority of which were used for information technology and telecommunications products and services (\$53.7 million) and professional, administrative, and management support services (\$55.4 million). The remaining funds were primarily used for education and training.

<sup>160</sup>A prime contract is any direct contract between the government and a contractor.

<sup>161</sup>Small business-eligible contract dollars were the funds available for SBA to award via contracts to small businesses. An award means any oral or written action that resulted in the purchase, rental, or lease of supplies or equipment, services, or construction.



**Table 5: Percentage of Small Business Administration (SBA) Contract Dollars Awarded to Small Businesses by Socioeconomic Category, Fiscal Years 2011-2013**

Socioeconomic category	Fiscal year 2011 achievement	Fiscal year 2012 achievement	Fiscal year 2013 goal	Fiscal year 2013 achievement
Small business	67.07%	70.92%	67.00%	72.01%
Women-owned small business	19.62	13.46	5.00	15.82
Small disadvantaged business	47.39	44.93	5.00	47.34
Service-disabled veteran-owned small business	6.57	6.45	3.00	7.18
HUBZone small business	3.78	5.21	3.00	8.98

Source: Small Business Goaling Reports for fiscal years 2011-2013. | GAO-15-347

Note: The federal government has the following statutory goals for small business procurement: 23 percent of prime contracts for small businesses; 5 percent of prime and subcontracts for women-owned small businesses; 5 percent of prime and subcontracts for small disadvantaged businesses; 3 percent of prime and subcontracts for service-disabled veteran-owned small businesses; and 3 percent of prime and subcontracts for HUBZone-certified small businesses. These goals are tracked based on the dollar amount of contracts awarded. A business may qualify for more than one socioeconomic category.

Despite these successes, over the last several years the SBA OIG has identified deficiencies in several areas of SBA’s acquisition management, including

- lack of compliance with laws and regulations, such as the Improper Payments Information Act requirements for planning, execution, and reporting of improper payments for its contracting activities;<sup>162</sup>
- inadequate application of funding principles, including obligating funds by issuing contract modifications without identifying specific

<sup>162</sup>See Small Business Administration, Office of Inspector General, *The SBA’s Improper Payment Review and Reporting for its Contracting Activities did not Comply with IPERA and IPIA Requirements During FY 2011*, Report No. 12-07 (Washington, D.C.: Mar. 8, 2012). The OIG recommended that SBA take actions such as (1) developing and implementing a more robust test plan that provided reasonable assurance of detecting improper payments within the program during fiscal year 2012 and (2) providing contract training to the SBA personnel responsible for developing the test plan and performing the agency’s improper payment review to ensure the detection of improper payments. SBA did not specifically state whether it agreed or disagreed with the recommendations.

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requirements for IT hardware and software;<sup>163</sup> and

- turnover in key contracting staff, resulting in a workforce insufficient to effectively award, administer, and oversee contracts.<sup>164</sup>

SBA has taken steps to address some of these deficiencies. In October 2010, SBA realigned its acquisition program by transferring its procurement function and operations to the Office of the Chief Financial Officer's Denver Finance Center and rebranding it the Acquisition Division. This redesign was intended to improve the efficiency and effectiveness of the acquisition program by integrating acquisition and procurement activities. Since this realignment, SBA has taken further steps to improve the acquisition process, including hiring new staff and providing training to its acquisition personnel. Specifically, according to its fiscal year 2014 Acquisition Human Capital Plan, in fiscal year 2011 SBA hired 17 new employees in the acquisition office. Each employee was given a plan with measureable outcomes and over 50 hours of individual job-specific training. In addition, in fiscal year 2011 SBA reinstated its Contract Review Board, giving greater oversight to high-risk contracts. Members of the board include the chief acquisition officer, senior procurement executive, and director of procurement law.

However, in its most recent report on SBA's management challenges, the SBA OIG noted that while SBA had made some progress in its acquisition program, the program continued to face challenges, including (1) poorly defined requirements, (2) internal control deficiencies, (3) inadequate oversight of contractor performance, and (4) an incomplete acquisition

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<sup>163</sup>See Small Business Administration, Office of Inspector General, *Small Business Administration's Funding of Information Technology Contracts Awarded to Isika Technologies, Inc.*, Report No. 11-14 (Washington, D.C.: June 2, 2011). The OIG recommended that SBA take actions such as (1) establishing procedures to discontinue SBA's practice of inappropriately obligating funds on contracts in anticipation of future needs and (2) developing and providing training to the Office of the Chief Information Officer, current contracting personnel, and newly hired staff regarding the establishment of a bona fide need. SBA did not state whether it agreed or disagreed with the recommendations.

<sup>164</sup>See Small Business Administration, Office of Inspector General, *Adequacy of Procurement Staffing and Oversight of Contractors Supporting the Procurement Function*, ROM 10-13 (Washington, D.C.: Apr. 9, 2010). The OIG recommended that SBA identify and implement an interim solution to augment its acquisition workforce until permanent staff were hired to ensure that the agency had adequate oversight of the procurement function and the contracting personnel that support it. SBA agreed with the recommendation.

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SOP.<sup>165</sup> Specifically, the fiscal year 2015 report noted that SBA, among other things,

- had inadequately monitored contract performance and did not provide assurance that products and services were delivered according to contract requirements;
- updated its acquisition SOP but did not include elements such as the use of interagency acquisitions or define postaward contract administration requirements, among other things; and
- did not complete the acquisition assessment required in OMB's *Memorandum for Chief Acquisition Officers: Conducting Acquisition Assessments under OMB Circular A-123*.<sup>166</sup>

The OIG made recommendations to SBA to address these issues, including (1) completing an assessment of the agency's acquisition activities using OMB guidance; and (2) creating and implementing a comprehensive improvement plan—based on the results of the acquisition function assessment—that has measurable goals, objectives, prioritized actions, and time frames to address any identified deficiencies. In response to these recommendations, SBA awarded a contract for an assessment of its acquisition function. This assessment—completed at the end of March 2015—included a functional assessment of SBA acquisition operations using OMB Circular A-123, Appendix 1, “*Guidelines for Assessing the Acquisition Function*,” which describes the four cornerstones of acquisition management: organizational alignment and leadership, policies and processes, human capital, and information

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<sup>165</sup>Small Business Administration, Office of Inspector General, Report No. 15-01.

<sup>166</sup>In the fiscal year 2015 report on management challenges, the SBA OIG also noted that SBA had reported an increase in the improper payment rate for disbursements of goods and services from 9.6 percent in fiscal year 2012 to 11.6 percent in fiscal year 2013. However, in a later report, the SBA OIG found that SBA had made substantial progress in reducing improper payments related to disbursements for goods and services, noting that the improper payment rate had decreased from 11.6 percent in fiscal year 2013 to 8.46 percent in fiscal year 2014. The OIG stated that continued efforts by SBA to train staff may have led to the decrease and noted that SBA had fully implemented four unresolved, prior-year recommendations. See Small Business Administration, Office of Inspector General, Report No. 15-11.

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management and stewardship.<sup>167</sup> In its final report, the contractor noted that SBA's decision to realign acquisition and procurement functions under the direction of the chief financial officer was consistent with the practices of many of the Chief Financial Officers Act agencies and other small independent agencies.<sup>168</sup> However, the contractor found several shortcomings with the agency's internal controls in each of the four cornerstones. For example, the contractor noted a lack of clarity on the roles and responsibilities of the various stakeholders in the acquisition process. While most people understood their general role in the acquisition lifecycle, their specific responsibilities were not clearly defined. The contractor noted that this lack of clarity led to gaps and inconsistencies in the acquisition process. Similarly, while the contractor found that SBA had SOP documents for its acquisition process, for the most part they restated the Federal Acquisition Regulation guidelines and did not describe the processes as they exist or should exist at SBA. As such, these SOPs had limited value in creating operational consistency and did not serve as useful training tools for new members of the acquisition team. Further, the contractor noted that performance standards, while incorporated into all procurements, were generic and lacked the specificity to guide desired outcomes. The contractor made several recommendations to SBA to support the establishment, assessment, and correction of internal controls in these four areas.<sup>169</sup>

Using the findings and recommendations identified from the functional assessment, the contractor was to develop a formal plan that addressed each cornerstone and would serve as an action plan to implement the contractor's recommendations for SBA's acquisition operations. According to SBA officials, the contractor had delivered this plan to SBA as of May 2015, but the Office of the Chief Financial Officer had not finalized its plan and had no time frame for doing so.

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<sup>167</sup>These cornerstones mirror those within our own framework for assessing federal acquisition functions. See GAO, *Framework for Assessing the Acquisition Function at Federal Agencies*, [GAO-05-218G](#) (Washington, D.C.: Sept. 2005).

<sup>168</sup>Pub. L. No. 101-576, 104 Stat. 2838 (1990).

<sup>169</sup>SBA has not publicly disclosed the contractor's report.

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## Many Guidance Documents Were Outdated

We found that SBA's inventory of SOPs—guidance for its staff and external parties—included outdated SOPs that did not align with current program requirements as well as SOPs that the agency had previously canceled. Federal internal control standards state that documentation—which helps managers control their processes and is essential for evaluating and analyzing operations—must be properly managed and maintained to ensure proper stewardship of and accountability for government resources and effective and efficient program results.<sup>170</sup>

Based on our review of an inventory of 153 internal and external SOPs, we found that nearly half (71) had not been updated in the last 10 years.<sup>171</sup> Furthermore, 36 of these 71 had not been updated since the 1990s, and 19 had not been updated since the 1980s. These SOPs covered a number of programs and organizational processes. While not all SOPs may need to be updated on a regular basis, federal internal control standards state that internal controls and all transactions and other significant events need to be clearly documented and that all documentation and records should be properly managed and maintained.<sup>172</sup>

We and the SBA OIG have found that some of the SOPs that SBA updated in the last few years did not align with current program requirements. For example, we found in a February 2015 report that SBA had updated its SOP for the HUBZone program in 2007 but that the program subsequently underwent significant changes that the updated document did not reflect.<sup>173</sup> Similarly, as noted earlier, SBA overhauled its employee performance standards in 2011 but did not update its Performance Management and Appraisal System SOP from 2000.

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<sup>170</sup>[GAO/AIMD-00-21.3.1](#). Documentation refers to the policies and procedures, including SOPs, which staff need to perform their duties and management needs to effectively monitor program operations.

<sup>171</sup>During our review, we asked SBA to provide us with an inventory of all current SOPs, including the dates of the most recent revisions. In July 2014, SBA provided a list of SOPs maintained on the agency's internal website. We also reviewed the agency's external website and found additional SOPs, identifying a total inventory of 153 internal and external SOPs.

<sup>172</sup>[GAO/AIMD-00-21.3.1](#). Federal internal control guidance suggests that all documentation and records be properly managed, maintained, and periodically updated. See [GAO-01-1008G](#).

<sup>173</sup>[GAO-15-234](#).

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Finally, in a March 2011 report the SBA OIG found that the disaster loan servicing centers lacked a clearly defined records management and documentation process and therefore did not consistently make and preserve records containing adequate and proper documentation.<sup>174</sup> Records that should have been preserved because they contained evidence of agency activities or information of value to the agency were not systematically maintained. As a result, the SBA OIG recommended that SBA make and preserve records containing adequate and proper documentation of procedures for its oversight of its loan servicing programs, including incorporating these procedures into the relevant SOPs. As of February 2015, SBA had not implemented the SBA OIG's 2011 recommendations on updating the SOPs for its loan servicing procedures.

In fiscal year 2014, SBA's Office of the Chief Operating Officer, Office of Administrative Services began a review of the status of all SOPs, working with the program offices to determine whether any updates were needed. Specifically, SBA issued a notice requiring all office heads to certify in writing the status of their SOPs. For each SOP, the cognizant office was to note whether (1) it did not require any revision, (2) it was under review, (3) it was being revised, or (4) it was being canceled. If an SOP was deemed to fall within one of the last three categories, the office was to provide the date by which the action would be completed. As a result of that review, SBA created a spreadsheet that flagged some SOPs as outdated and some for cancellation. Of the 165 SOPs reviewed as of March 2015, SBA determined that 74 needed to be revised, 31 needed to be canceled, and 60 required no revision.<sup>175</sup> SBA also determined that it needed to issue an additional 9 new SOPs (see app. IV for a list of all SOPs and their status). However, many of these outdated and canceled SOPs were still on SBA's internal website in March 2015 when we requested an updated list, raising questions as to whether SBA staff and partners may be using outdated or canceled SOPs. Further, in most cases SBA's spreadsheet did not include projected completion dates for revising or canceling old SOPs or creating new ones. SBA officials told us

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<sup>174</sup>Small Business Administration, Office of Inspector General, *Management Advisory Report on the Records Management and Documentation Process at the Disaster Loan Servicing Centers*, Report No. 11-10 (Washington, D.C.: Mar. 29, 2011).

<sup>175</sup>The inventory SBA reviewed sometimes listed multiple versions of the same SOP or listed parts of the same SOP individually.

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that they lacked resources to update their SOP inventory but were in the process of revising those that had been flagged for revision. They also told us that they planned to revise the SOP for the entire Records Management Program and send it to the administrator for approval in fiscal year 2015. In addition, a senior SBA official noted that several SOPs had been updated and were undergoing final review. Without setting time frames to help ensure that SOPs are properly maintained and periodically updated, it will be difficult for SBA to hold staff accountable for updating the SOPs as intended and to illustrate its progress in doing so. Moreover, without updated SOPs, agency staff and their partners may not have clear guidance on how to most effectively deliver program services in accordance with laws and regulations.

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## SBA Has Partially Implemented Several IT Management Initiatives

In a February 2015 report, we identified the management of information technology acquisitions and operations as an area that presents a high risk to the federal government.<sup>176</sup> We reported that too frequently agency IT efforts failed or incurred cost overruns and schedule slippages and did not meet mission goals due to challenges in managing the investments. The federal government has undertaken several initiatives to better manage its IT investments, with the goal of increasing efficiency and reducing costs. However, agencies continue to have poorly performing projects, such as SBA's LMAS project, which we discussed earlier. While SBA has taken steps to implement six IT initiatives set out by OMB, it has not fully completed all of them.

- **TechStat reviews.** As part of the Federal Chief Information Officer's (CIO) *25 Point Implementation Plan*, in December 2010, OMB empowered agency CIOs to hold agency-level TechStat accountability reviews for investments that are at risk.<sup>177</sup> According to OMB's instructions, agency CIOs are to report the status of risk of their investments on the Federal IT Dashboard. Using the ratings (high, medium, or low risk), agencies determine whether or not to hold a TechStat review of an investment and decide, based on the evidence presented, whether to intervene to turnaround, halt, or terminate a project. OMB also required federal agencies to hold at least one

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<sup>176</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: February 2015).

<sup>177</sup>Office of Management and Budget, *25 Point Implementation Plan to Reform Federal Information Technology Management* (Washington, D.C.: Dec. 9, 2010).

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TechStat review by March 2011. Based on the success of the TechStat initiative, OMB issued a requirement in August 2011 that agency CIOs continue holding such reviews.<sup>178</sup>

From December 2010 through February 2015, SBA reported three investments on the Federal IT Dashboard that exhibited moderately high risk. In March 2011, SBA held a TechStat session for one of those investments—the Homeland Security Presidential Directive (HSPD)-12, a system to implement a new government-wide standard for secure and reliable forms of identification for employees and contractors who access government-controlled facilities and information systems. As of February 2015, SBA’s HSPD-12 system was still considered to be at moderately high risk. SBA officials stated that this investment was rated moderately high risk because they had not yet implemented the requirements that would allow the identification card readers to work properly in the field.

SBA did not hold a TechStat for the second investment rated moderately high risk—the Loan Accounting System—from July 2011 through February 2012. SBA changed the investment’s rating several times, from medium to low risk, and it has been rated low risk since June 2014. SBA officials attributed the low risk rating to the completion of associated projects in November 2014 that previously had not performed as expected. They added that the investments were being continually reviewed by SBA’s CIO and the Executive Steering Committee.

The third investment rated moderately high risk from September 2014 through February 2015 was the Office of the CIO IT Infrastructure investment. SBA officials said that the moderately high-risk rating of this investment was due to a delay in data center consolidation efforts that resulted from a lack of funding. SBA officials stated that they had not conducted any additional TechStat reviews since the one held in 2011, explaining that under the previous CIO’s management, it had been decided that the agency would leverage other oversight and governance efforts for all of its IT investments. These efforts included discussing the overall performance of investments and prescribing action items when warranted to help ensure investments were on

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<sup>178</sup>Office of Management and Budget, *Chief Information Officer Authorities*, Memorandum M-11-29 (Washington, D.C.: Aug. 8, 2011).



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schedule, within budget, and meeting defined metrics. SBA said that as warranted, it would hold formal TechStat sessions in the future for underperforming IT investments.

- **Operational analysis of IT investments.** OMB guidance calls for agencies to develop a policy for examining the ongoing performance of existing IT investments to measure, among other things, whether the investment is continuing to meet business and customer needs and is contributing to meeting the agency's strategic goals.<sup>179</sup> The policy is to require annual operational analyses of the agency's investments that address costs, schedules, customer satisfaction, strategic and business results, financial goals, and innovation.

SBA officials said that operational analysis reports had not been prepared but that the CIO reviewed the investments in SBA's portfolio every month. They added that the agency had focused on ensuring that investments were up-to-date and providing the accurate risk status, schedule, cost, and performance metrics for each. Although SBA officials told us that the agency's operational investments were reviewed periodically, the 2014 reviews were not documented according to OMB guidance. As a result, we could not evaluate the extent to which the reviews followed OMB guidance for operational analyses. Agency officials also said that they planned to conduct an analysis on each investment in fiscal year 2015. However, as of July 2015, no such analyses had been documented. Until SBA ensures that all its existing investments are fully assessed and that all reviews are appropriately documented, it will not be able to determine whether its IT investments are meeting their intended objectives, increasing the risk of inefficient spending.

- **Federal data center consolidation.** In February 2010, the Federal CIO established the Federal Data Center Consolidation Initiative to address the growing number of federal data centers. This initiative's four high-level goals were to reduce the overall energy consumption and real estate footprint of government data centers; reduce the cost

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<sup>179</sup>Office of Management and Budget, *Capital Programming Guide*, Supplement to OMB Circular A-11, Part 7 (Washington, D.C.: July 2012) and *Information Technology Investment Baseline Management Policy*, Memorandum M-10-27 (Washington, D.C.: June 28, 2010). Memorandum M-10-27 requires agencies to establish a policy for performing operational analyses on steady state investments as a part of managing and monitoring investment baselines.

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of data center hardware, software, and operations; increase the overall IT security posture of the government; and shift IT investments to more efficient computing platforms and technologies. OMB guidance requires SBA and other federal agencies to submit an updated data center inventory that includes 4 elements and a consolidation plan with 13 elements.<sup>180</sup>

In July 2011 and July 2012 reports, we found that SBA had developed plans to consolidate its large data centers from four to two by December 2015 but that its inventory and plans for its data centers did not address all the elements required by OMB guidance.<sup>181</sup>

Furthermore, OMB guidance required agencies to describe year-by-year investments and cost savings in their 2010 and 2011 consolidation plans. Beginning in August 2013, agencies were to identify and report all cost savings and avoidances related to data center consolidation, among other areas, as part of a quarterly data collection process.<sup>182</sup> In the 2012 report, we found that SBA's June 2011 update to its inventory and plans included some inventory elements that had been completed and others that had not.<sup>183</sup>

Specifically, the update included 2 completed inventory elements (of 4) and 6 plan elements (of 13); 2 partially completed inventory elements and 2 plan elements, and 5 plan elements with no information. SBA officials stated that several missing elements, such as performance metrics, a schedule, and a risk management strategy, had been developed after the plan's completion. We emphasized the importance of fully implementing the recommendation from our 2011 report that SBA complete the missing elements from its inventories

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<sup>180</sup>Elements of the inventory were to include, for each data center, IT software assets; IT hardware and utilization information; IT facilities, energy, and storage; and geographic location. Elements of the 2011 updated plan were to include quantitative goals, qualitative impacts, consolidation approach, consolidation scope, high-level timeline, performance metrics, master program schedule, cost-benefit analysis, risk management, consideration of a communications plan, inventory and plan verification, consolidation progress, and cost savings.

<sup>181</sup>[GAO-11-565](#) and [GAO-12-742](#).

<sup>182</sup>OMB budget guidance defines cost savings as a reduction in actual expenditures below the projected level of costs to achieve a specific objective and defines cost avoidances as results from an action taken in the immediate time frame that will decrease costs in the future.

<sup>183</sup>[GAO-12-742](#).

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and plans. SBA neither agreed nor disagreed with our recommendation, but has since taken the steps necessary to implement it.

- **PortfolioStat.** In March 2012, OMB launched the PortfolioStat initiative, which requires SBA and other federal agencies to conduct an annual agency-wide portfolio review of all their IT investments to, among other things, reduce commodity IT spending and demonstrate how IT investments align with the agency missions and business functions.<sup>184</sup> PortfolioStat is designed to assist agencies in assessing the current maturity of their IT portfolio management process, making decisions on eliminating duplication, and moving to shared services in order to maximize the return on IT investments across the portfolio. OMB established several requirements for agencies in implementing PortfolioStat, including reporting estimated savings and cost avoidances associated with consolidation and shared services initiatives through fiscal year 2015 and completing a final action plan that addressed additional elements.<sup>185</sup>

In a November 2013 report on the progress SBA and other agencies had made in conducting PortfolioStat reviews, we found that SBA had held a PortfolioStat review for some IT investments but completed only some of the OMB requirements for conducting the reviews.<sup>186</sup> Specifically, SBA had designated a PortfolioStat lead, completed an IT portfolio survey, held a PortfolioStat meeting, completed two

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<sup>184</sup>Office of Management and Budget, Memorandum M-12-10. According to OMB, commodity IT includes services such as IT infrastructure (data centers, networks, desktop computers, and mobile devices); enterprise IT systems (e-mail, collaboration tools, identity and access management, security, and web infrastructure); and business systems (finance, human resources, and other administrative functions).

<sup>185</sup>Office of Management and Budget, Memorandum M-12-10. Agencies were required by OMB to complete a final action plan that addressed eight specific elements to: (1) consolidate commodity IT spending under the agency CIO; (2) establish targets and deadlines for commodity IT spending reductions; (3) outline plans to migrate at least two commodity IT areas to shared services; (4) target duplicative systems or contracts that support common business functions for consolidation; (5) illustrate how investments within the IT portfolio align with the agency's mission and business functions; (6) establish criteria for identifying wasteful, "low-value," or duplicative investments; (7) establish a process to identify these potential investments and a schedule for eliminating them from the portfolio; and (8) improve governance and program management using best practices and, where possible, benchmarks.

<sup>186</sup>[GAO-14-65](#).

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migration efforts, and reported lessons learned. The agency reported that it had identified six PortfolioStat initiatives, of which four had resulted in cost savings of about \$800,000.<sup>187</sup> However, SBA had not completed its commodity IT baseline because it had not identified a process for ensuring the completeness of the baseline information. Additionally, SBA had not completed an action plan with all the required elements. Specifically, while its plan fully addressed four elements, it partially addressed three, and did not address one.<sup>188</sup> We recommended that the agency take two actions: (1) develop a complete commodity IT baseline and (2) fully describe the required PortfolioStat action plan elements in future reporting to OMB. SBA did not agree nor disagree with our recommendations, but SBA officials told us that as of May 2015, they had begun to take steps to address them. For example, SBA officials told us that the agency had procured tools that would help it develop its commodity IT baseline and that it was reporting to OMB quarterly on the status of its implementation of action plan elements.

- **Cloud computing strategy.** In order to accelerate the adoption of cloud computing services across the government, OMB's *25 Point Plan* included a "Cloud First" policy. This policy requires each agency CIO to fully migrate three services by June 2012 to an Internet-based cloud service providing computing services and resources, and implement cloud services whenever a secure, reliable, and cost-effective cloud option is available. Building on this requirement, in February 2011, OMB issued the *Federal Cloud Computing Strategy*, which provided definitions of cloud computing services; benefits of the services, such as accelerating data center consolidations; case studies to support agencies' migration to cloud computing; and roles

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<sup>187</sup>The four initiatives that resulted in cost savings included SBA Mobility, Learning Management System, Workforce Analytics, and eCPIC Portfolio Management Tool. SBA reported a fiscal year 2013 cost savings and avoidance of \$430,000, a fiscal year 2014 cost savings and avoidance of \$370,000, and no fiscal year 2015 cost savings and avoidance.

<sup>188</sup>The four elements that were fully addressed were (1) migrate at least two commodity IT areas to shared services; (2) mission and business function alignment; (3) criteria for wasteful, low-value, or duplicative investments; and (4) improve governance and program management. The three partially addressed elements were (1) consolidate commodity IT spending under the CIO; (2) target duplicative systems or contracts for consolidation; and (3) process to identify and schedule to eliminate wasteful, low-value, or duplicative investments. The one component that SBA did not address was to establish targets and deadlines for commodity IT spending reductions.

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and responsibilities for federal agencies.<sup>189</sup>

In a July 2012 report, we found that SBA had implemented one cloud-based computing service by OMB's deadline of June 2012, and an additional two by the end of 2012, but that the agency's plans for doing so lacked estimated costs and performance goals.<sup>190</sup> In addition, the agency had not developed any plans for additional cloud-based services. We recommended that SBA establish estimated cost and performance goals for additional cloud-based services and that it develop, at a minimum, estimated costs, milestones, performance goals, and plans for retiring legacy systems, as applicable, for additional cloud-based services. SBA officials responded that the agency would work to implement the recommendations. In May 2015, SBA officials told us that they were continuing to implement the agency's cloud computing strategy and that they were in the early stages of implementing a cloud e-mail solution to replace the agency's legacy e-mail system.

In addition, in September 2014, we evaluated SBA's progress in implementing cloud services and the extent to which it had experienced cost savings in light of OMB guidance that called for agencies to assess all IT services for migration to a cloud service irrespective of the investment's age.<sup>191</sup> SBA had not assessed a majority of its IT investments for cloud computing services. We recommended that SBA direct its CIO to ensure that all IT investments be assessed for suitability for migration to a cloud computing service and establish evaluation dates for each investment. SBA officials concurred. In June 2015, SBA officials told us that they had revised their SOP in response to the recommendation and that they discussed cloud computing options at each investment review. However, SBA did not document these discussions, so it is not clear the extent to which they addressed the factors required by OMB.

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<sup>189</sup>Office of Management and Budget, *Federal Cloud Computing Strategy* (Washington, D.C.: Feb. 8, 2011).

<sup>190</sup>[GAO-12-756](#).

<sup>191</sup>[GAO-14-753](#).

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- **Software licensing management.** Two executive orders address the effective management of agency software licenses.<sup>192</sup> Executive Order 13103 requires that federal agencies adopt policies and procedures to ensure that only computer software not in violation of copyright laws is being used.<sup>193</sup> In addition, Executive Order 13589 promotes efficient spending at federal agencies to include assessments of inventories of current devices and their usage and the establishment of controls to ensure that agencies are not paying for unused or underused IT equipment, installed software, or services.<sup>194</sup>

In our May 2014 report on the management of software licenses across the federal government, including the extent to which SBA and other federal agencies had developed appropriate policies on software management licensing and were adequately managing licenses for their software, we found that SBA had not addressed all of the seven elements of a comprehensive license policy and had not implemented all five of the leading initiatives for managing software licenses.<sup>195</sup> Specifically, SBA did not have any SOPs or a general policy to manage all software licenses agency-wide and had only partially addressed two out of the five leading initiatives for managing software licenses.<sup>196</sup> We recommended that SBA implement six actions to ensure the effective management of its software licenses. SBA neither agreed nor disagreed with our recommendations, but SBA officials told us that as of June 2015, they had started taking actions to address some of them. For example, SBA officials told us that they had drafted a software licensing policy that was under review and were working on a software license inventory. While these are positive initial steps, until SBA fully implements our recommendations on software management, it lacks assurance that it can cost-effectively manage its software.

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<sup>192</sup>According to the *Information Technology Infrastructure Library's Guide to Software Asset Management*, a software license is a legal right to use a software service in accordance with the terms and conditions specified by the software copyright owner.

<sup>193</sup>Executive Order 13103, *Computer Software Piracy* (Washington, D.C.: Sept. 30, 1998).

<sup>194</sup>Executive Order 13589, *Promoting Efficient Spending* (Washington, D.C.: Nov. 9, 2011).

<sup>195</sup>[GAO-14-413](#).

<sup>196</sup>The two initiatives that were partially implemented were identifying a centralized software licensing management approach and establishing a comprehensive inventory.

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## Conclusions

SBA is a relatively small agency with a large mission—to help Americans start, build, and grow small businesses by overseeing programs that provide tens of billions of dollars in support to these enterprises. To fulfill this important role, it is essential that SBA better plan and oversee several of its key management areas across the agency. For example, SBA has developed an agency-wide strategic plan that meets all GPRAMA requirements on the process used to develop the plan and all but one requirement on the contents of the plan. SBA's plan only partially meets the requirement that the agency describe how it used program evaluations in setting strategic goals and include a schedule of evaluations planned. In addition, although GPRAMA aims to ensure that agencies use performance information in decision making and OMB has encouraged agencies to improve government effectiveness by increasing their use of evidence and rigorous program evaluation in making budget, management, and policy decisions, SBA has a poor track record of conducting program evaluations and told us it has limited resources to conduct them. However, conducting more program evaluations could help SBA assess program effectiveness and learn how to improve program performance. In addition, relying on program evaluations to help set strategic objectives could better enable SBA to assess the appropriateness and reasonableness of its goals and objectives and the effectiveness of the strategies used to meet them.

Further, SBA faces ongoing challenges in several key management areas, including workforce planning and training and development. SBA currently does not have a workforce plan that fully addresses key principles—including conducting and acting upon a competency and skill gap assessment and developing a long-term strategy to address its skills imbalance. As a result, it cannot provide reasonable assurance that its workforce has the skills needed to effectively administer the agency's programs and meet the agency's mission and strategic goals. Similarly, SBA lacks a strategic approach to its training and development programs, such as incorporating goals and measures and input on employee development goals in its training plan. Without such an approach, SBA cannot establish priorities in its training initiatives or address skill gaps to help ensure that employees can effectively deliver programs and meet SBA's strategic objectives.

Changes to SBA's organizational structure have contributed to the agency's skill gaps and, in some cases, have affected program oversight. Federal internal control standards state that an agency's organizational structure should clearly define key areas of authority and responsibility and establish appropriate lines of reporting. SBA committed in 2012 to

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revising its organizational structure and planned some workforce restructuring related to its most recent voluntary retirement program. However, SBA had not documented efforts to assess its organizational structure as of August 2015 or completed its workforce restructuring as of June 2015. Until it documents its examination of its structure and any findings, SBA will not have an institutional record of its actions. Thus, it will be difficult for SBA to provide reasonable assurance, or for a third party to validate, that SBA's current organizational structure contributes effectively to its mission objectives and programmatic goals.

SBA has initiated efforts to identify and manage risks facing the agency at an enterprise level. However, SBA lacks documentation on its progress and future plans required by federal internal control standards and has not incorporated elements of our risk management framework, such as including goals or specific actions. Without identifying and documenting the steps that it plans to take to implement its risk management process and incorporating the elements of our framework, SBA cannot provide reasonable assurance that its efforts effectively identify, assess, and manage risks before they adversely affect SBA's ability to achieve its mission.

SBA also faces challenges in managing and maintaining adequate records. We found that many of its SOPs were outdated and did not reflect program and operating changes. The lack of up-to-date guidance can affect program delivery. Internal control activities, such as establishing the policies, procedures, and techniques for SBA programs and maintaining them through periodic updates, are essential mechanisms that help ensure that management's directives are carried out. Without setting time frames to help ensure that SOPs are properly maintained and periodically updated, it will be difficult for SBA to hold managers accountable for completing them as intended and to demonstrate progress in doing so. Moreover, without updated SOPs, agency staff may lack clear guidance and therefore may not effectively deliver program services in accordance with laws and regulations.

Finally, SBA has taken steps to implement aspects of several key IT management initiatives. However, the agency has not developed a policy for conducting regular operational analyses of all of its investments. SBA officials told us that all IT investments were reviewed regularly but could not provide documentation of recent assessments. Without these analyses, SBA cannot provide reasonable assurance that it is effectively managing its IT investments so that they meet the agency's mission and goals, increasing the risk of inefficient spending on IT investments. In



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addition, as SBA begins to implement new systems intended to improve agency operations such as SBA One, fully applying accepted IT management initiatives to its efforts will be important. Otherwise, SBA risks them not meeting cost, schedule, or capability goals.

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## Recommendations for Executive Action

We make the following eight recommendations to improve management of the Small Business Administration.

1. To ensure that SBA assesses the effectiveness of its programs, we recommend that the SBA Administrator prioritize resources to conduct additional program evaluations.
2. To ensure that SBA fully meets GPRAMA requirements, we recommend that the SBA Administrator use the results of additional evaluations it conducts in its strategic planning process and ensure the agency's next strategic plan includes required information on program evaluations, including a schedule of future evaluations.
3. To improve SBA's human capital management, we recommend that the SBA Administrator complete a workforce plan that includes key principles such as a competency and skill gap assessment and long-term strategies to address its skill imbalances.
4. To improve SBA's human capital management, we recommend that the SBA Administrator incorporate into its next training plan key principles such as goals and measures for its training programs and input on employee development goals.
5. To ensure that SBA's organizational structure helps the agency meet its mission, we recommend that the SBA Administrator document the assessment of the agency's organizational structure, including any necessary changes to, for example, better ensure areas of authority, responsibility, and lines of reporting are clear and defined.
6. To ensure that SBA can effectively identify, assess, and manage risks, we recommend that the SBA Administrator develop its enterprise risk management consistent with GAO's risk management framework and document the specific steps that the agency plans to take to implement its enterprise risk management process.
7. To improve SBA's program and management guidance, we recommend that the SBA Administrator set time frames for periodically reviewing and updating its SOPs as appropriate.
8. To help ensure that SBA's IT operations and maintenance investments are continuing to meet business and customer needs and

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the agency's strategic goals, we recommend that the SBA Administrator direct the appropriate officials to perform an annual operational analysis on all SBA investments in accordance with OMB guidance.

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## Agency Comments and Our Evaluation

We requested comments from SBA on a draft of this report, and the agency provided written comments that are presented in appendix V. SBA stated that overall it generally agreed with our recommendations.

In response to our recommendation that the SBA administrator complete the assessment of the agency's organizational structure and make any necessary changes, SBA concurred but noted that the agency had initiated a full review of its organizational structure shortly after the current administrator was confirmed in April 2014. SBA noted that the agency had recently completed that review and determined that major restructuring was not warranted at the time. However, SBA has not provided us with any documentation of its assessment, either during the course of our review or when it provided comments on a draft of this report. Therefore, we revised the recommendation to clarify that SBA document its assessment, including the results and any changes.

In response to our two recommendations that SBA conduct additional program evaluations and use the results in its strategic planning process, SBA generally agreed with our recommendations but noted that it would face challenges in implementing them. Specifically, SBA stated that it was currently restricted from collecting data on small businesses from some resource partners. Further, SBA said that it did not have adequate information collection systems for some programs that could house and assess the data needed for evaluations. SBA also noted that independent evaluation studies consistent with OMB and GAO preferred methodologies would be costly. As a result, SBA said its ability to satisfy the recommendations would depend, at least in part, on the agency's ability to receive funding for them or find other viable evaluation methods. SBA stated that in prior years the agency had requested additional funding to conduct independent evaluations but had not received it.

The agency agreed with our two recommendations related to SBA's human capital management, adding that a workforce plan was under development that would address the need for competency and skills gap analysis and that contained strategies to address skill imbalances through recruitment and training. SBA also noted that its projected analyses would include goals and measures for training and development. SBA added

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that it had procured a contractor to perform a competency gap analysis and that additional contractor support would allow for a final draft of a workforce plan in early fiscal year 2016.

SBA agreed with our recommendation regarding the agency's enterprise risk management process. SBA said that the agency was working to document its process, which is to include aspects of various available frameworks, including those published by GAO, the Committee of Sponsoring Organizations of the Treadway Commission, and the International Organization for Standardization. Further, SBA agreed with our recommendation on updating SOPs. In its comment letter, SBA noted that the agency was conducting annual reviews of SOPs and working to streamline the clearance process for the publication of new and updated SOPs. However, as we stated in the report, SBA's most recent effort to review its SOPs began in fiscal year 2014, and in most cases the results did not include projected completion dates for revising or canceling old SOPs or creating new ones. SBA also concurred with our recommendation on performing an annual operational analysis on all SBA IT investments in accordance with OMB guidance.

SBA also provided several technical comments, which we incorporated as appropriate.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to SBA and appropriate congressional committees. This report also will be available at no charge on our website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix VI.



William B. Shear  
Director, Financial Markets and  
Community Investment

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# Appendix I: Objectives, Scope, and Methodology

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This report examines the extent to which the U.S. Small Business Administration (SBA) (1) has addressed previously identified management challenges related to specific programs, including those related to internal controls; (2) is following federal requirements for strategic planning; (3) is following key principles or internal controls for human capital management, organizational structure, enterprise risk management, acquisition management, and procedural guidance; and (4) is making progress in implementing the Office of Management and Budget's (OMB) high-priority management practices for information technology.

For the background, we analyzed data on staffing levels at headquarters, regional, and district offices in fiscal year 2014. To assess the reliability of these data, we interviewed SBA officials from the Office of Human Resources Solutions to gather information on the completeness and accuracy of the full-time equivalent database and examined the data for logical inconsistencies and completeness. We determined that the data were sufficiently reliable for the purposes of reporting on staffing levels.

To address our objectives, we reviewed relevant federal laws and regulations and interviewed SBA officials, including headquarters officials, all 10 regional administrators, management and nonmanagement staff at 10 district offices, and union representatives.<sup>1</sup> We interviewed headquarters officials within the following SBA offices: Capital Access, Entrepreneurial Development, Government Contracting and Business Development, Disaster Assistance, Performance Management and Chief Financial Officer, Field Operations, and Human Resources Solutions. To obtain perspectives from SBA district office officials on our objectives, we selected a purposive sample of 10 of the 68 district offices, 1 from each SBA region to provide national coverage. We randomly selected 7 of the 10 district offices from those offices located within the continental United States. We selected the Washington, D.C., and Georgia district offices to pre-test our interview questions because of proximity to GAO offices. We selected the New York district office to include an additional large office to ensure a variety of offices with both a larger and smaller number of employees. During our on-site meetings at the 10 district offices, we interviewed managers such as district directors and deputy district

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<sup>1</sup>The 10 SBA district offices we visited are located in Atlanta, Georgia; Boise, Idaho; Boston, Massachusetts; Denver, Colorado; Detroit, Michigan; Fresno, California; New Orleans, Louisiana; New York City, New York; Omaha, Nebraska; and Washington, D.C.

directors at each location.<sup>2</sup> For our interviews with nonmanagement staff at the 10 district offices, district office management invited any interested nonmanagement staff to meet with us. However, SBA required the presence of district counsel during these interviews. Participation by nonmanagement staff members in the interviews was limited. Specifically, out of approximately 120 nonmanagement employees in the 10 district offices that were invited to speak with us, a total of 28 employees attended the interviews.<sup>3</sup> To allow any nonmanagement staff who did not participate in our on-site interviews an additional opportunity to share their thoughts on our objectives, we sent an e-mail to all nonmanagement staff at those 10 district offices, inviting them to share their thoughts on specific topics with us by sending an e-mail to a specified GAO e-mail address. Nine staff members responded to our e-mail and provided us with information.<sup>4</sup> The results of our interactions with the 10 district offices cannot be generalized to other SBA district offices. The union representatives we interviewed were from headquarters and the field.<sup>5</sup>

To assess the status of SBA's management challenges related to specific programs, we reviewed annual SBA Office of the Inspector General (OIG) reports on SBA management challenges for fiscal years 2000 through 2015 (the years for which reports were available on the SBA OIG's website). We reviewed the challenges noted in the fiscal year 2015 report, including the fiscal year in which each challenge was first reported by the OIG. We also reviewed GAO reports issued during this time frame to identify those which dealt with SBA management challenges. Finally, we reviewed information from GAO's system for tracking agency recommendations to determine which recommendations made to SBA in fiscal years 2010 through 2013 remained open.

To evaluate SBA's strategic planning efforts, we reviewed relevant SBA documents such as its *Strategic Plan Fiscal Years 2014-2018* and *Fiscal*

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<sup>2</sup>Each interview included a district director and deputy district director except in Louisiana where the deputy district director was unable to attend.

<sup>3</sup>At 4 of the 10 offices, no nonmanagement staff participated in the interview.

<sup>4</sup>The nine staff members were from six of the offices we visited; four also attended our interviews. The e-mails were used as additional information sources and to corroborate what we heard in the interviews.

<sup>5</sup>We contacted the union President, and she extended invitations to other union representatives.

*Year 2016 Congressional Budget Justification and Fiscal Year 2014 Annual Performance Report.* We compared SBA's strategic planning and reporting practices with requirements in the Government Performance and Results Act of 1993 (GPRA), as updated by the GPRA Modernization Act of 2010 (GPRAMA).<sup>6</sup> Specifically, we first identified GPRA and GPRAMA requirements related to the elements that must be included in a federal agency's strategic plan, such as a mission statement and goals and objectives, and requirements related to the strategic planning process, such as obtaining stakeholder input. We then reviewed SBA's strategic plan to determine whether it included the required elements and interviewed SBA officials to determine the process SBA used to develop the strategic plan. We assessed the extent to which SBA met each requirement using three categories. "Met" indicates that, in our judgment, SBA met all or mostly all aspects of the requirement. "Partially met" indicates that it met some but not all or mostly all aspects of the requirement. "Not met" indicates that it did not meet the requirement. Specifically, one GAO analyst identified the strategic planning requirements, reviewed SBA's practices, and made the initial assessment for each requirement reviewed. A second analyst then verified each of these steps to ensure consistent results.

To assess SBA's human capital management practices, we reviewed SBA documents such as its *Strategic Human Capital Plan Fiscal Years 2013-2016*, *Annual Training Plan (Talent Development Initiative) Fiscal Year 2014-2015*, two assessments of its training programs, and standard operating procedures (SOP). We also reviewed SBA's 2014 Federal Employee Viewpoint Survey results on training and employee performance management.<sup>7</sup> To assess the reliability of these data, we reviewed the methodology used to conduct the survey and SBA's response rate. We determined that the data we used were sufficiently reliable for the purposes of reporting on employees' perspectives on training offered by SBA and on SBA's employee performance management system. In addition, we reviewed a list of individuals who had served in senior-level positions at SBA from calendar years 2005 through 2015 (the years for which information on all these positions was available) and determined the number of individuals who served in each

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<sup>6</sup>See Pub. L. No. 103-62, 107 Stat. 285 (1993) and Pub. L. No. 111-352, 124 Stat. 3866 (2011).

<sup>7</sup>The response rate for SBA in 2014 was 63.4 percent.

position during this time frame. We also compared SBA's human capital practices in the areas of workforce planning and training with key principles identified in our previous work.<sup>8</sup> Specifically, we reviewed SBA's human capital documents and interviewed SBA officials to determine SBA's workforce planning and training practices. We then assessed the extent to which SBA followed each key principle, again using three categories. "Follows" indicates that, in our judgment, SBA was following all or mostly all aspects of the principle. "Partially follows" indicates that it was following some but not all or mostly all of the aspects of the principle. "Does not follow" indicates that it was not following any aspects of the principle. Specifically, one GAO analyst reviewed SBA's policies and practices and made the initial assessment. A second analyst then verified these steps to ensure consistent results.

Because SBA was in the process of updating the SOP on its employee performance management system, we were unable to conduct an assessment of SBA's employee performance management system to determine whether it was consistent with key principles in employee performance management that we identified in a 2003 report.<sup>9</sup> Instead we reviewed a set of critical elements and performance standards used to evaluate employee performance. Specifically, we reviewed critical elements and performance standards for the following managers and employees in the field: regional administrators, district directors, deputy district directors, economic development specialists, business opportunity specialists, and lender relations specialists. We requested these because

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<sup>8</sup>GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003); and *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004). We developed the key principles for workforce planning by synthesizing information from meetings with organizations with government-wide responsibilities for or expertise in workforce planning; our own guidance, reports, and testimonies on federal agencies' workforce planning and human capital management efforts; leading human capital periodicals; and our own experiences in human capital management. We developed the key principles for training through consultations with government officials and experts in the private sector, academia, and nonprofit organizations; examinations of laws and regulations related to training and development in the federal government; and reviews of the sizeable body of literature on training and development issues, including previous GAO products on a range of human capital topics.

<sup>9</sup>GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, [GAO-03-488](#) (Washington, D.C.: Mar. 14, 2003).

they are the elements and standards for the staff whom we interviewed during our site visits. In addition, we reviewed one set of generic critical elements and performance standards for SBA employees and one set for SBA managers. SBA officials stated that they could not provide data on the total number of critical elements because the elements are tracked on an individual basis and not across the agency.

To review SBA's organizational structure, we reviewed prior GAO and SBA OIG reports that discussed, among other things, the effect of the agency's structure on its human capital management and program oversight. We also examined documentation on changes to SBA's organizational structure from fiscal year 2005 to 2014 (the period after SBA's last major reorganization in 2004). Specifically, we requested and reviewed all of the forms that SBA used to document organizational changes that were approved during this period. We also reviewed documentation on SBA's planned efforts to assess its organizational structure—including its *Strategic Human Capital Plan Fiscal Years 2013-2016*, guidance implementing its fiscal year 2014 Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payments (VSIP) programs, and the statement of work for a contractor's assessment of organizational structure—and compared these plans to federal internal control standards and guidance related to organizational structure.<sup>10</sup>

To evaluate SBA's risk management, we compared SBA's enterprise risk management practices with GAO's *Standards for Internal Control in the Federal Government* and risk management criteria on elements of risk management.<sup>11</sup> Specifically, we reviewed SBA's limited documentation on

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<sup>10</sup>The Office of Personnel Management administers VERA/VSIP programs, which give agencies the authority to offer employees voluntary early retirement or a lump sum payment for voluntary separation when the agency is in the process of restructuring or downsizing. GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999) and *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001).

<sup>11</sup>[GAO/AIMD-00-21.3.1](#) and GAO, *Risk Management: Further Refinements Needed to Assess Risks and Prioritize Protective Measures at Ports and Other Critical Infrastructure*, [GAO-06-91](#) (Washington, D.C.: Dec. 15, 2005). We developed our risk management framework by reviewing, analyzing, and synthesizing several sources of information, including risk literature and previous GAO reports and testimonies; experts in the fields of risk management, risk modeling, and terrorism; and numerous frameworks from industry, government, and academic sources.



its enterprise risk management process and implementation plans for each step of the process and then assessed the extent to which SBA's process was consistent with the stages of our risk management framework, again using three categories. "Follows" indicates that, in our judgment, SBA was following all or mostly all aspects of the practice. "Partially follows" indicates that it was following some but not all or mostly all of the aspects of the practice. "Does not follow" indicates that it was not following any aspects of the practice.

For acquisition management, we reviewed (1) data on SBA contracts awarded to small businesses from Small Business Goaling Reports for fiscal years 2011-2013 to assess whether SBA met contracting goals in the last 3 years and (2) SBA contract obligations for fiscal year 2014 as reported in the Federal Procurement Data System-Next Generation to determine types of spending. To assess the reliability of these data, we reviewed documentation on the data and assessed them for consistency and completeness. We determined that the data were sufficiently reliable for the purposes of reporting on SBA's contracting efforts. We also reviewed recent SBA OIG reports on SBA's acquisition management (including whether the agency's practices align with guidelines developed by OMB). In addition, we examined SBA's efforts to improve its acquisition management, including reviewing documentation of its 2014 contract with an outside entity to conduct an assessment of SBA's acquisition function to determine the scope and methodology of that review. We also reviewed documentation of the results of that assessment.

For procedural guidance, we asked SBA to provide us with an inventory of all current SOPs, including the dates of the most recent revisions. In July 2014, SBA provided a list of SOPs maintained on the agency's internal website. We also reviewed the agency's external website and found additional SOPs, identifying a total inventory of 153 internal and external SOPs. We reviewed this inventory of SBA's SOPs to determine when they were last updated and compared SBA's guidance to federal internal control standards to determine if it met the standards for documentation. We also reviewed documentation related to SBA's fiscal year 2014 efforts to conduct an assessment of the status of all SOPs across the agency. In fiscal year 2014, SBA's Office of the Chief Operating Officer, Office of Administrative Services began a review of the status of all SOPs, working with the program offices to determine whether any updates were needed. SBA issued a notice requiring all office heads to certify in writing the status of their SOPs. For each SOP, the cognizant office was to note whether (1) it did not require any revision, (2) it was

under review, (3) it was being revised, or (4) it was being canceled. If an SOP was deemed to fall within one of the last three categories, the office was to provide the date by which the action would be completed. As a result of that review, SBA created a spreadsheet that flagged some SOPs as outdated and some for cancellation. We reviewed SBA's spreadsheet to determine the number of SOPs that needed to be revised, canceled, or required no revision.

To assess SBA's progress in implementing high-priority management practices for information technology (IT), we evaluated SBA's progress on six OMB IT initiatives. We used the relevant sections of recent GAO reports to report on SBA's efforts on the initiatives, interviewed SBA officials about recent steps that they have taken to implement them, and analyzed SBA TechStat documentation to determine when past TechStat sessions were held and to identify the outcomes of the reviews. We reviewed SBA's ratings on the IT Dashboard to determine if SBA had held a TechStat for the at-risk investments. To corroborate the data reliability of those ratings, we interviewed SBA officials to determine their process for collecting, updating, and maintaining the data and asked them to verify the data's completeness and accuracy. We determined that the data were sufficiently reliable for the purposes of reporting on TechStat reviews of at-risk investments. We analyzed SBA's operational analyses to determine if, within the past year, the agency had performed such analyses on all of its major IT investments in the operations and maintenance phase.

We conducted this performance audit from March 2014 through September 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Additional Information on SBA's Recent Budget Obligations, Outlays, and Authority

In this appendix, we provide additional information on the Small Business Administration's (SBA) budget from fiscal year 2004 through fiscal year 2016 (requested). Specifically, table 6 provides information on total obligations, net outlays, and gross budget authority agency-wide. In addition, table 7 breaks down these amounts according to Office of Management and Budget (OMB) accounts. Finally, figure 8 compares the gross budget authority amounts by OMB account to the total gross budget authority for each of these fiscal years.

**Table 6: Small Business Administration (SBA) Total Obligations, Net Outlays, and Gross Budget Authority, Fiscal Years 2004 through 2016 (dollars in millions)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 est.	2016 req.
Total obligations	\$4,628	\$3,847	\$3,124	\$2,269	\$1,586	\$3,444	\$6,589	\$6,909	\$4,119	\$2,872	\$1,652	\$1,660	\$2,633
Total net outlays	4,308	3,043	1,911	1,949	1,271	2,735	6,206	6,316	3,804	2,174	1,319	1,295	990
Gross budget authority	4,803	4,650	3,152	1,887	2,352	3,515	6,826	6,069	3,953	3,271	1,655	1,522	2,499

Source: GAO analysis of OMB MAX Information System data for SBA. | GAO-15-347

Note: *Obligation* means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally. *Outlay* means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements, but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of government spending. *Budget authority* means the authority provided by law to incur financial obligations that will result in outlays.

**Table 7: Small Business Administration (SBA) Total Obligations, Net Outlays, and Gross Budget Authority by Appropriation Account, Fiscal Years 2004 through 2016 (dollars in millions)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 est.	2016 req.
<b>Salaries and Expenses</b>													
Total obligations	\$614	\$726	\$1,003	\$743	\$781	\$871	\$909	\$921	\$839	\$849	\$627	\$603	\$633
Net outlays	376	8	604	236	486	376	573	407	554	342	369	288	279
Gross budget authority	645	1,034	722	863	678	964	893	871	746	610	610	603	633
<b>Office of Inspector General</b>													
Total Obligations	14	13	15	16	17	19	21	20	20	20	18	21	22
Net Outlays	13	13	13	14	16	17	20	19	19	19	17	20	21

**Appendix II: Additional Information on SBA's  
Recent Budget Obligations, Outlays, and  
Authority**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 est.	2016 req.
Gross Budget Authority	14	14	21	16	19	27	17	17	17	21	20	20	21
<b>Office of Advocacy</b>													
Total Obligations <sup>a</sup>	.	.	.	.	.	.	0	0	8	9	9	9	9
Net Outlays	.	.	.	.	.	.	0	0	7	9	9	8	8
Gross Budget Authority	.	.	.	.	.	.	0	0	9	9	9	9	9
<b>Entrepreneurial Development Program<sup>b</sup></b>													
Total obligations	.	.	.	.	.	.	.	.	.	0	192	220	206
Net outlays	.	.	.	.	.	.	.	.	.	0	55	187	169
Gross budget authority	.	.	.	.	.	.	.	.	.	0	197	220	206
<b>Disaster Loans Program Account<sup>c</sup></b>													
Total obligations	1,321	1,040	1,553	961	276	576	373	575	377	609	257	359	320
Net outlays	1,299	1,003	799	1,185	292	584	369	532	384	554	274	350	304
Gross budget authority	1,298	1,377	1,775	403	1,103	186	313	274	276	887	230	222	187
<b>Business Loans Program Account<sup>c</sup></b>													
Total Obligations	2,654	2,036	530	536	497	1,968	5,276	5,383	2,861	1,379	537	420	1,413
Net Outlays	2,673	2,069	534	536	500	1,766	5,258	5,369	2,858	1,279	609	443	210
Gross Budget Authority	2,643	2,034	525	530	496	2,289	5,575	4,881	2,871	1,314	569	420	1,413
<b>Pollution Control Equipment Fund Liquidating Account<sup>d</sup></b>													
Total obligations	0	0	0	.	0	0	0	.	0	.	.	.	.
Net outlays	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross budget authority	3	3	3	3	3	3	2	2	2	1	0	0	0
<b>Disaster Loan Fund Liquidating Account</b>													
Total obligations	3	2	2	2	2	1	1	1	0	0	0	5	5
Net outlays	-10	-11	-6	-4	-3	-2	-2	-3	-2	-1	-2	-3	-3
Gross budget authority	64	64	18	16	10	7	6	6	4	3	0	5	5
<b>Business Loan Fund Liquidating Account</b>													
Total obligations	14	22	8	6	6	3	4	2	6	1	1	8	8
Net Outlays	-43	-40	-39	-15	-19	-5	-6	-5	-13	-16	-4	2	2
Gross budget authority	128	115	77	45	33	14	9	8	18	21	1	8	8
<b>Surety Bond Guarantees Revolving Fund<sup>e</sup></b>													
Total obligations	8	8	13	5	7	6	5	7	8	5	11	15	17

**Appendix II: Additional Information on SBA's Recent Budget Obligations, Outlays, and Authority**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 est.	2016 req.
Net outlays	0	1	6	-3	-1	-1	-6	-3	-3	-12	-8	0	0
Gross budget authority	8	9	11	11	10	25	11	10	10	17	19	15	17

Source: GAO analysis of OMB MAX Information System data for SBA. | GAO-15-347

Note: Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally. Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements, but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of government spending. Budget authority means the authority provided by law to incur financial obligations that will result in outlays.

<sup>a</sup>Cells containing "." indicate a missing value, which in this context means the account did not exist in that year.

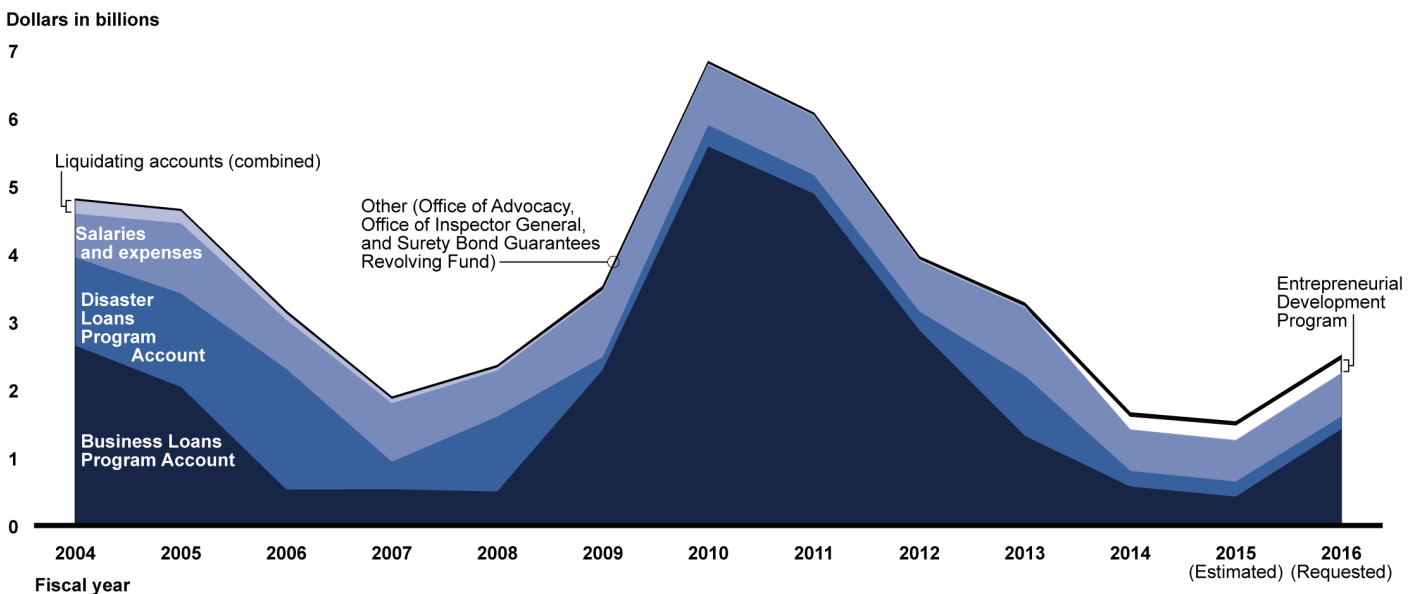
<sup>b</sup>In fiscal year 2014, a new Entrepreneurial Development Appropriation account was established and includes programs such as Boots to Business, the HUBZone Program, SCORE, and Small Business Development Centers, among others. Prior to fiscal year 2014, noncredit programs such as these were included in the Salaries and Expenses Appropriation account.

<sup>c</sup>The Disaster Loans Program Account and Business Loans Program Account include administrative expenses and loan subsidies.

<sup>d</sup>Public Law 94-305 established the Pollution Control Equipment Fund Liquidating Account to alleviate the adverse impact of pollution regulations on small businesses.

<sup>e</sup>The Surety Bond Guarantees Revolving Fund includes reimbursement of sureties to cover the losses sustained if the contractor defaults.

**Figure 8: Small Business Administration Gross Budget Authority by Appropriation Account, Fiscal Years 2004 through 2014**



Source: GAO analysis of Office of Management and Budget MAX Information System data for Small Business Administration. | GAO-15-347

# Appendix III: Open GAO Recommendations for the Small Business Administration, as of July 2015

As of July 2015, 69 of the recommendations that we have made to the Small Business Administration (SBA) were open.<sup>1</sup> See table 8 for a list of these open recommendations by subject area.

**Table 8: Open GAO Recommendations to the Small Business Administration (SBA) by Subject Area, as of July 2015**

Product number	Product title	Recommendation
<b>8(a) business development program</b>		
RCED-00-196	<i>Small Business: SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts</i>	To better address the purpose of the 8(a) program, meet the needs and expectations of the firms in the program, and improve SBA's ability to determine how well the program is working, the Administrator, SBA, should periodically perform a nationwide sample survey of 8(a) firms to obtain measurable program data. At a minimum, the survey should assess whether SBA assistance is meeting the firms' expectations and needs.
RCED-00-196	<i>Small Business: SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts</i>	To better address the purpose of the 8(a) program, meet the needs and expectations of the firms in the program, and improve SBA's ability to determine how well the program is working, the Administrator, SBA, should provide a method for collecting data on each firm's training needs for tracking the assistance provided.
GAO-09-16	<i>Small Business Administration: Agency Should Assess Resources Devoted to Contracting and Improve Several Processes in the 8(a) Program</i>	To improve its administration of the prime contracting, subcontracting, and 8(a) business development programs, and to increase the usefulness of surveillance reviews for the 8(a) program, the Administrator of SBA should update its guidance to incorporate regular reviews of 8(a) contracting in the scope of the reviews.
GAO-10-353	<i>Small Business Administration: Steps Have Been Taken to Improve Administration of the 8(a) Program, but Key Controls for Continued Eligibility Need Strengthening</i>	To improve the monitoring of and procedures used in assessing the continuing eligibility of firms to participate in and benefit from the 8(a) program, and to help ensure greater consistency in carrying out annual review procedures and improve the overall quality of these reviews, the SBA Administrator should monitor, and provide additional guidance and training to, district offices on the procedures used to determine continuing eligibility, including (1) taking appropriate action when firms exceed four of seven industry size averages, including notifying firms the first year and enforcing procedures relating to early graduation of firms that exceed industry averages for 2 consecutive years, (2) obtaining appropriate supervisory signatures to finalize annual review decisions, (3) submitting remedial action or a waiver for firms in the transition phase that did not meet business activity targets, (4) graduating firms that exceed the net worth threshold of \$750,000, (5) performing timely eligibility reviews in required cases, and (6) completing required annual reviews.

<sup>1</sup>We did not include four recommendations—from reports GAO-14-233 and GAO-10-353—that had been addressed by SBA and were being closed as implemented.

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<b>Product number</b>	<b>Product title</b>	<b>Recommendation</b>
GAO-10-353	<i>Small Business Administration: Steps Have Been Taken to Improve Administration of the 8(a) Program, but Key Controls for Continued Eligibility Need Strengthening</i>	To improve the monitoring of and procedures used in assessing the continuing eligibility of firms to participate in and benefit from the 8(a) program, and to reduce the practice of retaining firms that fail to submit annual review documentation as required, SBA should monitor the implementation of regulations relating to termination to see if they are achieving their purpose or whether business development staff need further guidance in interpreting the regulations. SBA should consider providing specific examples of what might be considered a pattern of failure to submit documentation as required.
GAO-12-84	<i>Federal Contracting: Monitoring and Oversight of Tribal 8(a) Firms Need Attention</i>	To improve oversight of tribal firms' participation in the 8(a) program, the Administrator of SBA should establish and communicate to Congress the time frame for developing and implementing SBA's new, planned policy regarding determination of substantial unfair competitive advantage in an industry, and when the policy will be incorporated into the regulations.
GAO-12-84	<i>Federal Contracting: Monitoring and Oversight of Tribal 8(a) Firms Need Attention</i>	To improve oversight of tribal firms' participation in the 8(a) program, the Administrator of SBA should establish procedures to enforce new joint venture rules, including how SBA district officials will ascertain that the 8(a) partner performs the required percentage of the joint venture's work and, for populated joint ventures, that the non-8(a) partner and its affiliates do not receive subcontracts under the 8(a) contract.
GAO-12-84	<i>Federal Contracting: Monitoring and Oversight of Tribal 8(a) Firms Need Attention</i>	To improve oversight of tribal firms' participation in the 8(a) program, the Administrator of SBA should examine relationships between subsidiaries under tribal entities to determine whether practices such as subcontracting to a sister subsidiary or using the past performance of a sister subsidiary to show capability to perform on an 8(a) contract are in line with the business development purposes of the 8(a) program and should be allowed under program rules. If SBA determines that these practices are not in line with the 8(a) program purposes—and to the extent that Congress has not authorized a practice in law—SBA should address them in its regulations.
GAO-12-84	<i>Federal Contracting: Monitoring and Oversight of Tribal 8(a) Firms Need Attention</i>	To improve oversight of tribal firms' participation in the 8(a) program, the Administrator of SBA should, as the new 8(a) tracking database is being developed, take steps to ensure that it has the capability to (1) provide visibility to district offices into all tribal 8(a) firms' activity by tribal entity to ensure compliance with new prohibition to award sole-source 8(a) follow-on contracts to sister subsidiaries; (2) track revenue from tribal 8(a) firms' primary and secondary industry codes to ensure that subsidiaries under the same parent company are not generating the majority of their revenue from the same primary industry; and (3) track information on 8(a) contracts and task or delivery orders, including orders awarded under basic ordering agreements, to help ensure that district officials have information necessary to enforce the 8(a) program regulations.
GAO-12-84	<i>Federal Contracting: Monitoring and Oversight of Tribal 8(a) Firms Need Attention</i>	To improve oversight of tribal firms' participation in the 8(a) program, the Administrator of SBA should, in light of the new prohibition on awarding 8(a) sole-source follow-on contracts to sister subsidiaries, reinforce to procuring agencies the requirement to provide the full acquisition history of the procurement in the offer letter, when available, and direct district office business development specialists to focus on this issue when they review offer letters for tribal 8(a) firms.

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<b>Product number</b>	<b>Product title</b>	<b>Recommendation</b>
GAO-13-118	<i>Federal Contracting: Slow Start to Implementation of Justifications for 8(a) Sole-Source Contracts</i>	To help ensure that SBA officials meet Federal Acquisition Regulation requirements for sole-source contracts over \$20 million, the Administrator of SBA should, when revising operating procedures and training curricula, include instructions to business opportunity specialists on the steps they are to take to confirm whether agencies have met the justification requirement, such as obtaining a copy of the justification from the agency.
GAO-13-118	<i>Federal Contracting: Slow Start to Implementation of Justifications for 8(a) Sole-Source Contracts</i>	To help ensure that SBA officials meet Federal Acquisition Regulation requirements for sole-source contracts over \$20 million, the Administrator of SBA should, when revising operating procedures and training curricula, include instructions to confirm that procuring agencies have prepared an 8(a) justification rather than a Competition in Contracting Act of 1984 justification.
<b>Lender oversight</b>		
GAO-04-610	<i>Small Business Administration: New Service for Lender Oversight Reflects Some Best Practices, but Strategy for Use Lags Behind</i>	SBA should develop contingency plans that would enable SBA's continued risk management of the 7(a) and 504 portfolio overall, individual lenders, and their portfolios in the event that the Dun & Bradstreet contract is discontinued.
GAO-14-233	<i>Small Business Administration: Actions Needed to Ensure Planned Improvements Address Key Requirements of the Development Company (504) Loan Program</i>	To help ensure that certified development companies (CDC) are meeting the 504 loan program's jobs-supported requirement, the SBA Administrator should develop specific guidance on how CDCs should compile information on jobs created or retained and on the documentation CDCs should maintain to support these data.
GAO-14-233	<i>Small Business Administration: Actions Needed to Ensure Planned Improvements Address Key Requirements of the Development Company (504) Loan Program</i>	To help ensure that CDCs are meeting the 504 loan program's jobs-supported requirement, when reviewing CDCs' annual reports, the SBA Administrator should implement a process to assess the supporting documentation for a sample of the jobs data that CDCs report.
GAO-14-233	<i>Small Business Administration: Actions Needed to Ensure Planned Improvements Address Key Requirements of the Development Company (504) Loan Program</i>	To help ensure that CDCs are meeting the 504 loan program's requirement that CDCs invest retained earnings in local economic development, when finalizing the agency's risk-based review procedures, the SBA Administrator should include in the checklists or guidance for examiners a requirement to review compliance with the retained-earnings requirement.
GAO-14-233	<i>Small Business Administration: Actions Needed to Ensure Planned Improvements Address Key Requirements of the Development Company (504) Loan Program</i>	To help ensure that CDCs are meeting the 504 loan program's requirement that CDCs invest retained earnings in local economic development, when reviewing CDCs' annual reports, the SBA Administrator should add an item to its annual report review template requiring SBA staff to assess compliance with this requirement.
GAO-14-233	<i>Small Business Administration: Actions Needed to Ensure Planned Improvements Address Key Requirements of the Development Company (504) Loan Program</i>	To help ensure that CDCs with Accredited Lenders Program (ALP) authority are taking the necessary steps to determine whether there has been no adverse change to borrowers' financial condition prior to loan closing, the SBA Administrator should include oversight of CDCs' compliance with this requirement in the agency's process for renewing ALP authority.



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<b>Product number</b>	<b>Product title</b>	<b>Recommendation</b>
<b>Small business contracting</b>		
<a href="#">GAO-11-549R</a>	<i>Improvements Needed to Help Ensure Reliability of SBA's Performance Data on Procurement Center Representatives</i>	To help ensure that Government Contracting Area Report (GCAR) data are accurate and that SBA reliably can use the data to monitor procurement center representative (PCR) and commercial market representative (CMR) performance and determine whether established goals have been achieved, SBA's Director of Government Contracting should require that monthly GCAR data are verified and that documentation for PCR and CMR records are periodically reviewed for quality and completeness.
<a href="#">GAO-14-36</a>	<i>Small Business Contracting: Updated Guidance and Reporting Needed for Consolidated Contracts</i>	To promote agencies' compliance with existing law, the Administrator of SBA should submit required bundling reports to Congress.
<a href="#">GAO-15-54</a>	<i>Women-Owned Small Business Program: Certifier Oversight and Additional Eligibility Controls Are Needed</i>	To improve management and oversight of the women-owned small business (WOSB) program, and to help ensure the effective oversight of third-party certifiers, the Administrator of SBA should establish and implement comprehensive procedures to monitor and assess performance of certifiers in accord with the requirements of the third-party certifier agreement and program regulations.
<a href="#">GAO-15-54</a>	<i>Women-Owned Small Business Program: Certifier Oversight and Additional Eligibility Controls Are Needed</i>	To improve management and oversight of the WOSB program, and to provide reasonable assurance that only eligible businesses obtain WOSB set-aside contracts, the Administrator of SBA should enhance examination of businesses that register to participate in the WOSB program, including actions such as: (1) promptly completing the development of procedures to conduct annual eligibility examinations and implementing such procedures; (2) analyzing examination results and individual businesses found to be ineligible to better understand the cause of the high rate of ineligibility in annual reviews, and determine what actions are needed to address the causes; and (3) implementing ongoing reviews of a sample of all businesses that have represented their eligibility to participate in the program.
<a href="#">GAO-15-234</a>	<i>Small Business Contracting: Opportunities Exist to Further Improve HUBZone Oversight</i>	To improve SBA's administration and oversight of the Historically Underutilized Business Zone (HUBZone) program and reduce the risk that firms that no longer meet program eligibility criteria receive HUBZone contracts, the Administrator of SBA should conduct an assessment of the recertification process and implement additional controls, such as developing criteria and guidance on using a risk-based approach to requesting and verifying firm information, allowing firms to initiate the recertification process, and ensuring that sufficient staff will be dedicated to the effort so that a significant backlog in recertifications does not recur.
<a href="#">GAO-15-234</a>	<i>Small Business Contracting: Opportunities Exist to Further Improve HUBZone Oversight</i>	To improve SBA's administration and oversight of the HUBZone program and reduce the risk that firms that no longer meet program eligibility criteria receive HUBZone contracts, the Administrator of SBA should establish a mechanism to better ensure that firms are notified of changes to HUBZone designations that may affect their participation in the program, such as ensuring that all certified firms and newly certified firms are signed up for the broadcast e-mail system or including more specific information in certification letters about how location in a redesignated area can affect their participation in the program.

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<b>Program evaluation</b>		
GAO-11-548R	<i>Mentor-Protege Programs Have Policies That Aim to Benefit Participants but Do Not Require Postagreement Tracking</i>	To more fully evaluate the effectiveness of their mentor-protege programs, the Office of Small and Disadvantaged Business Utilization and Mentor-Protege Program Directors of the Department of Homeland Security, Department of Energy, Department of State, Environmental Protection Agency, Federal Aviation Administration, General Services Administration, Department of Health and Human Services, SBA, Department of the Treasury, and Department of Veterans Affairs should consider collecting and maintaining protege postcompletion information.
GAO-11-698	<i>Small Business Innovation Research: SBA Should Work with Agencies to Improve the Data Available for Program Evaluation</i>	To build upon efforts to implement a government-use database for program evaluation, the Administrator of SBA should work with participating Small Business Innovation Research (SBIR) agencies to identify best practices for verifying the accuracy of data related to progress in increasing commercialization.
GAO-12-819	<i>Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management</i>	The Director of the Office of Management and Budget, the Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of SBA, should work together to identify opportunities to enhance collaboration among programs, both within and across agencies.
GAO-12-819	<i>Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management</i>	The Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of SBA, should conduct more program evaluations to better understand why programs have not met performance goals and their overall effectiveness.
GAO-12-819	<i>Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management</i>	The Secretaries of the Departments of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of SBA, should consistently collect information that would enable them to track the specific type of assistance programs provide and the entrepreneurs they serve and use this information to help administer their programs.
GAO-13-727	<i>Patriot Express: SBA Should Evaluate the Program and Enhance Eligibility Controls</i>	To help ensure that SBA makes informed decisions on the future of pilot programs it creates under its own authority, the Administrator of SBA should require the agency to design an evaluation plan for any such pilot program prior to implementation—including an assessment of the program's performance and its effect on program recipients—and to consider the results of such an evaluation before any pilot is extended.
GAO-14-260	<i>Small Business Administration: Cosponsored Activities Can Benefit Small Businesses but Lack a Consistent Feedback Mechanism</i>	To ensure that SBA most effectively implements the statutory authority to conduct cosponsored events for the benefit of small businesses and to enhance SBA's ability to evaluate the use of its cosponsorship authority, the Administrator of SBA should develop a mechanism to consistently obtain participant feedback on cosponsored activities.
<b>Information technology</b>		
GAO-12-295	<i>Information Technology: SBA Needs to Strengthen Oversight of Its Loan Management and Accounting System Modernization</i>	The Administrator of SBA should clarify the responsibilities of the executive bodies responsible for the Incremental Improvement Projects (IIP) and ensure they provide the appropriate oversight of the project's progress. Specifically, these executive bodies should conduct and document executive review and approval of the Loan Management and Accounting System modernization's (1) risk management approach; (2) target segment architectures; and (3) cost and schedule baselines, including ongoing oversight of progress against those baselines.

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<a href="#">GAO-12-295</a>	<i>Information Technology: SBA Needs to Strengthen Oversight of Its Loan Management and Accounting System Modernization</i>	To better ensure that the loan management incremental improvement projects are completed as planned and provide anticipated capabilities, the Administrator of SBA should direct the Chief Information Officer (CIO) to ensure that SBA is applying the appropriate information technology management practices to the IIPs. Specifically, SBA should ensure that (1) IIP requirements are managed appropriately, including elicitation, documentation, and verification and validation; (2) information technology (IT) risks to the IIPs are adequately managed, including preparing for risk management, identifying and analyzing risks, mitigating risks, and providing executive oversight of risk management activities; (3) the human capital necessary for the IIPs is managed appropriately, including the determination of human capital needs, the identification of gaps between current capabilities and needs, the development of a strategy to close those gaps, and the documentation of these activities; and (4) the enterprise architecture segments related to the IIPs are managed appropriately, including the development, prioritization, and maintenance of the segments.
<a href="#">GAO-12-756</a>	<i>Information Technology Reform: Progress Made but Future Cloud Computing Efforts Should be Better Planned</i>	To help ensure the success of agencies' implementation of cloud-based solutions, the Secretaries of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury; and the Administrators of the General Services Administration and Small Business Administration, should direct their respective CIOs to develop, at a minimum, estimated costs, milestones, performance goals, and plans for retiring legacy systems, as applicable, for planned additional cloud-based services.
<a href="#">GAO-12-756</a>	<i>Information Technology Reform: Progress Made but Future Cloud Computing Efforts Should be Better Planned</i>	To help ensure the success of agencies' implementation of cloud-based solutions, the Secretaries of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury; and the Administrators of the General Services Administration and Small Business Administration, should direct their respective CIOs to establish estimated costs, performance goals, and plans to retire associated legacy systems for each cloud-based service discussed in this report, as applicable.
<a href="#">GAO-12-791</a>	<i>Organizational Transformation: Enterprise Architecture Value Needs to Be Measured and Reported</i>	To enhance federal agencies' ability to realize enterprise architecture benefits, the Secretaries of the Departments of Agriculture, the Air Force, the Army, Commerce, Defense, Education, Energy, Homeland Security, the Interior, Labor, the Navy, State, Transportation, the Treasury, and Veterans Affairs; the Attorney General; the Administrators of the Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, and Small Business Administration; the Commissioners of the Nuclear Regulatory Commission and Social Security Administration; and the Directors of the National Science Foundation and the Office of Personnel Management, should fully establish an approach for measuring enterprise architecture outcomes, including a documented method (i.e., steps to be followed) and metrics that are measurable, meaningful, repeatable, consistent, actionable, and aligned with the agency's enterprise architecture's strategic goals and intended purpose.

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GAO-12-791	<i>Organizational Transformation: Enterprise Architecture Value Needs to Be Measured and Reported</i>	To enhance federal agencies' ability to realize enterprise architecture benefits, the Secretaries of the Departments of Agriculture, the Air Force, the Army, Commerce, Defense, Education, Energy, Homeland Security, the Interior, Labor, the Navy, State, Transportation, the Treasury, and Veterans Affairs; the Attorney General; the Administrators of the Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, and Small Business Administration; the Commissioners of the Nuclear Regulatory Commission and Social Security Administration; and the Directors of the National Science Foundation and the Office of Personnel Management, should periodically measure and report enterprise architecture outcomes and benefits to top agency officials (i.e., executives with authority to commit resources or make changes to the program) and to OMB.
GAO-14-65	<i>Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings</i>	To improve the agency's implementation of PortfolioStat, in future reporting to OMB, the Administrator of the Small Business Administration should direct the CIO to fully describe the following PortfolioStat action plan elements: (1) consolidate commodity IT spending under the agency CIO; (2) establish targets for commodity IT spending reductions and deadlines for meeting those targets; (3) target duplicative systems or contracts that support common business functions for consolidation; and (4) establish a process to identify those potential investments and a schedule for eliminating them from the portfolio.
GAO-14-65	<i>Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings</i>	To improve the agency's implementation of PortfolioStat, the Administrator of the Small Business Administration should direct the CIO to develop a complete commodity IT baseline.
GAO-14-413	<i>Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide</i>	To ensure the effective management of software licenses, the Administrator of the Small Business Administration should analyze agency-wide software license data, such as costs, benefits, usage, and trending data, to identify opportunities to reduce costs and better inform investment decision making.
GAO-14-413	<i>Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide</i>	To ensure the effective management of software licenses, the Administrator of the Small Business Administration should develop an agency-wide comprehensive policy for the management of software licenses that addresses the weaknesses we identified.
GAO-14-413	<i>Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide</i>	To ensure the effective management of software licenses, the Administrator of the Small Business Administration should employ a centralized software license management approach that is coordinated and integrated with key personnel for the majority of agency software license spending and/or enterprise-wide licenses.
GAO-14-413	<i>Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide</i>	To ensure the effective management of software licenses, the Administrator of the Small Business Administration should establish a comprehensive inventory of software licenses using automated tools for the majority of agency software license spending and/or enterprise-wide licenses.
GAO-14-413	<i>Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide</i>	To ensure the effective management of software licenses, the Administrator of the Small Business Administration should provide software license management training to appropriate agency personnel addressing contract terms and conditions, negotiations, laws and regulations, acquisition, security planning, and configuration management.

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<a href="#">GAO-14-413</a>	<i>Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide</i>	To ensure the effective management of software licenses, the Administrator of the Small Business Administration should regularly track and maintain a comprehensive inventory of software licenses using automated tools and metrics.
<a href="#">GAO-14-753</a>	<i>Cloud Computing: Additional Opportunities and Savings Need to Be Pursued</i>	To help ensure continued progress in the implementation of cloud computing services, the Secretaries of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury; and the Administrators of the General Services Administration and Small Business Administration, should direct their respective Chief Information Officers to ensure that all IT investments are assessed for suitability for migration to a cloud computing service.
<a href="#">GAO-14-753</a>	<i>Cloud Computing: Additional Opportunities and Savings Need to Be Pursued</i>	To help ensure continued progress in the implementation of cloud computing services, the Secretaries of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury; and the Administrators of the General Services Administration and Small Business Administration, should direct their respective Chief Information Officers to establish evaluation dates for those investments identified in this report that have not been assessed for migration to the cloud.
<b>Disaster assistance</b>		
<a href="#">GAO-09-755</a>	<i>Small Business Administration: Additional Steps Should Be Taken to Address Reforms to the Disaster Loan Program and Improve the Application Process for Future Disasters</i>	To facilitate SBA's progress in meeting and complying with requirements of the Small Business Disaster Response and Loan Improvements Act of 2008 and improve the Disaster Loan Program, the Administrator of SBA should develop an implementation plan and report to Congress on the agency's progress in addressing all requirements within the act—including creating and implementing new programs such as the Immediate and Expedited Disaster Assistance Programs—and include milestone dates for completing implementation and any major program, resource, or other challenges the agency faces as it continues efforts to address requirements and meet deadlines in the act.
<a href="#">GAO-12-844</a>	<i>Disaster Assistance: USDA and SBA Could Do More to Help Aquaculture and Nursery Producers</i>	To help ensure that small aquaculture and nursery producers are aware of the disaster assistance programs available to them, the Secretary of Agriculture and the Administrator of the Small Business Administration should direct Farm Service Agency and SBA officials to conduct targeted outreach to small aquaculture and nursery producers, for example, by building on existing agency outreach programs.
<a href="#">GAO-14-760</a>	<i>Small Business Administration: Additional Steps Needed to Help Ensure More Timely Disaster Assistance</i>	In order to address potential risk to SBA's ability to provide timely disaster assistance in the future, based on the agency's experience from Hurricane Sandy, the Administrator of SBA should direct the Office of Disaster Assistance to revise SBA's disaster planning documents to anticipate the potential impact of early application submissions on staffing and resources for future disasters, as well as the risk this impact may pose for SBA's timely disaster response.

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<a href="#">GAO-14-760</a>	<i>Small Business Administration: Additional Steps Needed to Help Ensure More Timely Disaster Assistance</i>	In order to provide Congress with reliable information on challenges SBA has faced in implementing the Immediate Disaster Assistance Program, the Administrator of SBA should direct the Office of Capital Access to (1) conduct a formal documented evaluation of lenders' feedback that can inform SBA and Congress about statutory changes that may be necessary to encourage lenders' participation in the Immediate Disaster Assistance Program and (2) report to Congress on the challenges SBA has faced in implementing the Immediate Disaster Assistance Program and on statutory changes that may be necessary to facilitate SBA's implementation of the program.
<a href="#">GAO-15-209</a>	<i>Disaster Relief: Agencies Need to Improve Policies and Procedures for Estimating Improper Payments</i>	To help reduce the risk that improper payment estimates related to Disaster Relief Appropriations Act, 2013 funding developed and reported by selected agencies may not be accurate or reliable, and to help ensure that SBA produces reliable estimates of its Disaster Relief Appropriations Act, 2013 improper payments, the Administrator of SBA should direct the appropriate officials to revise its Disaster Assistance Loans program policies and procedures for estimating improper payments by: (1) defining improper payments consistently with the Improper Payments Information Act of 2002, as amended, and OMB Circular No. A-123, Appendix C; (2) requiring payments to federal employees to be included in populations for testing as required by the Improper Payments Information Act of 2002, as amended; (3) including steps to assess the completeness of the population of transactions used for selecting the samples to be tested; (4) providing sufficient procedures for determining an error and what documentation is necessary to substantiate payment; (5) requiring the agency to maintain sufficient documentation to support improper payment estimates; and (6) requiring that the sampling methodologies meet the precision requirements outlined in OMB Circular No. A-123, Appendix C.
<a href="#">GAO-15-209</a>	<i>Disaster Relief: Agencies Need to Improve Policies and Procedures for Estimating Improper Payments</i>	To help reduce the risk that improper payment estimates related to Disaster Relief Appropriations Act, 2013 funding developed and reported by selected agencies may not be accurate or reliable, and to help ensure that SBA produces reliable estimates of its Disaster Relief Appropriations Act, 2013 improper payments, the Administrator of SBA should direct the appropriate officials to develop policies and procedures for the Office of Entrepreneurial Development Grants program to estimate improper payments by: (1) clearly identifying roles and responsibilities for estimating improper payments; (2) defining improper payments consistently with the Improper Payments Information Act of 2002, as amended, and OMB Circular No. A-123, Appendix C; (3) requiring payments to federal employees to be included in populations for testing as required by the Improper Payments Information Act of 2002, as amended; (4) including steps to assess the completeness of the population of transactions used for selecting the samples to be tested; (5) providing sufficient procedures for determining an error and what documentation is necessary to substantiate a payment; (6) requiring the agency to maintain sufficient documentation to support improper payment estimates; (7) requiring that the sampling methodologies meet the precision requirements outlined in OMB Circular No. A-123, Appendix C; and (8) requiring a consultation with a statistician to ensure the validity of sample design, sample size, and measurement methodology.

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<b>Small business research programs</b>		
<a href="#">GAO-13-421</a>	<i>Small Business Research Programs: Actions Needed to Improve Compliance with Spending and Reporting Requirements</i>	To ensure that participating agencies and SBA comply with spending and reporting requirements for the SBIR and Small Business Technology Transfer (STTR) programs, the SBA Administrator should direct participating agencies to include in their annual reports the calculation of the final extramural research and development (R&D) budget used as the basis for their SBIR and STTR spending requirements and, if they did not meet the spending requirements, the reasons why not and how they plan to meet the spending requirements in the future.
<a href="#">GAO-13-421</a>	<i>Small Business Research Programs: Actions Needed to Improve Compliance with Spending and Reporting Requirements</i>	To ensure that participating agencies and SBA comply with spending and reporting requirements for the SBIR and STTR programs, the SBA Administrator should provide Congress with a timely annual report that includes a comprehensive analysis of the methodology each agency used for calculating the SBIR and STTR spending requirements, providing a clear basis for SBA's conclusions about whether these calculations meet program requirements.
<a href="#">GAO-13-421</a>	Small Business Research Programs: Actions Needed to Improve Compliance with Spending and Reporting Requirements	To ensure that participating agencies and SBA comply with spending and reporting requirements for the SBIR and STTR programs, the SBA Administrator should provide additional guidance on how agencies should calculate spending requirements when agency appropriations are received late in the fiscal year and the format agencies are to include in their methodology reports.
<a href="#">GAO-13-421</a>	<i>Small Business Research Programs: Actions Needed to Improve Compliance with Spending and Reporting Requirements</i>	To ensure that participating agencies and SBA comply with spending and reporting requirements for the SBIR and STTR programs, the SBA Administrator should provide timely annual feedback to each agency following submission of its methodology report on whether its method for calculating the extramural R&D budget used as the basis for the SBIR and STTR spending requirements complies with program requirements including an itemization of and an explanation for all exclusions from the basis for the calculations.
<a href="#">GAO-14-431</a>	<i>Small Business Research Programs: More Guidance and Oversight Needed to Comply with Spending and Reporting Requirements</i>	To improve compliance with the Small Business Act and enhance SBA's ability to provide oversight of the programs, the SBA Administrator should request that the agencies submit their methodology reports within 4 months of the enactment of appropriations, as required by the Small Business Act and the program policy directives.
<a href="#">GAO-14-431</a>	<i>Small Business Research Programs: More Guidance and Oversight Needed to Comply with Spending and Reporting Requirements</i>	To improve compliance with the Small Business Act and enhance SBA's ability to provide oversight of the programs, the SBA Administrator should revise the language in the SBIR and STTR policy directives to accurately summarize the statutory provisions that describe the program spending requirements.
<a href="#">GAO-15-68</a>	<i>Small Business Innovation Research: Change in Program Eligibility Has Had Little Impact</i>	To help ensure that participating agencies understand the requirements of the National Defense Authorization Act for Fiscal Year 2012 provisions applicable to allowing majority-owned portfolio companies to apply for SBIR awards, the Administrator of SBA should discuss the evidence required for the written determination with the participating agencies, such as at their monthly meeting or as part of another outreach effort, and, if needed, and in consultation with the participating agencies, amend its SBIR Policy Directive to provide additional guidance.

**Appendix III: Open GAO Recommendations for  
the Small Business Administration, as of July  
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<b>Product number</b>	<b>Product title</b>	<b>Recommendation</b>
<a href="#">GAO-15-358</a>	<i>Small Business Research Programs: Challenges Remain in Meeting Spending and Reporting Requirements</i>	To ensure full compliance with SBIR and STTR spending and reporting requirements, the SBA Administrator should assess the methodology reporting requirement to determine whether it generates adequate information for SBA to analyze the accuracy of agencies' calculations of their extramural R&D. If SBA finds that the information is inadequate, SBA should update its guidance to require adequate information.
<a href="#">GAO-15-358</a>	<i>Small Business Research Programs: Challenges Remain in Meeting Spending and Reporting Requirements</i>	To ensure full compliance with SBIR and STTR spending and reporting requirements, the SBA Administrator should notify Congress in SBA's annual report if it cannot determine agency compliance with program spending requirements when agencies that participate in the SBIR and/or STTR programs do not report extramural R&D obligations data, or develop a proposal to Congress that would change the requirement.
<a href="#">GAO-15-358</a>	<i>Small Business Research Programs: Challenges Remain in Meeting Spending and Reporting Requirements</i>	To ensure full compliance with SBIR and STTR spending and reporting requirements, the SBA Administrator should provide greater transparency for the administrative pilot program by requiring participating agencies to provide data on the use of the funds, rather than a total cost for all of the activities under the pilot.
<b>Other</b>		
<a href="#">GAO-10-91</a>	<i>Language Access: Selected Agencies Can Improve Services to Limited English Proficient Persons</i>	To provide more meaningful access to limited English proficiency populations, the Administrator of SBA should complete a comprehensive national needs assessment which should include data from its existing funding recipients on the number of limited English proficiency persons served and how they are served.
<a href="#">GAO-10-91</a>	<i>Language Access: Selected Agencies Can Improve Services to Limited English Proficient Persons</i>	To provide more meaningful access to limited English proficiency populations, the Administrator of SBA should finalize and issue its limited English proficiency plan and recipient guidance.
<a href="#">GAO-11-605</a>	<i>Social Media: Federal Agencies Need Policies and Procedures for Managing and Protecting Information They Access and Disseminate</i>	To ensure that appropriate privacy measures are in place when commercially provided social media services are used, the Administrator of SBA should conduct and document a privacy impact assessment that evaluates potential privacy risks associated with agency use of social media services and identifies protections to address them.
<a href="#">GAO-13-217</a>	<i>Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role</i>	To help small businesses understand and get the most benefit from the various export assistance products and services provided by different federal entities, and to efficiently use government resources, the Administrator of SBA should consult with the Department of Commerce and U.S. Export-Import Bank and more clearly define roles and responsibilities of export promotion entities' export counseling and financing staff agency-wide and at the local levels.
<a href="#">GAO-13-217</a>	<i>Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role</i>	To improve collaboration and leverage available resources, the Administrator of SBA should consult with the Department of Commerce and U.S. Export-Import Bank and identify ways to increase, where possible, sharing of client information deemed useful for SBA, the Department of Commerce, and U.S. Export-Import Bank.



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**Appendix III: Open GAO Recommendations for  
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<b>Product number</b>	<b>Product title</b>	<b>Recommendation</b>
<a href="#">GAO-13-217</a>	<i>Export Promotion: Small Business Administration Needs to Improve Collaboration to Implement Its Expanded Role</i>	To more effectively implement SBA's expansion of Office of International Trade field staff as required by the Small Business Jobs Act of 2010, the Administrator of SBA should update SBA's plan for additional Office of International Trade staff to include funding sources and time frames, as well as possible efficiencies from clearly defining roles and responsibilities and leveraging other entities' export assistance resources.

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Source: GAO. | GAO-15-347

Note: The table does not include our open recommendations to the Office of Advocacy, an independent office within SBA.

# Appendix IV: Results of the Small Business Administration's Internal Review of Its Standard Operating Procedures, as of March 2015

In fiscal year 2014, the Small Business Administration's (SBA) Office of the Chief Operating Officer, Office of Administrative Services began a review of the status of all standard operating procedures (SOP), working with the program offices to determine whether any updates were needed. Specifically, SBA issued a notice requiring all office heads to certify in writing the status of their SOPs. For each SOP, the cognizant office was to note if it (1) did not require any revision, (2) was under review, (3) was being revised, or (4) was being canceled. As a result of this review, SBA determined that 74 SOPs needed to be revised (see table 9); 31 needed to be canceled (see table 10); and 60 required no revision (see table 11). SBA also determined that it needed to issue an additional 9 new SOPs (see table 12).

**Table 9: Standard Operating Procedures (SOP) to Be Revised**

SOP number	SOP title	Effective date/edition
10 04	Processing Applications for Small Business Investment Company (SBIC) Licenses	1985/10
40 03	Disclosure of Information	2004/08
50 53	Lender Supervision and Enforcement	2010/10
50 30	Disaster Assistance Program	2011/05
80 06	Historically Underutilized Business Zone (HUBZone) Program	2007/11
00 01	Delegations of Authority and Lines of Successions	2002/02
00 03	Federal Register Documents	1997/12
00 41	Records Management Program	1998/12
60 03	Subcontracting Assistance Program	2006/12
90 22	Investigations Program	2010/12
90 22	Investigations Program	2010/12
00 07	HSPD-12 - Personal Identify Verification	2011/04
00 10	Mail Management Program	1999/09
00 13	Personal Property Management Program	2007/08
00 14	Printing Program	1998/04
00 15	Space Management Program	2006/05
00 16	SBA Safety and Health Program	1984/04
00 17	Parking Program	2005/11
00 11	Acquisition Standard	6/13/2013
00 12	The Government Purchase Card Program Business Operation	2007/06
90 56	SBA Web Management	2005/01
00 30	The Forms Management Program	2006/12
37 13	Equal Employment Opportunity Program	12/5/2012

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<b>SOP number</b>	<b>SOP title</b>	<b>Effective date/edition</b>
90 30	Civil Rights Compliance	2003/02
50 53	Lender Supervision and Enforcement	2012/06
51 00	On Site Lender Reviews/Examinations	2006/09
00 23	Directives Management Program	2006/04
50 45	The Surety Bond Guarantee Program	1999/03
40 04	Privacy Act Procedures	2004/06
20 29	Managing Federal Credit Programs	1986/03
20 30	Agency Guidelines on Financial Management Systems	1985/04
20 01	Operating Budget System - Part 1	1983/10
20 03	Accounting Structure	1994/03
20 12	Administrative Accounting Procedures	1993/12
20 17	Disbursement Functions	1998/12
20 18	On-Line Payment and Collection Administrative Procedures	1998/01
20 19	Loan Accounting Procedures	1998/06
20 26	Surety Bond Guarantee Accounting & Collection Process	1988/06
00 80	Alternate Work Sites	2005/12
34 10	Employee Development Program <sup>a</sup>	1997/12
10 08	SBIC Examination Guidelines	1997
10 09	SBA Internal Examination Guidelines	1998/01
20 11	Travel	2006/05
20 35	SBA Office of Inspector General (OIG) Audit Follow-up	Not provided
33 00	Employment <sup>b</sup>	2003/04
80 05	8(a) Business Development	2008/11
90 10	Audit Program	2005/02
90 65	International Trade Program	1986/07
00 21	Executive Secretariat's Mission and Functions	2007/11
00 02	Internal Control Systems	1986/01
10 06	Oversight and Regulations of SBICs Investment Division	2007/05
10 06 Appendix 1	Oversight and Regulations of SBICs Investment Division	2007/05
10 06 Appendix 2	Oversight and Regulations of SBICs Investment Division	2007/05
10 06 Appendix 3	Oversight and Regulations of SBICs Investment Division	2007/05
10 06 Appendix 4	Oversight and Regulations of SBICs Investment Division	2007/05
10 06 Appendix 5	Oversight and Regulations of SBICs Investment Division	2007/05
10 06 Appendix 6	Oversight and Regulations of SBICs Investment Division	2007/05
34 30	Performance Management and Appraisal System <sup>c</sup>	2000/05
33 59	Telecommuting Program	2015

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<b>SOP number</b>	<b>SOP title</b>	<b>Effective date/edition</b>
90 47	Information System Security Program	2012/08
90 48	Telephone and Facsimile	1994/11
90 50	Breach Notification Response Plan	2008/07
90 51	The Office of the Chief Information Officer Organizational SOP	2004/06
35 00	Position Classification Program <sup>d</sup>	2002/09
37 11	SBA Labor Relations Program	2001/08
37 52	Discipline and Adverse Actions	2001/08
37 71	Employee Dispute Resolution Process <sup>d</sup>	1999/09
37 92	Employee Assistance Program	1990/02
39 20	Senior Executive Service Program	2001/01
33 17	Probationary Period for Supervisors and Managers	1990/01
90 57	National Environment Policy Act	1980/02
90 60	Credit and Financial Reports	1981/03
90 77	External and Economy Act Agreements	1994/01
90 80	Women's Business Ownership Program	1993/05

Source: SBA. | GAO-15-347

Note: According to SBA officials, the Telecommuting Program SOP was renamed Telework Program and published in May 2015.

<sup>a</sup>According to SBA officials, an updated Employee Development SOP was being prepared for the Administrator's signature as of August 2015.

<sup>b</sup>According to SBA officials, as of August 2015 the Employment SOP had been broken up; each chapter was being reviewed to determine if an update was required and if so, SBA would create a standalone SOP for that chapter. Officials noted that all but two chapters had been updated and standalone SOPs had been published or were in the clearance process.

<sup>c</sup>According to SBA officials, as of August 2015 this SOP had been signed by the Administrator and was in the process of being published.

<sup>d</sup>According to SBA officials, an updated version of this SOP was in the clearance process as of August 2015.

**Table 10: Standard Operating Procedures (SOP) to be Canceled**

<b>SOP number</b>	<b>SOP title</b>	<b>Effective date/edition</b>
00 09	Warehouse Management	2001/04
00 11	Small Purchases, Contracts, Grants & Cooperative Agreements	6/20/2006
10 08	SBIC Examination Guidelines	11/25/1997
20 00	Accounting Policies, Principles and Standards	1998/04
20 04	Cash Management	1987/04
20 06	Lease Guarantee Revolving Fund Program Accounting Procedures	1985/05
20 07	Pollution Control Financing Guarantee Program Accounting Procedures	1985/04

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<b>SOP number</b>	<b>SOP title</b>	<b>Effective date/edition</b>
20 08	SBIC Accounting Procedures	1993/01
20 09	Section 8(a) Program Accounting Procedures	1990/05
20 22	Source Documentation and Accounting for the Business Loan & Investment Program	1998/05
20 23	Loan Collection Procedures (Denver)	1986/10
20 25	Loans in Liquidation & Provision for Loss Procedures	1982/02
20 28	Closing Fiscal Year Accounts	1990/09
20 33	Accounting & Financial Management of the Disaster Loan Fund	1988/02
32 52	Personnel Management Authority	1993/12
50 30	Disaster Assistance Program	2007/11
50 50	Loan Servicing	2004/05
50 50	Loan Servicing	2000/08
50 50	Loan Servicing	2000/08
50 50	Loan Servicing	2004/04
50 50	Loan Servicing	1999/10
50 51	Loan Liquidation	2010/11
50 51	Loan Liquidation and Acquired Property	1997/12
50 51 - A	Loan Liquidation and Acquired Property	1998/11
50 51 - B	Loan Liquidation and Acquired Property	2005/04
50 51 - C	Loan Liquidation and Acquired Property	2005/06
50 51 - D	National Loan and Acquired Property	2007/10
60 15	Small Business Development Centers (SBDC)	1983/09
60 16	SBDC Program Policy Guidelines	1985/05
70 50	Legal Responsibilities	1999/02
90 70	Veterans Small Business Training Guide	1984/12

Source: SBA. | GAO-15-347

**Table 11: Standard Operating Procedures (SOP) That Required No Revisions**

<b>SOP number</b>	<b>SOP title</b>	<b>Effective date/edition</b>
00 08	Organizational Structure	7/12/2012
10 07	SBIC Liquidation Program	2007/12
10 09	SBA Internal Examination Guidelines	1998/01
20 01	Operating Budget System - Part 2	1998/10
20 05	Cash Control and Process Procedures	10/13/2013
20 05	Cash Control and Process Procedures	2006/04
20 13	Capitalized Property Accounting Program	2005/03

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<b>SOP number</b>	<b>SOP title</b>	<b>Effective date/edition</b>
20 32	Credit Report Services	1986/12
33 01	Superior Qualifications and Special Needs Pay-Setting Authority	3/13/2013
33 02	Recruitment, Relocation, and Retention Incentives	4/13/2013
33 03	Pathways Program	1/13/2013
34 00	Separation Clearance	2011/09
34 50	Employee Recognition Program	2012/03
36 00	Attendance and Leave	1997/12
39 15	The Acquisition Career Development Program	2010/07
39 15	The Acquisition Career Development Program	2008/01
39 21	Category Rating	2012/03
39 22	Human Capital Accountability Policy	6/11/2012
39 30	Addressing Domestic Violence, Sexual Assault, and Stalking	12/11/2013
40 00	Congressional and Legislative Affairs	2007/11
50 10 Edition 5	Lender Development Company Loan Programs	2008/08
50 10 Edition 5 Revision F	Lender Development Company Loan Programs	2014/01
50 10 Edition 5 Revision E	Lender Development Company Loan Programs	2012/06
50 10 Edition 5 Revision E	Lender and Development Company Loan Programs	2012/01
50 10 Edition 5 Revision E	Lender and Development Company Loan Programs	2012/01
50 10 Edition 5 Revision E	Lender and Development Company Loan Programs	10/1/2012
50 10 Edition 5 Revision E	Lender and Development Company Loan Programs	10/1/2012
50 10 Edition 5 Revision E	Lender Development Company Loan Programs	6/1/2012
50 10 Edition 5 Revision E	Chapter 6 Closings	6/1/2012
50 10 Edition 5 Revision D	Lender Development Company Loan Programs	10/1/2011
50 10 Edition 5 Revision D	Lender Development Company Loan Programs	10/1/2011
50 10 Edition 5 Revision D	Lender Development Company Loan Programs	10/1/2011
50 10 Edition 5 Revision C	Lender Development Company Loan Programs	10/1/2010
50 10 Edition 5 Revision C	Lender Development Company Loan Programs	10/1/2010
50 10 Edition 5 Revision C	Lender Development Company Loan Programs	10/1/2010
50 10 Edition 5 Revision B	Lender Development Company Loan Programs	2009/10
50 10 Edition 5 Revision A	Lender Development Company Loan Programs	2009/03
50 10 Edition 4 Revision E	Loan Processing	2000/12
50 10 Edition 5 Revision F	Lender Development Company Loan Programs	2014/01
50 10 Edition 5 Revision B (with tracked changes)	Lender Development Company Loan Programs	2009/10
50 46	Claims Recovery Program	1999/01
50 52	Consumer Loan Servicing and Collections for Disaster Home Loans	2002/06
50 55	Loan Servicing and Liquidation	2013/10

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<b>SOP number</b>	<b>SOP title</b>	<b>Effective date/edition</b>
50 57	7(a) Loan Servicing and Liquidation	2013/03
52 00	Microloan Program	2013/03
60 02	Prime Contracts Program	2013/10
60 02	Prime Contracts Program	2004/10
60 04	Certificate of Competency Program	1998/04
60 06	Property Sales Assistance Program	1998/02
70 20	Regulation Development and Review Program	2005/08
90 01	Size Determination Program and Review of Size Standards	2012/03
90 22	Small Business Administration Standard Operating Procedure	2013/07
90 41	Procedures for Managing and Assessing the Quality of SBA Information Technology Projects	2011/09
90 42	Managing Changes to SBA Information Systems	2011/09
90 43	Personal Identity Verification Credentials to Access SBA's Facilities, Network and Information System	2011/09
90 49	Appropriate Use of SBA's Automated Information Systems	2008/12
90 52	IT Investment Performance Baseline Management Policy	2011/05
90 54	SBA Advisory Councils	2005/11
90 75	Outreach Activities	2007/04
90 76	Restrictions on Lobbying	1993/09

Source: SBA. | GAO-15-347

Note: According to SBA, two versions of the same SOP may be listed because one version tracks the changes made to the prior version and the other version does not.

**Table 12: New Standard Operating Procedures (SOP) to Be Issued**

<b>SOP number</b>	<b>SOP title</b>	<b>Estimated start date of development of new SOP</b>
10 09	SBIC Internal Examination Guidelines	Fiscal year 2013
New 00	Security <sup>a</sup>	3/1/2014
New 00	Grants Management	2/3/2014
New 00	Fleet Management	2/21/2014
New 30	Schedules of Work <sup>b</sup>	4th quarter fiscal year 2014
New 30	Merit Promotion	Signed and published March 2015
New 30	Employee Suggestion Program	Fiscal year 2013

**Appendix IV: Results of the Small Business Administration's Internal Review of Its Standard Operating Procedures, as of March 2015**

<b>SOP number</b>	<b>SOP title</b>	<b>Estimated start date of development of new SOP</b>
New 30	Compensatory Time for Travel	Signed and published April 2014
New 60	Small Business Development Center Program	4/1/2014

Source: SBA. | GAO-15-347

Note: According to SBA officials, the Schedules of Work SOP was renamed Hours of Work. In addition, the officials noted that the Merit Promotion SOP was signed and published in March 2015, and the Compensatory Time for Travel SOP was signed and published in April 2014.

<sup>a</sup>According to SBA officials, as of August 2015 this SOP was being drafted.

<sup>b</sup>According to SBA officials, as of August 2015 this SOP was in the clearance process.



# Appendix V: Comments from the Small Business Administration



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

August 27, 2015

Mr. William B. Shear  
Director, Financial Markets and Community Investment  
U.S. Government Accountability Office  
441 G. Street, NW  
Washington, DC 20548

Dear Mr. Shear,

We appreciate the opportunity to provide comments to the Government Accountability Office's (GAO) draft report GAO-14-347, entitled *Leadership Attention Needed to Overcome Management Challenges*. GAO was asked to conduct a comprehensive assessment of SBA's structure, processes and systems, including its efforts to address its management challenges.

We have reviewed the draft report and GAO's eight recommendations for Executive Action. Our response to each recommendation is set forth below.

### GAO Recommendations

SBA generally agrees with GAO's recommendations. Our responses to each recommendation are set forth below:

#### **Recommendation No. 1:**

To ensure that SBA assesses the effectiveness of its programs, we recommend the SBA Administrator prioritize resources to conduct additional program evaluations.

**Agency Response:** SBA generally agrees with GAO's recommendation regarding our evaluation processes. The SBA agrees that evaluations are important to understanding the effectiveness and impact of its efforts, and, as a result, is currently in the process of evaluating a number of programs.

The Office of Investment and Innovation has recently begun working with the Library of Congress to assess the impact of the Small Business Investment Company (SBIC) program. The Office of Disaster Assistance is developing an implementation plan for an economic impact evaluation of its physical disaster and economic injury disaster loans. The Office of Capital Access is collecting data and writing a plan for an economic impact evaluation of microloans. The Office of Entrepreneurial Development is implementing an economic impact evaluation of ScaleUp America. Additionally, the Office of Entrepreneurial Development has retained outside research support to

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evaluate data relating to the effectiveness of our resource partners. Finally, the Office of Veterans Business Development is developing surveys to begin data collection and analysis on firms assisted via its programs. The SBA is also an active participant in the inter-agency working group on Evaluating Business Technical Assistance Programs (E-BTAP) in coordination with the Executive Office of the President.

While the Agency is in the early stages of building the framework for future evaluations, challenges with data collection persist. The Agency is currently restricted from collecting data on small businesses from some resource partners or does not have adequate information collection systems for some programs to house and assess data. However, the Agency plans to continue making progress collecting data, working with Congress to remove data collection restrictions, and planning and conducting future evaluations.

As you know, independent evaluation studies that are consistent with OMB and GAO preferred methodologies can also be costly. In prior years, SBA has requested additional funding to conduct independent evaluations; those requests were not funded. As a result, the Agency recently established an economic impact evaluation working group with a learning agenda to ensure that we maximize all available resources when conducting program evaluations.

**Recommendation No. 2:**

To ensure that SBA fully meets GPRAMA requirements, we recommend that the SBA Administrator use the results of additional evaluations it conducts in its strategic planning process and ensure the agency's next strategic plan includes required information on program evaluations, including a schedule of future evaluations.

**Agency Response:** SBA generally agrees with GAO's recommendation regarding the use of evaluations. The SBA agrees that when future evaluations are completed, they will be incorporated into the *FY 2018-2022 Strategic Plan* with the process of drafting the plan to begin in the winter of FY 2017. The results of evaluations currently in the initial phase will be used to inform the development of the Agency's strategic goals and objectives. A list of future evaluations will also be incorporated into the plan. However, as noted above, independent evaluation studies that are consistent with OMB and GAO preferred methodologies are costly, and our ability to satisfy the recommendation will depend, at least in part, on the agency's ability to receive funding for or find other viable evaluation methods.

**Recommendations Nos. 3 & 4:**

To improve SBA's human capital management, we recommend that the SBA Administrator:

- Complete a workforce plan that includes key principles such as a competency and skill gap assessment and long-term strategies to address its skill imbalances, and

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- Incorporate into its net training plan key principles such as goals and measures for its training programs and input on employee development goals.

**Agency Response:** SBA generally agrees with GAO's recommendations regarding our human capital management process.

- GAO recommendations are part of the standard best practices for workforce planning and training planning. SBA has a workforce plan under development, which will address competency and skills gap analysis, as well as strategies to address skill imbalances through recruitment and training. Goals and measures for training and development will be included in the gap closure plan.
- SBA has also made good strides towards workforce and training plans following the best practices suggested in the GAO report. SBA will continue to develop plans capable of fully addressing our requirements. We have also procured a contractor to provide competency gap analysis. Additional contractor support will allow for a final workforce plan draft in Q1 FY2016, with subsequent work to include a gap closure plan.

**Recommendation No. 5:**

To ensure that SBA's organizational structure helps the agency meet its mission, we recommend the SBA Administrator complete the assessment of the agency's organizational structure and make any necessary changes to, for example, ensure areas of authority, responsibility, and lines of reporting are clear and defined.

**Agency Response:** The SBA concurs but notes that the Agency undertook a full review of its organizational structures shortly after the current Administrator was confirmed in April 2014. The Agency has recently completed that review and determined that major restructuring is not warranted at this time. However, several changes have been made in recent months based in part on findings of that review, including the revision of a number of job descriptions, particularly for field employees, and, as noted in the GAO report, a number of more discreet structural changes. While SBA believes that areas of authority, responsibility and lines of reporting are sufficiently clear and well defined in the current structure, we continually review our Agency's structure and service delivery models to ensure that entrepreneurs and small businesses receive the support needed in terms of counseling, capital, contracts and disaster assistance. That review process is additionally informed by comments from SBA employees and stakeholders at field visits and roundtable discussions held regularly with the Administrator at SBA field offices across the country.

**Recommendation No. 6:**

To ensure that SBA can effectively identify, assess, and manage risks, we recommend that the SBA Administrator develop its enterprise risk management consistent with GAO's risk management framework and document the specific steps that the agency plans to take to implement its ERM process.

Mr. William B. Shear  
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**Agency Response:** SBA agrees with GAO's recommendation regarding the Enterprise Risk Management process, though the SBA's process likely will include aspects of various available frameworks, such as those published by GAO, the Committee of Sponsoring Organizations of the Treadway Commission, and the International Organization for Standardization (ISO 31000). As your report documents, we have taken significant steps to put in place a robust process that is most effective for the agency. In our effort to build our process based on best practices from around the federal government, our current steps emphasize building a culture of risk management that fits the specific needs of our agency. The ongoing collaboration of our senior leadership and the Office of Risk Management, primarily through biweekly meetings of the Enterprise Risk Management Board under the leadership of our Deputy Administrator, will lead to a well-documented process in compliance with Executive Branch direction.

**Recommendation No. 7:**

To improve SBA's program and management guidance, we recommend that the SBA Administrator set time frames for periodically reviewing and updating its SOPs as appropriate.

**Agency Response:** SBA agrees with GAO's recommendation regarding our SOP review process. In accordance with SBA SOP 00 23 6, Directives Management Program, SBA requires annual reviews of all SOPs by September 30th of each year. Annual reviews of SOPs are occurring. SBA is also working to streamline our clearance process for the publication of new and updated SOPs. To that end, 18 SOPs have been updated since January 2014, with many more in clearance.

**Recommendation No. 8:**

To ensure that SBA's IT operations and maintenance investments are continuing to meet business and customer needs and the agency's strategic goals, we recommend that the Administrator of SBA direct appropriate officials to perform an annual operational analysis on all SBA investments in accordance with OMB guidance.

**Agency Response:** The Agency concurs with the recommendation as written.

We are sending technical comments under separate cover.

We appreciate the opportunity to provide these comments to you and we look forward to answering any questions you may have. If you require additional information, please contact Shawn McKeehan, SBA GAO Liaison, at (202) 205-7729

Sincerely,



Matthew Varilek  
Chief Operating Officer

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

William B. Shear, (202) 512-8678, or [shearw@gao.gov](mailto:shearw@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, David Powner (Director), A. Paige Smith (Assistant Director), James Sweetman, Jr. (Assistant Director), Deena Richart (Analyst-in-Charge), Gerard Aflague, Emily Chalmers, Elizabeth Curda, Pamela Davidson, Nancy Glover, Meredith Graves, Kaelin Kuhn, John McGrail, Marc Molino, Erika Navarro, Meredith Raymond, William Reinsberg, and Gloria Ross made key contributions to this report.

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## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

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