

GAO Highlights

Highlights of [GAO-15-369](#), a report to congressional requesters

Why GAO Did This Study

SBA was created in 1953, and its regional offices were established shortly thereafter. In the late 1990s and early 2000s, the agency downsized the staff and responsibilities of the regional offices. These offices, which are managed by politically appointed administrators, are currently responsible for supervising SBA's district offices and promoting the President's messages throughout the region. GAO was asked to review SBA's current organizational structure, with a focus on the regional offices. Among other objectives, this report (1) examines challenges related to SBA's organizational structure and (2) discusses the budgetary effects of closing the regional offices and SBA managers' and staff's views on other possible effects of closures.

GAO reviewed documentation on changes to SBA's organizational structure from fiscal years 2005-2014 (following SBA's last major reorganization in 2004); analyzed data on fiscal year 2013 regional budgets (the most recent data SBA provided); and interviewed a total of 60 SBA officials at headquarters, all 10 regional offices, and a nongeneralizable sample of 10 of the 68 district offices (one from each region reflecting a variety of sizes).

What GAO Recommends

GAO is not making recommendations in this report. However, in a related, soon-to-be-released report examining SBA management issues, GAO assesses organizational structure and makes recommendations as appropriate.

View [GAO-15-369](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

September 2015

SMALL BUSINESS ADMINISTRATION

Views on the Operational Effects of Closing Regional Offices

What GAO Found

While long-standing organizational challenges affected program oversight and human capital management, the Small Business Administration (SBA) has not documented an assessment of its overall organizational structure that could help determine how to address these challenges. SBA currently has a three-tiered organizational structure—headquarters offices, 10 regional offices, and 68 district offices. SBA's last major reorganization was in 2004, when it moved loan processing from district offices to specialized centers and assigned district offices new duties, such as small business counseling. But the agency has continued to face long-standing organizational and workforce challenges, including complex overlapping responsibilities among headquarters and regional offices and skill gaps in district offices (which are supervised by regional offices). These challenges can affect SBA's ability to deliver its programs consistently and effectively, especially in a climate of resource constraints. SBA's response has been limited to (1) making incremental changes to some of its divisions such as consolidating functions or changing reporting relationships and (2) offering employees early retirement. SBA committed to assessing and revising its organizational structure in 2012 but has not yet documented this effort. Although a contractor studied SBA's organizational structure in March 2015 and SBA stated it had completed its assessment of the contractor's work as of August 2015, it has not provided documentation of this assessment. In a related, soon-to-be-released report on SBA's management, GAO assesses the agency's organizational structure and makes recommendations as appropriate.

Closing SBA's 10 regional offices, as some have suggested, would have a limited effect on SBA's budget, but the impact on operations is less clear. Compensation and benefits—totaling \$4.5 million in fiscal 2013—were the largest costs of regional offices, which together had other administrative costs totaling about \$235,000 and were co-located with district offices. Because these costs constituted less than 1 percent of SBA's approximately \$1 billion appropriation in 2013, closing the regional offices would have a limited budgetary effect. But over half of the SBA managers GAO interviewed (18 of 32) said that closing regional offices could pose operational challenges. First, headquarters, regional, and district managers said that eliminating the 10 regional administrators would require one headquarters office to supervise 68 district directors. Second, regional and district officials were concerned that SBA would lose the overall regional perspective and ability to balance workloads within regions. Third, headquarters, regional, and district managers explained that the agency would be challenged to promote SBA's message without regional offices. They emphasized the role that regional administrators play in explaining and amplifying the President's and SBA Administrator's messages and priorities. However, a few (6 of 28) nonmanagement staff GAO interviewed disputed the importance of regional administrators, some stating that district offices could coordinate directly with headquarters offices. GAO recognizes that regional administrators and offices provide a number of services for SBA. If closures were to occur, there are options available to address these challenges. However, it would be important to carefully assess the feasibility of these options and weigh the related costs and benefits before deciding on a course of action.