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United States General Accounting Office  
Washington, DC 20548

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June 13, 2001

The Honorable Ernest F. Hollings  
Chairman  
The Honorable Judd Gregg  
Ranking Minority Member  
Subcommittee on Commerce, Justice, State and the Judiciary  
Committee on Appropriations  
United States Senate

Subject: Small Business Administration: Management Practices Have Improved for the Women's Business Center Program

This letter responds to the mandate in your Committee's report for fiscal year 2001 that we follow up on several issues related to the Small Business Administration's (SBA) management of its Women's Business Center Program. In September 1999, we wrote a letter to SBA's Administrator, which pointed out weaknesses in program oversight and accountability.<sup>1</sup> We noticed these weaknesses while performing an informational review for the Senate Committee on Small Business,<sup>2</sup> which at that time was preparing reauthorization legislation.<sup>3</sup> You asked us to determine whether SBA has addressed these weaknesses by (1) collecting and maintaining complete program files, (2) preserving historical data for the 1999 and 2000 reporting periods, and (3) improving coordination between the two offices that administer the program. The Office of Women's Business Ownership (the program office) administers the Women's Business Center Program and maintains records on the centers' operations and transactions. The Office of Procurement and Grants Management (the grants office) is responsible for monitoring the centers' financial activities and transactions and maintaining data related to the centers' operations.

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<sup>1</sup> Women's Business Center Program: Incomplete Program Records and Financial Data (GAO/RCED-99-277R, Sept. 15, 1999).

<sup>2</sup> Small Business Administration: Information on the Women's Business Center Program (GAO/RCED-99-278R, Sept. 02, 1999).

<sup>3</sup> The Women's Business Centers Sustainability Act of 1999 (Pub. L. No. 106-165 (1999)).

## Results in Brief

Overall, we found that since we issued our 1999 report, the two offices that administer the Women's Business Center Program addressed the weaknesses in their management of the program.

- Files from the program office that we reviewed for this update were generally complete, and the few documents that we did not find initially were provided promptly. Similarly, the grants office, which maintains a set of files on the centers for fiscal and grant compliance purposes, was able to provide the files that we requested. In general, these files included the data necessary to assist the office in making decisions related to the fiscal soundness of the centers. The program office has designated five existing staff members as portfolio managers who periodically visit the centers, collect and maintain program reports and ensure that program files are complete. In addition, SBA's district office staff has been given a greater role in monitoring and assessing the centers' activities and transactions.
- The program office was able to provide us with a variety of historical documents for 1999 and 2000. This information included copies of summaries and evaluations used during the grant selection process and a complete listing of the amounts of funding the centers withdrew during the program year.
- The program office and the grants office have taken steps to improve coordination with each other, including developing improved recordkeeping practices. We believe that this action improved the two offices' capability to more promptly provide us with requested files, than during our previous review. As a result, we are making no recommendations in this report.

## Background

The Women's Business Center Program, which is located within SBA's Office of Entrepreneurial Development, was established in 1989 to provide long-term training, counseling, networking, and mentoring to women who own businesses or are potential entrepreneurs. The program's primary purpose is to assist in eliminating obstacles to developing and maintaining businesses owned and controlled by women. The program has continued to expand since 1989 and has undergone several reauthorizations in the years since its inception.<sup>4</sup>

Private nonprofit organizations are eligible to apply for funds to set up centers, and successful applicants are awarded cooperative agreements for a maximum of ten years.<sup>5</sup> Grant recipients are required to raise matching funds (some of which can be in-kind contributions) from non-federal sources. According to the program office, the

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<sup>4</sup> The Women's Business Development Act of 1991, the Small Business Reauthorization Acts of 1994 and 1997, the Women's Business Center Amendments Act of 1999, and the Women's Business Centers Sustainability Act of 1999.

<sup>5</sup> The Women's Business Centers Sustainability Act of 1999 established a pilot program under which SBA awards centers "sustainability grants" on a competitive basis to graduated centers (i.e., those centers that have substantially completed the initial 5-year status), for an additional 5-year project. The act also increased review and oversight of the centers.

program had an appropriated budget of \$12 million for the program year 2000 reporting cycle and issued a total of 68 grants to new and existing centers. As of February 2001, there were 65 grantees actively participating in the program. Three of the grantees terminated their agreements because of financial or programmatic issues. For the 1999 reporting cycle, with an appropriated budget of \$8 million, a total of 59 grants were awarded and two centers were terminated, resulting in a total of 57 grantees.

### **Procedures for Collecting and Maintaining Program Records and Other Management Practices Have Been Tightened**

Out of a total of 65 active centers for program year 2000, we reviewed 15 from the program office's files. As shown in table 1, we found that most of the documents the program office considers essential to assessing a center's viability were in the files. On the basis of our discussions with program staff and our review of the documents, we determined that the program office's essential documents are performance reports, quarterly site visit reports, financial status reports, and the Annual Programmatic and Financial Status reports. In the few instances when we did not find certain documents, program officials were able to provide the reports within 24 hours, and sometimes within an hour. Also, if the centers did not submit particular reports or examination results, the officials were able to account for the missing documents. For example, the July 1999 quarterly site visit was not conducted for one center because it did not open until September 1999. This efficiency is in marked contrast to our 1999 review, when we were unable to find several of the program reports during the file review, and program officials did not provide the reports until several weeks later.

In addition, we found that although the grants office files do not necessarily contain the same documents as the program office's files, they generally do include documents that grants office officials believe are crucial for making funding decisions. For example, the grants office files did not include quarterly site visit reports, which are narrative reports about a center's activities that are submitted by representatives from SBA's district offices. However, according to a senior official from the grants office, these reports are not included because the grants management specialists primarily rely on financial status reports, the Annual Programmatic and Financial Status reports, and other documents to make their decisions about the disbursement of funds and grant compliance.<sup>6</sup> Also, while we found that many of the semiannual performance reports were filed, the grants office senior official did not consider these reports to be as essential for decision-making purposes. As shown in table 1, our review of the grants office files showed that most of the financial status and Annual Programmatic and Financial Status reports were filed, and in the few cases where they were not, the officials were able to provide us with the required reports.

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<sup>6</sup> Other documents include payment requests and actual expenditure reports.

**Table 1: Program Documents Maintained in Women’s Business Centers’ Files:**

Documents that centers are required to submit	Number of documents we initially found in the program file <sup>a</sup>	
	Program office	Grants office
December 31, 1999 Financial Status Reports	14 of 15	15 of 15
June 30, 2000 Financial Status Reports	14	13
December 31, 1999 Semi-Annual Reports	14	12
June 30, 2000 Semiannual Reports	14	14
Annual Programmatic and Financial Status Examination Reports	15	14
Quarterly Site Visit Reports		
July to September 1999	14	<sup>b</sup>
October to December 1999	13	<sup>b</sup>
January to March 2000	12	<sup>b</sup>

<sup>a</sup>We reviewed 15 program files from each office. The program office and grants management officials provided or accounted for the documents that we did not find during our initial file review.

<sup>b</sup>The grants management specialists do not rely on these reports for decision-making purposes.

Source: GAO Analysis of SBA files.

The program office has also established measures designed to increase the likelihood that the centers and SBA’s district office staff will submit essential reports on a timely basis. The program office has designated existing staff members as portfolio managers, who in conjunction with their other duties,<sup>7</sup> are responsible for maintaining program files, including checking up when reports are not received on time. To encourage compliance, portfolio managers may warn the staff of the centers that funding can be held up if the centers do not comply with the reporting requirements. SBA has also implemented a plan wherein the portfolio managers will eventually make site visits to all of the centers to gain first-hand knowledge of the centers’ operations, including any factors that could interfere with timely and accurate reporting.

Since our initial review, based on our observations, the program office has begun storing the centers’ critical program documents in separate binders. For example, financial status reports are centralized in one binder, so that it is not necessary to go through each program folder to obtain them. This system facilitates reviews of program documents. In addition, the Deputy Assistant Administrator of the program office told us that in order to ensure that the programs are fiscally sound and are functioning smoothly, District Office Technical Representatives have been given an

<sup>7</sup> Portfolio managers’ other duties include activities such as database management, budget analysis, scheduling, and conference coordination.

increased role in assessing the centers' performance.<sup>8</sup> The program office pays for the representatives to come to SBA headquarters each year to receive intensive training in monitoring the centers' programmatic and financial activities. The program office also pays for the representatives to make quarterly site visits to centers that are located in remote areas. However, according to a program office senior official, funding delays have occasionally prevented the program office from financing quarterly site visits on a timely basis.

### **The Program Office Has Maintained Historical Program Data for Reporting Cycles 1999 and 2000**

For our 1999 review, the Committee directed us to provide certain historical data on the centers for the years 1989 through 1998. However, we found that this data had not been consistently maintained. For the current review, the program office was able to provide us with a variety of historical data for 1999 and 2000. These data included copies of summaries and evaluations used during the grant selection process and a complete listing of the amounts of funding the centers withdrew during the program year. The program office preserves these data on paper and computer diskettes.

### **Efforts Have Been Made to Enhance Coordination Between the Program and Grants Offices**

From our review, we determined that the program office has taken steps to strengthen its interaction with the grants office in administering the program. For example, the centers are now required to send financial status reports to both offices instead of just to the program office. A senior official from the program office said that language in the grant application packages has been revised to reflect this change.

In addition, to help the grants office maintain up-to-date data on the centers, the program office's portfolio managers regularly provide the grants office with program documents. This measure serves as a backup in case the centers do not send the required information directly to the grants office.

Finally, the program and grants offices now maintain separate sets of files for each center. We found that during our prior review, the offices shared program files and did not have a tracking system to indicate which office had possession of a file at a given time.

We believe that this new practice of maintaining separate files has made a difference in timeliness with which we were provided with documents. During this review, we received the requested files much more promptly than we did during our prior review.

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<sup>8</sup> The Technical Representatives are located in SBA's district offices and are responsible for ensuring that the centers are achieving agreed upon milestones and complying with the terms of their grant agreements. The representatives assess the centers through quarterly site visits and the Annual Programmatic and Financial Status reports. The representatives also have other duties and responsibilities not related to the centers.

## Agency Comments

We provided a draft of our report to SBA for its review and comment. SBA thanked us for our positive remarks about the improvements in its management of the program. SBA's comments are in enclosure I.


## Scope and Methodology

We randomly selected 15 Women's Business Center program files from the program office for review and then selected the same 15 files from the grants office in SBA headquarters. We documented whether the forms and reports that each office considers essential to its decision-making responsibilities were in the files. Furthermore, we examined summary documents related to the centers' grant selection process and statistical data to determine if historical records were being maintained. We also talked with management staff in both offices to determine the processes for collecting and maintaining records, preserving historical records, and coordinating responsibilities. In addition, we reviewed a variety of program documents that included data such as a description of the process for submitting reports and documents and the duties of the program and grants offices as they relate to the Women's Business Center Program. We conducted our work from February through May 2001 in accordance with generally accepted government auditing standards.

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We are sending copies of this letter to the Chairman and the Ranking Minority Member of the House Committee on Appropriations, Subcommittee on Commerce, Justice, State and the Judiciary, and related agencies, other interested congressional committees, and the Acting Administrator, Small Business Administration. We will also make copies available to others on request. The letter is also available on GAO's home page at <http://www.gao.gov>.

Please contact me at (202) 512-8678 if you or your staff have additional questions about this letter. Major contributors to this product were Susan Campbell, Joan Conway, and Cheri Truett.



Richard J. Hillman  
Director, Financial Markets  
and Community Investment

Enclosure



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

OFFICE OF THE ADMINISTRATOR

JUN - 6 2001

Mr. Richard J. Hillman  
Director  
Financial Markets and Community Investment  
U.S. General Accounting Office  
Washington, DC 20548


Dear Mr. Hillman:

Thank you for providing the U.S. Small Business Administration a copy of the draft report entitled "Small Business Administration: Management Practices Have Improved for the Women's Business Center Program" (Report No. 01-791).

We appreciate the positive statements of the report and are pleased that you can report positive accomplishments in record keeping and management.

Please let me know if I can be of further assistance.

Sincerely,

  
John Whitmore  
Acting Administrator