

GAO

Report to the Ranking Minority
Member, Committee on Governmental
Affairs, U.S. Senate

June 2001

SMALL BUSINESS ADMINISTRATION

Status of Achieving Key Outcomes and Addressing Major Management Challenges



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United States General Accounting Office
Washington, DC 20548

June 22, 2001

The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Thompson:

As you requested, we reviewed the Small Business Administration's (SBA) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act (GPRA) of 1993 to assess the agency's progress in achieving selected key outcomes that you identified as important mission areas for the agency.¹ These are the same outcomes we addressed in our June 2000 review of the agency's fiscal year 1999 performance report and fiscal year 2001 performance plan to provide a baseline by which to measure the agency's performance from year to year.² These selected key outcomes are:

- assist small businesses to become self-reliant and successful in the competitive marketplace,
- ensure that businesses and families recovering from disasters receive timely assistance, and
- ensure that more eligible small businesses participate in SBA programs and become more successful.

As agreed, using the selected key outcomes for SBA as a framework, we (1) assessed the progress SBA has made in achieving these outcomes and the strategies the agency has in place to achieve them, and (2) compared SBA's fiscal year 2000 performance report and fiscal year 2002 performance plan with the agency's prior year performance report and plan for these outcomes. Additionally, we agreed to analyze how SBA addressed its major management challenges, including the governmentwide, high-risk areas of strategic human capital management and information security that we and SBA's Inspector General (IG)

¹This report is one of a series of reports on the 24 Chief Financial Officers Act agencies' fiscal year 2000 performance reports and fiscal year 2002 performance plans.

²*Observations on the Small Business Administration's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan* (GAO/RCED-00-207R, June 30, 2000).

identified. Appendix I provides details on how SBA addressed these challenges. (App. II contains SBA's comments on a draft of this report.)

Results in Brief

SBA's reported progress in achieving its outcomes is mixed. However, we had difficulty assessing SBA's progress due to weaknesses in its performance measures and data. We were unable to assess SBA's strategies for achieving its outcomes because SBA's plan and report either lack an explanation about how the strategies relate to the outcomes or a discussion regarding strategies for the outcome. Specifically, we determined the following:

- Planned outcome: Assist small businesses to become self-reliant and successful in the competitive marketplace. SBA's success in achieving this outcome is mixed. SBA's performance indicators provide little performance information on the self-reliance and success of small businesses or on SBA's contributions to this outcome. Because of the lack of explanation in the plan and report regarding how SBA's strategies for this outcome relate to helping small businesses succeed, we were unable to assess whether the strategies are clear and reasonable.
- Planned outcome: Ensure that businesses and families recovering from disasters receive timely assistance. SBA reported that it met its fiscal year 2000 goal of providing timely service to disaster victims, yet we have concerns about the quality of SBA's performance measures. For example, while SBA's fiscal year 2000 performance report shows that it met its 3-day field presence measure, SBA's IG determined that this measure has not consistently been applied by disaster area offices.³ Neither SBA's plan nor its report discusses strategies for accomplishing this goal so we could not determine how strategies relate to goal accomplishment.
- Planned outcome: Ensure that more eligible small businesses participate in SBA programs and become more successful. SBA's reported success varied in achieving the portion of this outcome regarding having more eligible small disadvantaged businesses participate in its programs. However, it was not possible for us to determine SBA's progress in helping more eligible small disadvantaged businesses become more successful because SBA has not developed performance measures that assess the success of its key program in this area. SBA discusses its strategies for this outcome as a part of its outcome of helping businesses succeed.

³ *Final Audit Report – Results Act Performance Measurement for the Disaster Assistance Program* (Report Number 1-06, Feb. 15, 2001).

We identified some improvements from SBA's prior year report and plan, but several weaknesses remain in SBA's fiscal year 2000 performance report and fiscal year 2002 performance plan. Improvements are that the performance report includes a section that summarizes SBA's programs, a matrix that identifies ongoing and closed audit reviews, and the number of recommendations associated with each. Also, the performance plan was presented in a layout that makes the various sections easier to identify and included SBA's organizational chart. Another strength of the 2000 report and 2002 plan is that they concisely present SBA's status in responding to management challenges identified by SBA's IG, documents ongoing and closed GAO reviews, as well as the number of recommendations associated with each. However, weaknesses included SBA's omission of time frames or schedules for achieving unmet goals, a lack of strategies for meeting unmet goals, and insufficient linkage of strategies to indicators and measures.

SBA has 13 major management challenges, including the governmentwide, high-risk areas of strategic human capital and information security identified by us. SBA's performance plan did have goals, but not measures, related to strategic human capital management, and the performance report explained its progress in resolving strategic human capital management challenges. For example, SBA reported that it has issued a comprehensive workforce plan and provided leadership training to managers. Similarly, we found that SBA's performance plan did have goals, but not measures, related to information security, but the performance report explained its progress in resolving its information security challenges. For example, SBA reported that it has committed more than \$1.2 million to enhance information security. We found that SBA's performance report and plan addressed many of the challenges we identified, but did not discuss SBA's progress in resolving the challenge of streamlining and automating disaster loan assistance to improve timeliness.

We are recommending that SBA make a number of improvements in its fiscal year 2001 performance report and fiscal year 2003 performance plan to make these documents more consistent with GPRA, the Office of Management and Budget's (OMB) Circular A-11, and related guidance.

In commenting on our draft report, SBA said that in revising its plan, it would take into account our suggestions, but did not comment specifically on our recommendations. SBA disagreed with our conclusion that its plan lacks sufficient linkage of strategies to indicators and measures because its use of diagrams should convey how activities produce outputs, which

in turn produce outcomes. We continue to believe that it is difficult for a reader to follow the linkages in SBA's report and plan. SBA also provided technical clarifications, which were incorporated as appropriate.

Background

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results and outcomes achieved by federal programs. New and valuable information on the plans, goals, and strategies of federal agencies has been provided since federal agencies began implementing GPRA. Under GPRA, annual performance plans are to clearly inform the Congress and the public of (1) the annual performance goals for agencies' major programs and activities, (2) the measures that will be used to gauge performance, (3) the strategies and resources required to achieve the performance goals, and (4) the procedures that will be used to verify and validate performance information. These annual plans, issued soon after the transmittal of the President's budget, provide a direct linkage between an agency's longer-term goals and mission and day-to-day activities.⁴ Annual performance reports are to subsequently report on the degree to which performance goals were met. The issuance of the agencies' performance reports, due by March 31, represents a new and potentially more substantive phase in the implementation of GPRA—the opportunity to assess federal agencies' actual performance for the prior fiscal year and to consider what steps are needed to improve performance and reduce costs in the future.⁵

SBA is responsible for aiding, counseling, assisting, and protecting the interests of the nation's small businesses and for helping businesses and families recover from natural disasters. SBA is also a financial institution with significant commitments and exposure. As of September 30, 2000, SBA's total portfolio was about \$52 billion, including \$45 billion in direct and guaranteed small business loans and other guarantees and \$7 billion in disaster loans. Since its inception, SBA has, among other things, made 1.1 million small business loans and has approved 1.4 million disaster loans to individual homeowners, renters, and businesses of all sizes. SBA also administers the 8(a) business development program, which is designed to assist small disadvantaged businesses become successful through counseling, training and assistance in obtaining federal contracts. SBA

⁴The fiscal year 2002 performance plan is the fourth of these annual plans under GPRA.

⁵The fiscal year 2000 performance report is the second of these annual reports under GPRA.

also provides entrepreneurial assistance through partnerships with private entities that offer small businesses counseling and technical assistance.

Assessment of SBA's Progress and Strategies in Achieving Selected Key Outcomes

This section discusses our analysis of SBA's performance in achieving its selected key outcomes and the strategies the agency has in place, particularly strategic human capital management⁶ and information technology, for achieving these outcomes. In discussing these outcomes, we have also provided information drawn from our prior work on the extent to which the agency provided assurance that the performance information it is reporting is credible.

Small Business Self-Reliance and Success in the Competitive Marketplace

SBA's performance in achieving the goal of helping small businesses succeed is mixed. SBA reported that it met about half of its quantifiable measures relating to this goal. When goals were not met, SBA did not identify strategies for achieving the unmet goals in the future. At the time SBA issued its fiscal year 2000 report, data were not yet available for the percentage increase of federal prime contracts to small businesses, small disadvantaged businesses, women-owned businesses, and HUBZone small businesses.⁷ SBA provided us with data that showed that it met only the small disadvantaged business goal.

We had difficulty assessing SBA's progress for this outcome because SBA continues to use output measures without showing how strategies and measures relate to helping businesses succeed. In support of this goal, SBA lists four strategies, but does not provide an explanation as to how these strategies support the overall goal accomplishment of helping businesses succeed. In addition, SBA included several measures of the number of loans, but often did not correlate the impact of increasing the number of loans on small business success. For example, one goal is increasing the number of loans to veteran-owned businesses to 7,395. The narrative does not explain why this number is important. In the area of access to business development, SBA measures the number of clients

⁶Key elements of modern strategic human capital management include strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.

⁷The HUBZone program provides federal contracting assistance for qualified small businesses located in historically underutilized business zones.

being counseled or trained, but does not include outcome information on the impacts of the counseling or training. SBA's IG suggested that SBA redefine current output measures because inconsistencies in the methods used to count clients mean that one client may be counted more than once.⁸ SBA recognizes that it still relies on output measures, and that for future reports, it will make an effort to explain how the accomplishment of these output measures support the established outcome.

In addition, two of the performance indicators — “expand research, analyses, and publication of information,” and “improve small business impact analyses of regulatory alternatives” – were stated as qualitative indicators and the actual performance stated as “achieved” at 100 percent. However, SBA did not provide criteria or a performance indicator that would explain how it assessed accomplishment of these goals.

SBA's performance report includes the following strategies for the accomplishment of this outcome: (1) improving access to capital and credit, (2) increasing access to procurement opportunities, (3) act as a voice for America's small businesses, and (4) providing access to entrepreneurial development assistance. These strategies were shown as goals in SBA's fiscal year 1999 report. Because of the lack of explanation in the plan and report regarding how these strategies relate to helping businesses succeed, we were unable to assess whether they are clear and reasonable.

SBA's performance plan does not generally categorize its human capital or information technology strategies by outcome, so we could not determine specifically how this outcome of helping businesses succeed is impacted by these strategies. However, in its plan, SBA states that automation and asset sales will allow staff to shift their attention from the processing of transactions to using information to analyze programs, activities, and performance. SBA states that it plans to continue to develop and deliver training in marketing and outreach, commercial credit analysis, lender oversight, and lender relations. Additional strategies for human capital and information technology are discussed in the plan and reports as part of SBA's overall internal goal of “improving SBA management.” In its performance plan, SBA provides a description of its use of interagency coordination as a strategy for this outcome. For example, SBA states that

⁸*Coordination and Performance Measurement in SBA's Entrepreneurial Development Programs*, Office of Inspector General, U.S. Small Business Administration (Sept. 2000).

it meets regularly with the Commerce-directed Trade Promotion Coordinating Committee to discuss challenges, propose program initiatives, work on developing new products, and avoid duplication of effort.

Assistance for Businesses and Families Recovering From Disasters

SBA reported that it succeeded in meeting its fiscal year 2000 goal of providing timely service to disaster victims, yet we have concerns about the quality of SBA's measures. For example, while SBA's fiscal year 2000 performance report shows that it met its 3-day field presence measure, SBA's IG determined that this measure has not consistently been applied by disaster area offices.⁹ For example, two disaster area offices defined field presence as the date they arrived at the disaster scene, while one area office defined the term as the date it was available to assist disaster victims. SBA did not address this discrepancy in its performance report. Also, for fiscal years 1999 and 2000, SBA's performance report shows that it met its underwriting compliance rate goal. However, SBA's IG reported that it did not consider the underwriting compliance rate to be an objective indicator. SBA did not provide a discussion on this issue in its fiscal year 2000 performance report.

Furthermore, as shown in table 1, SBA adjusted its target goal annually for its measure of processing disaster loans within 21 days, depending on the extent to which the goal was accomplished in the previous year. In its performance report, SBA explained that its performance deteriorated because of the need to respond to widespread multiple disasters in fiscal years 1998 and 1999, including Hurricane Floyd, that affected 10 states along the East Coast and caused major widespread flooding in Texas. However, the report does not explain SBA's justification for changing its target goal rates in order to align them with their actual annual performance.

⁹ See footnote 3.

Table 1: SBA Performance Data for Disaster Loan Applications Processed Within 21 Days (amounts shown in percent)

| Loan applications processed within 21 days | FY 1998 | FY 1999 | FY 2000 |
|---|----------------|----------------|----------------|
| Goal | 90 | 80 | 70 |
| Actual | 77 | 60 | 91 |
| Percent accomplishment | 86 | 75 | 130 |

Source: SBA's Fiscal Year 2000 Performance Report.

SBA's fiscal year 2000 report acknowledges that SBA considers the disaster assistance goal difficult to achieve, due to the unpredictability of disaster activity. Our 2001 Performance and Accountability Series Report on SBA pointed out that one step that would assist SBA in stabilizing the indicator for this goal would be to modernize its loan processing in order to consistently meet its timeliness goals.¹⁰ Presently, few of the processes followed by SBA loan officers are automated in an integrated manner, and this lack of automation contributes to processing time. SBA officials said that they are taking various actions to revise and/or clarify the measures for the disaster assistance goal. For example, the 2002 performance plan states that SBA has developed a draft definition of "effective field presence" to be applied by its Area Directors. Also, SBA plans to incorporate a "customer satisfaction indicator" as a measure for this goal, which will be designed to assess issues related to the quality and timeliness of services provided.

In its 5-year strategic plan, SBA refers to two completed evaluations to assist in formulating its strategies for establishing this indicator. One survey evaluated customer satisfaction with the services provided to recipients of disaster loans approved after Hurricane George. Another survey was also done to measure the customer satisfaction level during the disaster loan making process. According to the strategic plan, the surveys indicated a high customer satisfaction rate. However, we identified the following limitations with the results from SBA's disaster loan making survey: (1) the survey population may not have been representative of all recipients, (2) those who were denied loans were not surveyed, (3) the survey response rate was low, and (4) the selection of

¹⁰ *Major Management Challenges and Program Risks: Small Business Administration* (GAO-01-260, Jan. 2001).

response categories may have skewed the responses toward higher ratings.

Neither SBA's plan nor its report discusses strategies for accomplishing this goal. However, SBA's Strategic Plan for fiscal years 2001 through 2006 mentions strategies that include (1) developing a flexible infrastructure of resources that can be applied to a disaster area, (2) using the Internet to facilitate the disaster home loan application process, and (3) outsourcing disaster home loan servicing and carrying out asset sales. Since these strategies were not discussed in the plan and report, we could not determine how they relate directly to goal accomplishment.

SBA's performance plan does not generally categorize its human capital or information technology strategies by outcome, so we could not determine specifically how this outcome of providing assistance to families and businesses recovering from disasters is impacted by these strategies. Additional strategies for human capital and information technology are a part of SBA's overall internal goal of "improving SBA management." In its performance plan, SBA provides a description of its use of interagency coordination activities as a strategy for this outcome. For example, SBA states that systematic coordination among federal, state, and local agencies is necessary before and during a disaster to promote efficient, consistent action. SBA states that this coordination is described in the federal response plan and is overseen by the Federal Emergency Management Agency.

Eligible Small Business Participation and Success Due to SBA Programs

SBA's reported success in achieving the portion of its outcome that more eligible small disadvantaged businesses participate in its programs was mixed. SBA reported that it met its output measure that at least 60 percent of small disadvantaged firms (including 8(a) firms) receive federal contracts and its measure that at least 3.4 percent of 8(a) firms receive mentoring. However, SBA reported that it did not meet its measure of certifying a total of 12,000 small disadvantaged business firms as being eligible to receive price credits when bidding on prime contracts or to perform as subcontractors in certain industries. SBA said that it is reevaluating its goal for the number of small disadvantaged business firms it will certify because the number of firms seeking certification was much smaller than projected. SBA does not explain the strategies it is using to reevaluate this goal. SBA's original projection of the number of firms it would certify was based on the number of firms that had previously self-certified as small disadvantaged businesses. Our work has shown that a variety of factors, including uncertainty about the program, the

administrative and financial burden of applying, and questions regarding the benefits of the program may have contributed to the number of small disadvantaged business certifications being lower than anticipated by SBA.¹¹

It is not possible to determine SBA's progress in accomplishing the portion of its outcome that more eligible small disadvantaged businesses will become more successful because SBA's current success measure is not aligned with the mission of the 8(a) business development program, SBA's key program in this area. SBA's measure for the 8(a) business development program does not capture program success in terms of the number of competitive firms that exit the program without being unreasonably reliant on 8(a) and that can compete in the mainstream economy, as required by the Small Business Act, as amended. SBA's performance report states that it will measure achievement by the percentage of firms that are economically viable 3 years after graduation and states that SBA began capturing the data for this measure in fiscal year 2000. SBA's basis for reporting that it has just begun to collect this data is unclear because SBA reported on actual performance in previous years.

SBA includes this outcome in its plan as a part of its outcome of helping businesses succeed. The strategies include: (1) developing methods to improve access to contracting opportunities for 8(a) firms; (2) working with other agencies to reform and improve the program; and (3) developing legislative, regulatory, and procedural documentation for the reform recommendations. In the human capital area, SBA noted, among other things, that it plans to provide sufficient financial and analytical training to Business Opportunity Specialists to help them more accurately evaluate a company's business profile and competitive potential. SBA's performance plan does not generally categorize its information technology strategies by outcome, so we could not determine specifically how it is impacted by this strategy. Additional strategies for information technology are a part of SBA's overall internal goal of "improving SBA management." In its performance plan, SBA provides a description of its use of interagency coordination activities as strategies for this outcome. For example, SBA states that it participates in monthly meetings with other

¹¹ *Small Business: Status of Small Disadvantaged Business Certifications* (GAO-01-273, Jan. 19, 2001).

federal agencies to discuss strategies to increase small business participation in federal contracts.

Comparison of SBA's Fiscal Year 2000 Performance Report and Fiscal Year 2002 Performance Plan With the Prior Year Report and Plan for Selected Key Outcomes

For the selected key outcomes, this section describes major improvements or remaining weaknesses in SBA's (1) fiscal year 2000 performance report in comparison with its fiscal year 1999 report and (2) fiscal year 2002 performance plan in comparison with its fiscal year 2001 plan. This section also discusses the degree to which SBA's fiscal year 2000 report addresses concerns and recommendations by the Congress, us, SBA's IG, and others.

Comparison of Performance Reports for Fiscal Years 1999 and 2000

SBA made some improvements in its performance reporting, but in certain areas, additional effort is warranted. The fiscal year 2000 performance report includes more clearly labeled headings and provides more guidance so that the reader can quickly identify specific information. For example, the 2000 performance report includes a section that summarizes SBA's programs and a section that exclusively discusses SBA's goals, resources, and outcomes. Another strength of the 2000 report is that it concisely presents SBA's status in responding to management challenges identified by SBA's IG, documents ongoing and closed GAO and IG reviews, as well as the number of recommendations associated with each.

However, several weaknesses we previously noted remain in SBA's report. For example, the 1999 performance report did not discuss data limitations that could affect the quality of data used by SBA to assess performance. Also, although the 1999 report generally discussed the reasons certain goals were not met, it did not include time frames or schedules for achieving the unmet goals. In comparison, the 2000 performance report did discuss data limitations, but did not include time frames or schedules for achieving the unmet goals. The 2000 performance report does include a narrative explanation of why the goal accomplishment fell short, but as with the 1999 report, it does not provide strategies for meeting unmet goals. In addition, SBA does not sufficiently link its strategies to indicators and measures and does not consistently provide summarized explanations about the data that are presented.

Another limitation of the fiscal year 2000 report is that it did not provide a brief summarization in its section that addresses the number of indicators that were met. SBA did present this information in its fiscal year 1999 report. Although this information is included elsewhere in the report, we believe that such a narrative leading into the 'Performance Indicators'

section for the 2000 report would have been helpful in determining SBA's approach in presenting these indicators. For example, in fiscal year 1999, SBA had a total of 59 indicators, and in 2000, it only had 16. Since the data are presented without SBA's explanation for the substantial reduction of indicators, we did not have any insight into SBA's rationale for doing so. We believe that the lack of a discussion on this action inhibits our capability to track a clear link between the identified strategies and the corresponding indicators and measures in order for decisionmakers to determine if progress has been made in achieving outcomes.

Comparison of Performance Plans for Fiscal Years 2001 and 2002

We noted that SBA's presentation of information in the plan was an improvement from the fiscal year 2001 plan. The layout of data was better designed, and SBA included its organizational chart, as well as more graphics to illustrate its points. Also, the fiscal year 2002 plan addresses SBA's mission, strategic goals and objectives, core values, and budgetary requirements. Another improvement from the fiscal year 2001 plan is that SBA's fiscal year 2002 plan generally discusses SBA's crosscutting activities with other agencies and discusses human capital resources needed to achieve SBA's planned performance. However, the plan lacks a clear link of how strategies relate to outcomes and how they link to indicators and measures. Specifically, it is difficult to ascertain how SBA's measures will indicate successful performance beyond meeting output targets.

SBA's Efforts to Address Its Major Management Challenges Identified by GAO

We have identified two governmentwide, high-risk areas: strategic human capital management and information security. Regarding strategic human capital management, we found that SBA's performance plan did have goals, but not measures, related to strategic human capital management, but SBA's performance report explained its progress in resolving strategic human capital management challenges. For example, in July 2000, we said that SBA had begun to take the steps necessary to better manage its human capital activities, but needed to do more.¹² SBA reported that, among other things, it has (1) issued a comprehensive workforce transformation plan, (2) issued a contract to conduct a workload and staffing analysis of SBA headquarters, and (3) provided leadership training to executives and senior managers. With respect to information security,

¹² *Small Business Administration: Steps Taken to Better Manage Its Human Capital, But More Needs To Be Done* (GAO-T-GGD/AIMD-00-256, July 20, 2000).

we found that SBA’s performance plan did have goals, but not measures, related to information security, and SBA’s performance report explained its progress in resolving its information security challenges. For example, SBA stated that it has, among other things, (1) committed more than \$1.2 million in personnel and contract support to enhance computer security, (2) increased the number of authorized personnel for information technology security, and (3) issued an updated computer security policy document.

As shown in table 2, we identified four major management challenges facing SBA. We found that SBA’s performance report discussed progress in resolving many of the challenges we identified, but it did not discuss SBA’s progress in resolving the challenge of streamlining and automating disaster loan assistance to improve timeliness. Of the four major management challenges we identified, SBA’s performance plan had (1) a goal and measures related to one of the challenges; (2) a goal, but no measures, directly related to one of the challenges; (3) a goal and measures indirectly applicable to one of the challenges; and (4) had no goals and measures related to the last challenge.

Table 2: Summary of SBA’s Treatment of GAO’s Major Management Challenges in Its Fiscal Year 2002 Performance Plan

| Four major management challenges identified by GAO | |
|--|--------------------------------------|
| Management challenge | Applicable goals and measures |
| Focus the 8(a) program on helping firms obtain contracts to increase procurement activities | Goal and measures. |
| Strengthen human capital, information technology, budget, and financial management practices to help modernize SBA | Goal, but no measures. |
| Continue to improve oversight of lending partners to correct program weaknesses | Indirect goal and measures. |
| Streamline and automate disaster loan processing to improve timeliness | No goal and measures. |

Source: GAO’s analysis of SBA’s data.

Conclusions

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results and outcomes achieved by federal programs. In order for such a shift to occur, the information presented in GPRA plans and reports needs to be presented in a logical format that allows the reader to easily discern how the agency plans to accomplish its goals and objectives and how the measures will indicate successful performance beyond meeting output

targets. We had significant difficulty assessing SBA's progress in achieving its outcomes because of weaknesses in the report and plan. Although improved over last year in terms of presentation issues, SBA's fiscal year 2000 performance report and fiscal year 2002 performance plan do not follow GPRA guidance in several areas. SBA did not provide criteria or a performance indicator to explain the accomplishment of its qualitative measures. We believe, as we stated in our fiscal year 1999 report, that SBA is still relying heavily on outputs without sufficiently linking them to achievement of the outcome. SBA's performance report also lacks information about time frames or schedules and strategies for achieving unmet goals. In our view, SBA's fiscal year 2000 performance report and 2002 performance plan do not present information in a logical manner linking strategies to outcomes, indicators, and measures.

Recommendations

To make SBA's plan and report more useful for decisionmakers and more consistent with GPRA, OMB Circular A-11, and related guidance, we recommend that the Administrator of SBA ensure that the fiscal year 2001 performance report and fiscal year 2003 performance plan (1) clearly link strategies to outcomes, indicators, and measures; (2) present criteria or a performance indicator to explain the accomplishment of the goal when using qualitative measures; and (3) provide information about strategies, time frames, and schedules for achieving unmet targets.

Scope and Methodology

Our evaluation was generally based on the requirements of GPRA, the Reports Consolidation Act of 2000, guidance to agencies from OMB for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of SBA's operations and programs, our identification of best practices concerning performance planning and reporting, and our observations on SBA's other GPRA-related efforts. We also discussed our review with agency officials in the Office of the Administrator and with SBA's IG. The agency outcomes that were used as the basis for our review were identified by the Ranking Minority Member of the Senate Governmental Affairs Committee as important mission areas for the agency and generally reflect the outcomes for all of SBA's programs or activities.

We identified the major management challenges confronting SBA, including the governmentwide, high-risk areas of strategic human capital management and information security, in our January 2001 performance and accountability series and high-risk update and SBA's IG identified them in December 2000. We did not independently verify the information

contained in the performance report and plan, although we did draw from other GAO work in assessing the validity, reliability, and timeliness of SBA's performance data. We conducted our review from April through June 2001 in accordance with generally accepted government auditing standards.

Agency Comments and Our Evaluation

SBA provided written comments on a draft of this report. In its response, SBA said that it intended to conduct a major review of its current plan once it has an Administrator confirmed and senior political leadership in place. In revising the plan, SBA said that it would take into account our comments and would fully comply with GPRA, as well as promote President Bush's agenda. SBA disagreed with our conclusion that its fiscal year 2000 performance report and 2002 performance plan do not present information in a logical manner linking strategies to outcomes, indicators, and measures; however, SBA did not comment specifically on the report's recommendations. SBA said it believes the 2002 budget and performance plan offers a clear logical construct that helps the reader to understand how SBA activities can contribute to the success of a firm, as defined by job creation, revenue generation, and viability in the marketplace. SBA also said that it used logical diagrams extensively to convey how activities produce outputs, which in turn contribute to outcomes. We continue to believe that it is difficult for a reader to follow SBA's report and plan. While SBA employed diagrams and tables that should have helped the reader, inconsistencies in SBA's use of terms such as strategies and outcomes make following SBA's logic a laborious process. SBA also provided technical clarifications, which were incorporated as appropriate. SBA's comments are in appendix II.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this report. At that time, we will send copies to appropriate congressional committees, the Acting SBA Administrator, and the Director, Office of Management and Budget. Copies will also be made available to others on request.

If you or your staff have any questions, please call me at (202) 512-8678. Key contributors to this report were Susan Campbell, Cheri Truett, and Tina Morgan.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Davi M. D'Agostino". The signature is fluid and cursive, with the first name "Davi" being the most prominent.

Davi M. D'Agostino
Director
Financial Markets and
Community Investment

Appendix I: Observations on SBA's Efforts To Address Its Major Management Challenges

Table 3 identifies the major management challenges confronting the Small Business Administration (SBA), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the management challenges that we and/or SBA's Inspector General (IG) have identified. The second column discusses what progress, as discussed in its fiscal year 2000 performance report, SBA has made in resolving its challenges. The third column discusses the extent to which SBA's fiscal year 2002 performance plan includes performance goals and measures to address the challenges that we and the IG identified. The SBA IG told us that in the fiscal year 2000 Performance and Accountability Report, SBA did not update its description of the actions it has taken in response to the challenges to reflect actions taken since the IG's December 2000 management challenges report.

We found that SBA's performance report discussed the agency's plans and progress in responding to most of its challenges, but it did not discuss the agency's progress in resolving the challenge of streamlining and automating disaster loan processing to improve timeliness. The plan discusses SBA's efforts to improve timeliness, but not as a result of automated loan processing. Of SBA's 13 major management challenges, its performance plan had (1) goals, but no measures that were related to 11 of the challenges, and (2) no goals or measures related to two of the challenges. However, SBA discussed strategies for 12 of the 13 challenges.

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

Table 3: SBA's Major Management Challenges

| Major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|--|--|---|
| GAO-designated governmentwide, high risk | | |
| <p><u>Strategic human capital management</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital management planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. This has also been identified as a challenge in GAO's 2001 Performance Accountability high risk Series SBA report, and by SBA's Inspector General.</p> | <p>SBA refers to its plans and progress in addressing this challenge, and identifies it as a "major issue." Specifically, the report describes how SBA plans to transform its workforce by (1) training and retraining staff; (2) relocating personnel, (3) planning for succession and leadership development, and (4) surveying personnel and developing a workforce improvement plan. SBA's internal goal of improving management specifically mentions "transforming the workforce." Also, in our July 20, 2000, testimony on this issue, we noted that SBA had begun to take such steps for better managing its human capital activities, such as undertaking various workforce planning activities, including developing competency models and related training for some core functions and realigning and deploying some staff.</p> | <p>This has been designated as a high-risk challenge for the first time. This issue is listed under the goal of improving SBA management. However, no applicable measures for this goal were stated; the plan reports that these indicators will be published after a review by the incoming SBA Administrator. However, in the section on management challenges, SBA states that it has identified the goals of (1) identifying the knowledge, skills, abilities and other characteristics that employees need to perform successfully; (2) developing a succession plan for senior leaders and candidate development programs; and (3) ensuring that employees receive adequate training to improve job performance. The plan also states that SBA has prepared an analysis that projects future workforce needs, expanded training and candidate development programs, and contracted for a workload and staffing study.</p> |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|---|--|---|
| <p><u>Information Security</u> – Our January 2001 high-risk update noted that the agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. (SBA's IG also identified this issue as a management challenge for fiscal year 2001.)</p> | <p>SBA refers to its progress in addressing this issue. SBA addressed the need to improve its information systems security as a management challenge. Since 1999 SBA says that it has</p> <ul style="list-style-type: none">committed more than \$1.2 million in personnel and contract support to enhance computer security;increased the number of authorized personnel for information technology (IT) security and acquired additional contractor support;issued an updated computer security policy document that incorporated security policies covering the latest technology;documented the computer security program and produced guidance documents and templates for the performance of computer security functions;completed certification and accreditation reviews for eight of the most sensitive systems; anddeveloped a security training program. <p>SBA reported that it continues to work on critical infrastructure protection and security plans. SBA also reported that during fiscal year 2000, it took actions that corrected and closed poor information system internal controls as a Federal Managers' Financial Integrity Act material weaknesses. These actions included conducting reviews of critical system controls, providing training to system users, improving controls over application development and system access, and developing an entitywide disaster recovery plan.</p> <p>An Independent Auditor's Report on SBA's fiscal year 2000 financial statements confirms the significantly improved internal control over the information system environment, and that it no longer considers information systems as a material weakness. However, the report also noted that while SBA's development of an entitywide security program is a good start, the program is not fully implemented and thus a reportable condition.</p> | <p>The plan addresses information technology security but does not include any direct measures related to it. SBA's goal to improve management includes an objective to modernize information systems, with a performance goal of providing effective and efficient information technology support to program delivery. In describing this performance goal, SBA discusses the need for a strong information technology security program as part of its overall System Modernization Initiative, as well as the need for a continuous commitment of resources and management attention to security. The plan also responds to the IG-identified information systems security challenge and notes a goal to fully implement and maintain an ongoing information security program aimed at understanding and reducing its information security risks.</p> |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge GAO-designated major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|---|--|---|
| <p><u>Streamline and automate disaster loan processing to improve timeliness.</u> In our 2001 Performance and Accountability Series SBA report, we stated that SBA needs to be able to quickly expand its loan processing capabilities, including hiring and training damage inspectors, loan officers and other staff to provide consistent timely assistance.</p> | <p>SBA's performance report does not specifically address this challenge. However, the report does include an indicator of providing quality and timely service to disaster victims, in which these measures are used: (1) field presence within 3 days, (2) the underwriting compliance rate, and (3) processing loan applications within 21 days. Although this indicator has measures that address providing timely service, the report does not have a discussion on how automation will assist them in achieving timeliness.</p> <p>In the Performance Accountability Series report, we stated that in June 2000, SBA began using an expedited system that streamlines the processing of certain home and personal property loans. As part of its agencywide modernization efforts, SBA is in the midst of a larger project to reengineer loan processing overall, including increased use of automation.</p> | <p>There are no references to direct applicable goals or measures on the issue of streamlining and automation for disaster assistance. However, the primary goal of helping families and businesses recover from a disaster is cited in the plan, along with the measures of field presence within 3 days, assessing the customer satisfaction rate, and processing loan applications within 21 days.</p> |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|---|---|--|
| <p><u>Strengthen human capital, information technology, budget, and financial management practices to help modernize SBA.</u></p> | <p>SBA refers to its plans and progress in addressing these issues.</p> <p>Strengthen human capital: This issue is discussed under the governmentwide, high-risk areas identified by GAO.</p> <p>Information Technology: This challenge was identified in our 2001 Performance and Accountability Series SBA report.</p> <p>In the 2000 performance report, SBA addressed the need to improve key information technology processes in describing its actions on the management challenge identified by the IG concerning modernizing major loan monitoring and financial management systems. SBA noted that since 1999 it has taken various steps, including strengthening and institutionalizing its IT planning and investment control process, and has completed an IT architecture document and established procedures for its maintenance. Our evaluation of SBA's actions to implement the recommendations in our May 2000 report^a confirmed that it had drafted procedures for investment management, architecture maintenance, and software development and acquisition. However, implementation of the procedures was needed in each of these areas.</p> <p>Budget: The 2000 report does not address this issue, but in our January 2001 Performance Accountability Series report, we stated that SBA has made some progress in integrating performance management into its budget formulation process, but SBA has not tracked spending according to goals because budgeting and accounting series are aligned with SBA's organizational structure rather than by strategic goal. SBA reported that it has developed a cost allocation methodology to assign costs to each major program, activity, and 149 function.</p> <p>Financial Management: No material weaknesses were identified in the fiscal year 2000 financial audit, and all but one 1994 material weakness was closed. Our 2001 Performance Accountability Series report notes SBA's lack of compliance with the Federal Financial Management Improvement Act of 1996, due to deficiencies in SBA's financial reporting process and general computer control deficiencies. SBA plans to resolve the Federal Financial Management Improvement Act (FFMIA) issue with its systems modernization effort.</p> | <p>The goal of improving SBA management is stated, and the indicators of managing for results, transforming the workforce, modernizing the information systems, improving financial management, improving credit program management, and creating electronic government are listed. However, no measures were provided for these issues; the plan states that this will be addressed after a review by the incoming SBA Administrator.</p> |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge GAO- and IG-designated major management challenges | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|---|--|---|
| <p><u>Continue to improve oversight of SBA's lending partners to correct oversight weaknesses.</u></p> <p>This challenge was identified in our 2001 Performance and Accountability Series SBA report, and by SBA's IG.</p> | <p>The performance report primarily addresses the progress SBA has made in addressing this issue. The performance report addresses this challenge by stating that it will implement the plan in its strategic plan for lender oversight. The strategic plan states: (1) SBA is developing a risk management system that will benchmark lender performance; (2) SBA is developing a monitoring system that will contribute to the overall lender evaluation process.</p> | <p>There were no applicable direct goals or measures. However, one of the performance goals in the fiscal year 2002 plan is to improve SBA management, which includes the indicator of modernizing their information systems. No specific measure was provided. However, the plan states that these measures will be determined after a review by SBA's incoming Administrator. A part of the modernization effort involves developing an automated loan monitoring system (LMS) that is designed to automate the business functions necessary to manage SBA's portfolio. The LMS will include components that address loan management, lender management, and risk management.</p> |
| <p><u>Focus the 8(a) program on helping firms obtain contracts to increase procurement opportunities.</u></p> <p>SBA's IG specifically stated that more participating companies need access to business development and contracts in the 8(a) Business Development program.</p> <p>This challenge was identified in our 2001 Performance and Accountability Series SBA report, and by SBA's IG.</p> | <p>The performance report refers to the plans and the progress SBA has made to address this issue. Generally, SBA plans to implement our recommendation that it refocus the role of the district office staff to place their highest priority on helping inform firms about the Federal procurement process.^b Also, along with the Department of Defense and the Office of Management and Budget, SBA sponsored the formation of a Rapid Improvement Team, which is comprised of key stakeholders to identify solutions and recommend actions for government wide 8(a) program improvement. SBA also plans to propose other changes that it believes will make the program more successful.</p> | <p>The plan contains the goal of helping businesses succeed and identified improving access to procurement opportunities as an objective. The measures for this were not presented. The plan's section on management challenges states that SBA plans to refocus the district staff office's role pertaining to the 8(a) program and to send out a new 8(a) Standard Operating Procedure to the field during the 2001 calendar year. Also, the plan points out how SBA is working with other federal agencies to improve the 8(a) program, as it also stated in its fiscal year 2000 performance report.</p> |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|---|--|---|
| IG-designated major management challenge | | |
| SBA needs to improve its managing for results processes and produce reliable performance data. | The performance report refers to the progress SBA has made to address this issue. SBA has drafted guidance on the preparation of organizational performance goals and indicators that it plans to distribute to its staff. This guidance will also include standards and procedures for data verification and validation. | This is a new IG challenge. One of the performance goals in the fiscal year 2002 plan is to improve SBA management, and managing for results is an indicator. However, no specific measures were provided. Under the section for management challenges, SBA states that it will rely on developed guidance involving the preparation of organizational performance goals and indicators; develop and promulgate standards and procedures for data verification and validation; issue guidance to providers on how to count clients served and client counseling and training sessions. |
| SBA faces significant challenges in modernizing its information systems for loan monitoring and financial management. | The performance report refers to the progress SBA has made to address this issue. The report states that SBA has started to upgrade its systems for loan monitoring and financial management, but implementing those plans will require sustained commitment to achieve objectives and overcome systems development obstacles. The agency has identified modernizing these systems as a major priority and has made progress in developing information technology procedures and controls. SBA needs to continue to formulate and implement sound procedures for system development and acquisition to enable more effective and efficient loan monitoring and financial management. | This is a new IG challenge. The fiscal year 2002 plan states the goal of improving SBA management, which includes indicators of modernizing the information systems and improving financial management. However, no specific measures were provided. In the plan's management challenges section, SBA lists the goals of (1) adopting policies and procedures and defining processes for investment selection, control and evaluation; (2) developing a systematic process for architecture development; (3) establishing policies and procedures for architecture maintenance and setting a target date for implementation; (4) developing a plan to institutionalize and enforce agencywide use of SBA's Systems Development Methodology; and (5) establishing policies and procedures for software development and acquisition, and develop a mechanism to enforce them. |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|--|--|---|
| <p>Maximizing program performance requires that SBA fully implement its human capital management strategies.</p> | <p>Discussed under our 'Government-wide high risk areas' section in this report.</p> | <p>This is a new IG challenge. The fiscal year 2002 plan states the goal of improving SBA management, which includes an indicator for transforming the workforce. However, no specific measures were provided. The plan states that these measures will be determined after a review by SBA's incoming Administrator.</p> |
| <p>SBA needs better controls over the business loan guarantee purchase process.</p> | <p>The performance report refers to the progress SBA has made to address this issue. The Office of Field Operations and Capital Access have 1) implemented a Guarantee Purchase Review program and an automated system for tracking for field guaranties procedures; 2) issued a procedural notice to all employees on the tracking systems, and 3) rewritten the guarantee purchase section of the standard operating procedures for servicing and liquidation.</p> | <p>The fiscal year 2002 plan states the internal goal of improving SBA management and includes an indicator of modernizing their information systems. No specific measures were provided. The plan states that these measures will be determined after a review by SBA's incoming Administrator. However, in the management challenges section SBA's goals for this is to (1) ensure that SBA denies liability or reduces its payment on the guaranty when a lender has failed to comply with SBA standards, and (2) implement an automated system for tracking circumstances when the field office records of guarantees have been repaired and lenders have released SBA from guaranty liability on questionable lender practices. SBA's plan states that thus far, SBA has (1) implemented procedures to review 10 percent of all guaranty loan purchases, (2) established a tracking system to follow up on purchase reviews, (3) initiated development of a Guaranty Repair Tracking System, (4) initiated revision of its Standard Operating Procedures and the development of a training course, and (5) modified the Delinquent Loan Collection system to identify loans that have significant origination or servicing deficiencies.</p> |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|--|---|--|
| SBA needs clearer standards to determine economic disadvantage. | The performance report refers to the plans and progress SBA has developed to address this issue. The 8(a) program office is working with other agencies to reform the program and develop legislative, regulatory, and procedural documentation for the reform recommendations. SBA is also anticipating issuing procedural guidance on the definition "economic disadvantage" based on revisions to be made by the interagency task force referred to above. | There were goals but no measures. This is a management challenge as a result of a fiscal year 2000 challenge that participants who are wealthy are allowed to remain in the 8(a) program. However, the 2002 plan's section on management challenges states that SBA has goals to redefine "economic disadvantage", and to provide sufficient financial and analytical training to Business Opportunity Specialists to help them more accurately evaluate a company's business profile and competitive potential. According to the plan, the actions taken or planned are that SBA has (1) added provisions to the regulations to prevent 8(a) applicants and participants from transferring assets to family members; (2) modified annual review procedures designed to access continuing program eligibility and provided training to SBA field staff, and (3) worked with other federal agencies to improve the program. |
| SBA needs to clarify its rules intended to defer 8 (a) Business Development participants from passing through procurement activity to non-Section 8(a) Business Development firms. | The performance report refers to the plans and progress SBA has developed to address this issue. The 8(a) program office will work with the Office of Size Standards to develop an appropriate size and category for value-added resellers, and issue procedural guidance to the field to implement the regulatory change. Also, SBA has already published a notice on the Federal Register seeking comment on value-added resellers. | There were goals but no measures. However, the plan's management challenges section states that SBA plans to tighten a key program definition to preclude the pass-through practice of making only minor modifications to the products of other manufacturers. Also SBA plans to define value-added resellers (VARs) as legitimate business categories and has already published a notice seeking comment on VARs. The 8(a) program is to use this information to work with the Office of Size Standards to develop an appropriate size and category for VARs. |

**Appendix I: Observations on SBA's Efforts To
Address Its Major Management Challenges**

| Major management challenge | Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report | Applicable goals and measures in the fiscal year 2002 performance plan |
|--|---|--|
| Preventing loan fraud requires additional measures, including the necessary legislative authority and funding. | The performance report refers to the plans and progress SBA has developed to address this issue. The IG will work with SBA to develop and present the needed law change to the Congress and continue to work on the design and development of the loan-monitoring component of the systems modernization by including data elements to identify any package involved in a loan application. | There were goals but no measures. However, the plan's management challenges section states that SBA's actions towards addressing this issue is to submit a legislative proposal that 1) requires all loan agents to provide SBA with the information necessary to conduct criminal background checks, including social security numbers; and 2) authorizes SBA to conduct criminal background checks on loan agents. Also, SBA plans to identify all loan agents through a registration process and track their association with individual loans and submit legislation authorizing SBA to conduct criminal background checks on all business loan applicants. Also, a loan agent tracking system will be a component of SBA's Partner Information Management system. |

⁸*Information Technology Management: SBA Needs to Establish Policies and Procedures for Key IT Processes*, (GAO/AIMD-00-170, May 31, 2000).

⁹*Small Business Administration: SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts*, (GAO/RCED-00-196, July 20, 2000).

Appendix II: Comments From the U.S. Small Business Administration



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

JUN 18 2001

OFFICE OF THE ADMINISTRATOR

Ms. Davi M. D'Agostino
Director
Financial Markets and Community Investment
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. D'Agostino:

We thank you for the opportunity to review and comment on your draft report, Small Business Administration: Status of Achieving Key Outcomes and Addressing Major Management Challenges. We appreciate the General Accounting Office's (GAO) insights and, where applicable and practicable, we will use your suggestions to improve our plans and reports.

General Comments

First, we stated that our Annual Performance Plan should be reviewed as a starting point for FY 2002 activities and not as a final document. Although we do not yet have an Administrator, we continue to be committed to results-driven Government and intend to conduct a major review of the current plan once we have an Administrator confirmed and senior political leadership in place. The revised plan will take into account GAO's comments and will fully comply with the Results Act, as well as promote President Bush's agenda.

Second, we were one of a handful of agencies that integrated seamlessly the Annual Performance Plan and the Budget, and the Annual Performance Report and the Accountability Report. We believe that combining our plans and reports has led to a better integration of resource and cost data with information on outputs and activities in a results-oriented framework, an explicit goal of the Results Act. The GAO draft, however, does not comment on our attempt to provide a more transparent view of the costs of implementing our programs.

Third, implementing a performance-based management framework within the public sector is an evolutionary process that requires time, training, and leadership. We have evolved in our planning from too many goals to a select few; from little attention to internal management challenges and data quality to a more rigorous process of oversight and data integrity. We are also moving from an overemphasis on outputs to identification of key outcomes and better performance measures, e.g., jobs, regulatory savings, fair share of federal procurement to small business, and customer satisfaction. We trust that the GAO reference to a "mixed" record for the Agency is cognizant of this progress.



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Fourth, SBA uses three key strategic goals in implementing the Results Act:

- Help small businesses succeed,
- Help small businesses and families recover from disasters, and
- Improve SBA management.

A number of objectives that are linked to activities and indicators of success support each of these goals. For example, one of the means for helping small firms succeed (i.e., become self-reliant and successful in the competitive marketplace) is providing access to credit that would be otherwise unavailable to the business owner, or offering management and technical assistance to help the firm make the right business decisions. We do not agree with the GAO draft conclusion that the linkage of activities to goals is unclear. We believe the FY 2002 Budget and Performance Plan offers a clear logical construct that helps the reader to understand how SBA activities can *contribute* to the success of a firm, as defined by job creation, revenue generation, and viability in the marketplace.

Fifth, as part of SBA's efforts to improve its oversight and measure success, we completed three customer satisfaction surveys of our Service Corps of Retired Executives, Women's Business Centers, and One Stop Capital Shop clients. We also reviewed the Small Business Development Center program, our largest management and technical assistance partner, received approval to do a job creation study, produced a white paper on small businesses and the use of the Internet, and began defining the parameters for an econometric demand model for our primary business loan program. These evaluation efforts should help us measure more effectively our true outcomes.

Sixth, the GAO draft chooses to use Senator Thompson's three key outcomes as the basis for its analysis:

- Assist small businesses to become self-reliant and successful in the competitive marketplace,
- Ensure that businesses and families recovering from disasters receive timely assistance, and
- Ensure that more eligible small businesses participate in SBA programs and become more successful.


These outcomes and our three goals are not mutually exclusive. GAO's third outcome is a subset and refinement of our first goal. SBA has focussed on measuring small business success in terms of job creation and increased sales revenues on the one hand and increased diversity of ownership, increased number of small businesses (startups), and increased number of jobs in the total small business sector on the other. These measures are provided in the plan as well as the report, giving the reader a basis for judging outcomes.

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Finally, we understand the importance of creating a government that is results-driven. Under the policy direction of the new Administration, we are committed to reforming our Agency to deliver products and service that Congress expects and the taxpayer demands.

Sincerely,


John Whitmore
Acting Administrator

Enclosure

We did not include a point
by point response to
SBA's specific comments.

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