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# **U.S. Small Business Administration**

## **Strategic Plan Fiscal Years 2008 - 2013**

**U.S. Small Business Administration**



***Your Small Business Resource***

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# U.S. Small Business Administration 2008 – 2013 Strategic Plan

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## Message from the Administrator

September 28, 2007

I am pleased to present the U.S. Small Business Administration's (SBA) FY 2008 – 2013 Strategic Plan. This plan describes the direction that the Agency will take as it moves ahead to expand opportunities for our nation's small businesses and to assist victims of Federally-declared disasters.

The SBA's recent history reflects challenge and opportunity. The 2005 Gulf hurricanes challenged the agency's disaster lending operation like never before, but they provided the impetus for the implementation of major program improvements that will benefit all future disaster victims seeking SBA assistance. The SBA's outstanding loan portfolio has grown more than fifty percent over the past five years. That program growth represents expanded opportunities for small business entrepreneurs but also reflects a challenge for the SBA to maintain its operations and oversight responsibilities during such a dynamic time. The SBA's workforce has also undergone a major transformation in recent years as many functions have been centralized and many roles and responsibilities have been realigned. This too has been both a challenge for the agency, but also an opportunity to modernize processes and ensure our workforce is well equipped for the job. This strategic plan reflects the agency's efforts to meet these fundamental challenges head on and to capitalize on the opportunities they represent.

The SBA, and the goals, objectives and strategies outlined in this plan are guided by four core values. We are:

1. *Outcomes Driven.* We will clearly define the outcomes we are targeting and ensure that our programs, processes and policies are aligned in achieving them.
2. *Customer Focused.* We serve people and will be responsive to their needs, both in the services we provide and in how we deliver them.
3. *Employee Enabled.* Our people extend the hand of service to Americans every day, and we must ensure they have the tools, the training, and the support to be effective.
4. *Accountable, Efficient and Transparent.* We have a bedrock obligation to the taxpayer to manage efficiently, invest capital prudently, and be open and honest about our results.

The four strategic goals outlined for this FY 2008 – 2013 period are not significantly different from those of recent SBA planning cycles. The SBA's

core objectives of effectively supporting the Nation’s entrepreneurs and providing assistance to victims of disaster remain unchanged. However, the means for achieving our goals reflect the lessons learned through experiences in serving our customers across the nation and from listening to, and working with, our employees at all organizational levels. During the period covered by this plan, the SBA’s four strategic goals are to:

1. Expand America’s ownership society, particularly in underserved markets.
2. Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster.
3. Improve the economic environment for small business.
4. Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls.

As this plan reflects, we continue to focus on the impact of our programs and our effectiveness in managing our operations. Across the SBA, we are driving improvements in customer service and simplifying our programs to make them more accessible to small businesses and our many resource partners. Our focus on underserved markets will ensure that entrepreneurs in distressed areas have access to SBA services. We will also continue our work to reduce the regulatory burden experienced by those who seek to create and grow small businesses in the U.S. We will serve disaster victims with an improved reserve of trained and prepared staff and resources, and a set of new procedures described in our recently completed Disaster Recovery Plan. The availability of that plan, and the execution of the processes described in it, ensure that we are better prepared than ever before for disasters even larger than the 2005 Gulf Coast hurricanes.

The challenges before us are significant. But I have great confidence in our people and their commitment and service. In the year that has passed since I was appointed SBA Administrator, I have spoken with hundreds of our employees, small business owners and counselors, trade associations, and lenders and investors. These discussions, our plans and our results to date tell me that we are on the right track. Through our employees and the improvements we are making within the agency, I have confidence that our plans are achievable, and that the small businesses, disaster victims, and people of our nation are well served by the SBA.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven C. Preston". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Steven C. Preston  
Administrator

## Overview

### Mission

The mission of the Small Business Administration (SBA) is to maintain and strengthen the Nation's economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters.

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### Vision

The U.S. Small Business Administration supports and enables an environment of opportunity for entrepreneurs and their small businesses.



### Core Values

**Outcomes Driven.** We will clearly define the outcomes we are targeting and ensure that our programs, processes and policies are aligned in achieving them.

**Customer Focused.** We serve people and will be responsive to their needs, both in the services we provide and in how we deliver them.

**Employee Enabled.** Our people extend the hand of service to Americans every day, and we must ensure they have the tools, the training, and the support to be effective.

**Accountable, Efficient and Transparent.** We have a bedrock obligation to the taxpayer to manage efficiently, invest capital prudently, and be open and honest about our results.

## **SBA Background**

America's small businesses play a vital role in creating opportunities for individuals, employees, and economic growth. Research completed comparing firm size data from the U.S. Census Bureau also has indicated that in times of economic downturns, small businesses play a leading role in economic recovery. America's small businesses — some 25.8 million strong — are a major sector of the Nation's economy. They account for half of the country's gross domestic product, create 60 to 80 percent of the net new jobs, and produce 13 to 14 times more patents per employee than do large firms. It is the role of the SBA to help foster an environment where entrepreneurship can flourish.

In the Small Business Act of July 30, 1953 (the Act), Congress created the SBA, whose function is to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The Act also stipulates that the SBA will ensure small businesses a "fair proportion" of government contracts and sales of surplus property.

The SBA is continuing its longstanding efforts to bridge the competitive opportunity gaps that small entrepreneurs face. The SBA is especially focused on serving the many areas of the country that have significantly higher unemployment and lower income levels than the Nation's averages. The SBA also provides assistance in market areas that are traditionally underserved.

The SBA plays a vital role in helping businesses and families recover from disasters. Through its disaster assistance program, the SBA provides affordable, timely and accessible financial assistance to homeowners, renters, large and small businesses, and non-profit organizations. The SBA seeks to maximize the timely restoration of property to these individuals while continuing to improve its service delivery.

Those wishing to go into business, small businesses and disaster victims are the customers of the SBA.

The Agency works with its lenders, SCORE, Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and partner networks in service to its customers. Distribution of SBA products and services to customers is primarily accomplished through resource partners.

The SBA tracks its progress in achieving strategic and production goals and holds leaders of all program and support offices accountable for delivering

the desired results by integrating program performance with resource allocation.

The goals and objectives on which this Strategic Plan is based are derived directly from specific statutory mandates and from elements of the President's Small Business Agenda. SBA operations are guided by the principles and criteria contained in the President's Management Agenda to promote more efficient and effective government programs.

## Strategic Goals and Objectives

The SBA's four strategic goals will be achieved through an assertive agenda to expand opportunities and improve the environment for small business. By working to reduce the costs of regulation, serving disaster victims, spending tax dollars wisely and expanding business opportunities at home and abroad, small businesses, and the employees that depend on them, will flourish.

	Strategic Goal	Objectives
1	Expand America's ownership society, particularly in underserved markets.	<ol style="list-style-type: none"> <li>1. Improve access to SBA programs and services by small businesses to drive business formation, job growth, and economic activity.</li> <li>2. Support entrepreneurship in markets with higher poverty and unemployment, and in our military community.</li> <li>3. Ensure stewardship and accountability over taxpayer dollars through prudent financial portfolio management and oversight.</li> </ol>
2	Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster.	<ol style="list-style-type: none"> <li>1. Respond quickly, efficiently and effectively to disaster applicants.</li> </ol>
3	Improve the economic environment for small business.	<ol style="list-style-type: none"> <li>1. Protect, strengthen and effectively represent the Nation's small businesses to minimize the regulatory burden.</li> <li>2. Foster a more small-business-friendly environment.</li> </ol>
4	Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls.	<ol style="list-style-type: none"> <li>1. Deploy a skilled workforce capable of executing high-quality programs.</li> <li>2. Provide a safe and secure information system environment to support business decisions and Agency operations.</li> <li>3. Provide financial and performance management services to support efficient and effective program delivery.</li> </ol>

### Strategic Goal 1

**Expand America's ownership society, particularly in underserved markets.**

### Strategic Objectives

1. Improve access to SBA programs and services by small businesses to drive business formation, job growth, and economic activity.
2. Support entrepreneurship in markets with higher poverty and unemployment, and in our military community.
3. Ensure stewardship and accountability over taxpayer dollars through prudent financial portfolio management and oversight.

Small businesses represent an essential mechanism by which individuals enter the economic and social mainstream of American society. The needs of a small business change as the entity goes through the various stages of its lifecycle, from a possibility to a vibrant, successful business. The SBA supports these needs through financial, management, and Federal contracting assistance<sup>1</sup>.

*Financial Assistance* Having access to capital resources is vital to the success of small businesses. The SBA offers financial assistance through loan guaranty and investment programs. Except for the disaster loan program, the SBA does not make direct loans to businesses but guarantees loans made by its partners (lenders, certified development companies, and micro lending institutions). The guaranty allows business owners to obtain funds that they would not otherwise be able to obtain. The SBA also provides financial assistance by providing surety guarantees for construction bonds.

*Management Assistance* The SBA provides business management assistance across the full range of the small business life cycle including developing a business plan essential to starting a small business; advice and counsel on managing and growing a business; assistance in identifying appropriate

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<sup>1</sup> Additional information on these programs is available at <http://www.sba.gov/index.html> or by calling 1-800-U-ASK-SBA (1-800-827-5722).

sources of capital; and finally, on continuity of operations and exit strategies when transferring, selling or liquidating a business.

*Contracting Assistance* The SBA creates the size standards to define small businesses and creates regulations to promote Federal procurement practices for small businesses. The Agency assists small businesses in obtaining Federal contracts by explaining the government procurement process and helping small businesses identify subcontracting and procurement opportunities. The SBA also assists other Federal agencies in achieving their small business contracting goals.

The means and strategies used to achieve the ownership society goal and its associated objectives are described below.

**1.1. Improve access to SBA programs and services by small businesses to drive business formation, job growth, and economic activity.**

**Means & Strategies**

The SBA offers a variety of loan guaranty products for various uses, maximums, and maturities including:

- The 7(a) loan program, the Agency's most flexible program, which finances a variety of general business purposes.
- The 504 loan program which provides long-term, fixed-rate financing to small businesses to acquire real estate, machinery or equipment for expansion or modernization.
- The Microloan program which provides short-term loans of up to \$35,000.

In addition, the SBA assists small businesses in acquiring venture capital, and surety bonds. The latter allow small business contractors to compete for and win project contracts. The SBA uses a variety of delivery methods and lending partners, including Certified Development Companies, Small Business Investment Companies, and the Surety industry to make these products available for small businesses.

As important as the acquisition of capital, many small businesses need business management assistance to guide them in strengthening their business performance and sustainability. For this reason, the SBA operates the Small Business Training Network (SBTN), a virtual campus providing quality, targeted online training and self-assessment tools to meet the information needs of prospective and existing small business owners.

Additionally, assistance is provided in one-on-one confidential settings, classrooms or in 24/7 online venues throughout the SBA's nation-wide system of:

- Full service SBA district offices in every state.
- U.S. Export Assistance Centers located in major metropolitan areas throughout the United States.
- SCORE chapters in over 800 locations.
- SBDCs in all 50 states and U.S. territories, with more than 950 locations across the country.
- A national network of community-based Women's Business Centers to primarily assist socially and economically disadvantaged women start and run successful businesses.

The SBA assists small businesses in obtaining Federal contracts by creating the regulations on small business procurement, explaining the government procurement process and helping small businesses identify subcontracting and procurement opportunities. The SBA also assists other Federal agencies in achieving their small business contracting compliance mandates.

In the area of financial assistance, the Agency will aid small businesses needing capital to start, sustain, or expand their business by offering products not often available in the market as well as making it easier to do business with the SBA through operational excellence and enhanced customer service.

To support this objective, the Agency requires products needed by small businesses that can be delivered by the SBA's partners efficiently and effectively. The Agency is concentrating on product evaluation and development, improved product delivery through strategic marketing of SBA products and enhancements to the delegated lender programs.

The SBA will evaluate the Agency's delegated lender programs to determine what changes should be made to maximize these relationships, and ensure clarity and accountability to meet SBA expectations for lender performance. For example, SBA plans to better link a lender's performance on its SBA loan portfolio, the quality of its guaranty purchase packages, and a lender's usage of SBA loan programs particularly as it relates to lending in underserved areas.

The Agency is also improving lender communications through establishing a lender roundtable to obtain feedback from lenders on products, services and other activities, issuing updated, simplified Standard Operating Procedures that reflect current operations and requirements in a format focused on lender delivery of SBA products, and developing a communications vehicle directed specifically to lenders and finance partners.

In the area of operations, the SBA has embarked upon a comprehensive business process re-engineering effort for all operating centers that utilizes Six Sigma/Lean principles. (Six Sigma is a set of practices intended to systematically improve processes by eliminating defects. A defect is defined as nonconformity of a product or service to its specifications. Lean, or lean manufacturing, is a process management philosophy known for its focus on reduction of process wastes in order to improve overall customer value.) The focus of the re-engineering is on streamlining operating procedures by concentrating on value-added activities that improve productivity including faster response times, quality and customer service.

The Agency offers specialized programs for women, minorities, Native Americans, veterans, international trade and rural development. The SBA's Center for Faith-Based and Community Initiatives seeks to give faith-based and other community organizations the knowledge base they need to help people in their communities start or expand their own small businesses. It also supplies information on grants and access to training, but does not make the actual funding decisions.

The SBA is expanding its online presence to meet the evolving demands of its customer base by improving and broadening its Web-based delivery capabilities and by investing in and supporting the expansion of the Web-based delivery capabilities of its resource partners. Most SBA counseling and training activities are now available online.

The SBA will continue to utilize new technologies to provide the best possible knowledge solutions to its small business customers.

The Agency continues to address the issue, raised by the SBA Inspector General, of miscoding large businesses as small businesses in the Federal contracting process.

Addressing this remains a top priority along with other initiatives to improve the ability of small businesses to obtain government contracts.

**Linkage to Annual Performance Plans** – Success will be measured by using the following indicators:

- Loans Funded
- Number of businesses assisted
- Number of businesses created
- Efficiency measures including improved processing in operating centers
- Jobs created/retained
- Annual value of federal contracts awarded to small businesses
- Amount of capital infusion
- Graduation rates from SBA finance programs
- SBIC Licenses issued
- Surety bond volume
- Export sales supported by loans.

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**1.2. Support entrepreneurship in markets with higher poverty and unemployment, and in our military community**

**Means & Strategies** – The SBA seeks to significantly increase successful small business ownership and growth in underserved markets and in the military community. The SBA will do this by focusing its efforts to increase the number of small businesses in underserved markets and the military community that receive SBA assistance. The SBA defines “underserved markets” as communities with high unemployment and high levels of poverty.

The SBA will include underserved market targets in our programs wherever appropriate:

- The Agency will focus on goal achievement where shortfalls have existed in the past, particularly in Federal contracting by improving our contracting support services to small businesses and Federal agencies.
- The SBA will better integrate our resource partners (SBDCs, SCORE and WBCs) and establish customer-focused strategic alliances with special emphasis on Web-based delivery of technical assistance.
- We will increase loan volume through a deeper penetration of America’s underserved markets,

developing targeted delivery vehicles and focused outreach efforts.

In addition, the SBA administers programs specifically designed to assist small disadvantaged businesses (SDBs) and businesses located in underserved markets:

- The 8(a) Business Development program prepares eligible small disadvantaged firms to compete for, and win, federal contracting set-asides and to receive sole-source contracts.
- The Small Disadvantaged Business Certification Program lists small businesses that meet eligibility criteria on an on-line registry of certified firms that contracting officers and large business prime contractors use for identification of potential suppliers.
- The HUBZone Program stimulates economic development and creates jobs in underserved urban and rural communities by providing Federal contracting preferences to eligible small businesses.

The SBA also targets underserved markets and the military community in its financial assistance programs. While all SBA loan and finance programs are available to all eligible small businesses, the SBA is developing incentives for SBA's lending and finance partners to meet the needs of underserved areas. The following initiatives are underway to better reach underserved markets and the military community:

- Patriot Express – This loan program is targeted at our military community, including veterans, reserve components, active duty military that are in the Transition Assistance Program, and the current spouses of these individuals. The program provides the SBA's highest allowable guarantees and lower interest rates while allowing for streamlined processing. If the program proves to be successful it will be made permanent.
- Community Express – This program is a pilot loan program focused on better serving underserved communities. It also provides SBA's highest allowable guarantees while allowing for streamlined processing. The program encourages lenders to make credit available in those markets with limited access to financing. As a result, the program supports small businesses in these areas, economic

revitalization of urban and rural areas, and creation of employment opportunities.

In addition to these loan programs, the SBA has a multi-faceted approach to meet the needs of underserved markets that includes enhanced/focused marketing and new delivery vehicles.

- Rural Markets – The SBA is focusing loan products and programs to meet the needs of rural markets. An enhanced approach to marketing and other efforts will be undertaken.
- Inner City/Urban Markets – Like the rural market, inner city/urban markets have unique needs. The SBA is focusing loan products and programs to meet the needs of this market.
- Community Banks – Community banks are major providers of credit to rural and inner city markets. Within existing loan products and programs, a community bank portal will be established to provide these banks with the support and service needed to allow these banks to better lend to underserved markets.
- Certified Development Companies (CDCs) - CDCs are nonprofit corporations set up to contribute to the economic development of its community by working with the SBA and private-sector lenders to provide 504 financing to small businesses. The SBA will continue to streamline and automate the 504 loan process.

In addition to the lending programs, the Agency is also focusing on increasing the reach of Small Business Investment Companies into underserved areas and markets. Research and analysis are underway to identify the best way to achieve this objective by leveraging the existing debenture program as well as identifying other alternatives. SBA held a symposium in FY2007 focusing on how to include more underserved areas and markets in the SBIC program. Some suggestions received included supporting scholar and fellow programs and additional research to better understand the financing needs for investments in underserved areas.

The SBA will encourage collaboration and establish partnerships between the Agency's resource partners and grassroots faith-based and secular community organizations

(FBCOs). This collaborative approach includes engaging FBCOs at the local level to:

- Promote and raise awareness about SBA services and programs;
- Recruit and refer clients to SBA programs; and
- Reach-out to entrepreneurs and small business owners in underserved markets.

**Linkage to Annual Performance Plans** – Success will be measured by using the following indicators:

- Jobs created/retained
- Annual value of Federal contracts
- Efficiency measures for processing, servicing and purchase centers
- Number of businesses created
- Increase in 8(a) graduate companies
- Amount of capital infusion
- Loan Approvals in identified underserved areas.

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**1.3. Ensure stewardship and accountability over taxpayer dollars through prudent financial portfolio management and oversight.**

**Means & Strategies** – As the largest gap lender for small businesses, the SBA necessarily accepts more risk than a conventional lender. While the Agency must determine the level of risk it will tolerate, it must do so within the context of its mission and its programs' structures. To do so requires an effective lender and portfolio oversight program to mitigate the increased risk of financial loss to the SBA and the taxpayer.

The SBA's approach to portfolio monitoring and lender oversight is typical of "best practices" among major lenders as attested to in Government Accountability Office reports. Likewise, the SBA's exercise of "due diligence" in monitoring grant recipient programs and financial compliance with Federal regulations, and OMB circulars, has proven highly effective as represented by high scores on OMB's Program Assessment Rating Tool (PART).

The SBA's loan portfolio totaling \$83 billion as of May, 2007 represents a major stewardship responsibility. To ensure the SBA manages this responsibility, the Agency utilizes the Loan and Lender Monitoring System (L/LMS), a state-of-the-art portfolio monitoring system that incorporates credit

scoring metrics for portfolio management purposes. This system is recognized as a promising practice in federal credit management.

Additionally, the SBA uses risk ratings as a major evaluation factor in assessing SBA lenders. Risk ratings are the primary basis by which less active lenders are evaluated, while at the same time providing a supplementary assessment and a monitoring tool for the most active SBA lenders. Lenders have access to their risk ratings and performance metrics through the Lender Portal, allowing them to take the initiative to address data quality and performance issues in order to improve their risk ratings.

The SBA will continue to enhance its oversight processes for portfolio and lender management. As part of this effort, guidance on lender oversight, supervision and enforcement will be issued by the Agency. Such guidance will include regulations as well as internal procedural documents. The objective is to implement a transparent and consistent approach to oversight, supervision and enforcement that is clearly understood by lenders.

As L/LMS continues to be leveraged for oversight and portfolio management purposes, more involved data analysis for performance trends will be conducted. The results of these analyses will be used for more effective management of the SBA's loan portfolios as well as to assist in identifying irregularities that may be an indication of inappropriate or fraudulent lending activities.

The SBA's Office of Government Contracting and Business Development will continue to play an important oversight role in helping to ensure small businesses receive their fair share of government contracts.

The SBA will support and publicly encourage other Federal agencies to improve the quality of data and other information concerning their small business set-aside contract awards. The accuracy of that data will remain an essential component of SBA's Small Business Procurement Scorecard. Helping to achieve the accurate and transparent accounting of such contracts is essential to maintaining the integrity of the Federal Government's efforts to provide a fair share of contracts to America's small businesses.

In addition, the SBA manages technical assistance grant programs in excess of \$100 million dollars. The SBA will

work to continuously improve and streamline the financial oversight and outcome measurements of its grant programs (SBDC, SCORE and WBC) to reach a level of due diligence that does not excessively burden grant recipients, yet generates statistics and best practices that add value to the grant recipient's operation. Re-engineering of these processes will continue as the SBA identifies both new and efficient mechanisms for risk management.

**Linkage to Annual Performance Plans** – Success will be measured by using the following indicators:

- Guaranteed loan portfolio performance
- Disaster loan portfolio performance
- Lender risk rating improvements
- Percentage of guaranty packages submitted that meet initial review requirements for completeness and quality
- SBIC liquidation recoveries
- Erroneous payment rates
- Debt Collection Improvement Act compliance.

## Strategic Goal 2

**Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster.**

## Strategic Objectives

1. Respond quickly, efficiently and effectively to disaster applicants.

To assist victims of physical disasters, the SBA operates a direct loan program and services these loans after they have been made. A low-interest disaster loan from the SBA is the primary source of Federal funding for the long-term recovery of homeowners, renters, nonprofit organizations and businesses.

SBA disaster loans have low interest rates and longer terms than conventional lending offers. SBA disaster loans are a critical source of economic stimulation in disaster-ravaged communities and they help generate employment and stabilize tax bases by protecting jobs.

The SBA offers two types of disaster loans in response to disaster victims:

- 1) Physical disaster loans, which provide funds to repair or replace uninsured or underinsured real and personal property belonging to homeowners, renters, businesses of all sizes, and nonprofit organizations; and
- 2) Economic Injury Disaster Loans (EIDL), which provide necessary working capital to small businesses adversely affected by the declared disaster until normal operations can be resumed.

The means and strategies used to achieve the financial assistance goal and its associated objectives are described below.

**2.1. Respond quickly, efficiently and effectively to disaster applicants.**

**Means & Strategies** - The magnitude of the 2005 Gulf Coast hurricanes highlighted the need for the SBA to ensure a quick and efficient response to any category of disaster. The Agency has a disaster recovery plan that details the operational steps the SBA will take to ensure that internal goals and external expectations will be achieved when the Agency is called to provide disaster assistance.

As described in the plan, the SBA approaches disasters with a strong sense of commitment and is prepared to coordinate internally, as well as with the Federal Emergency Management Agency (FEMA), other government entities, and the private sector to leverage SBA's resources and respond accordingly.

The SBA stands ready with the following capabilities:

- *Sufficient System Capacity* The SBA's Disaster Credit Management System (DCMS) supports 8,000 concurrent users – four times its capacity during peak usage during the 2005 Gulf Coast hurricanes. Beginning in summer 2008 applicants will also be able to apply for an SBA disaster loan online, allowing more rapid processing of loan applications.
- *Expedited Referrals to Grant Providers* Focusing on the need to render more decisions in a timely and efficient manner, the SBA is using tools to enable it to refer applicants to grant providers much more quickly, with less work for the applicant and a significantly reduced processing burden for the SBA.
- *Business Intelligence and Management Tools* The SBA's use of performance metrics gives Agency management the ability to establish clear timelines for initiatives, clarify performance goals, recognize individual accountability, and provide greater insight into any operational challenges that the SBA must address.
- *Bolstered Modeling Ability* The Agency has enhanced its capability to project application volumes when disasters strike. These new models provide a more robust methodology for predicting application volume based on assets at risk in the disaster-impacted areas and disaster characteristics.

- *Leveraged SBA's Nationwide Infrastructure* The Agency has expanded the role of its District offices through a plan to utilize District employees in future disasters in such activities as processing support, media outreach and coordinating local resources through SBDCs, Chambers of Commerce, and other local professional, charitable, and other nonprofit community organizations.

**Linkages to Annual Performance Plans** – Success will be measured by using the following indicators:

- Percentage of businesses sustaining economic injury that are operational six months after final disbursement
- Percentage of businesses sustaining physical damage restored within six months after final disbursement
- Percentage of homeowners restoring their homes within six months of final disbursement
- Percentage of renters that have been able to repair or replace their property within six months after final disbursement
- Customer satisfaction rate.

### Strategic Goal 3

**Improve the economic environment for small business.**

### Strategic Objectives

1. Protect, strengthen and effectively represent the Nation's small businesses to minimize the regulatory burden.
2. Foster a more small-business-friendly environment.

Small businesses represent an essential mechanism by which millions of people enter the economic and social mainstream of American society. Small businesses tend to be dynamic in their processes and in their response to opportunities in the marketplace, and they arrive faster at management decisions. They create new opportunities for employment, and play a crucial role in experimentation and innovation, which leads to technological change and productivity growth.

Despite their importance to the economy, small businesses are heavily burdened by the costs of government regulation and excessive paperwork. SBA's Office of Advocacy research shows that firms with fewer than 20 employees annually spend 45 percent more per employee than larger firms do to comply with federal regulations. The SBA works to reduce the regulatory burdens that Federal policies impose on small firms. These savings allow many small businesses to remain open, and allow others to invest in new jobs, equipment or other resources.

This strategic goal is intended to ensure that all enterprising Americans have the maximum opportunity to succeed. The SBA helps to improve the economic environment for small businesses by:

- Reducing excessive Federal regulatory burdens.
- Protecting small business from excessive Federal regulatory enforcement.
- Providing automated tools and information on how to comply with laws and regulations.
- Promoting the interests of small business in the international marketplace.
- Playing a key role in ensuring full and open competition for government contracts.

The SBA fulfills these functions through the offices of Advocacy, the National Ombudsman, Government Contracting and Business Development, the Office of International Trade within Capital Access, and the Business Gateway E-Government initiative.

The means and strategies used to achieve the improved economic environment goal and its associated objectives are described below.

**3.1. Protect, strengthen and effectively represent the Nation's small businesses to minimize the regulatory burden.**

**Means & Strategies –**

Advocacy The Office of Advocacy, while part of the SBA, is an independent voice for small business within the Federal Government. It represents the interests of all small entities including small businesses, small organizations and small governmental jurisdictions. The Office advances the views, concerns, and interests of small business before Congress, the White House, Federal agencies, Federal courts, and state policy makers. Economic research, policy analyses, and small business outreach help identify issues of concern. Annually, the Office of Advocacy helps small businesses save billions in regulatory costs.

At the Federal level, Advocacy attorneys work within the government, educating regulators about their obligation to consider how small entities will be affected by Federal regulatory proposals. The Regulatory Flexibility Act (RFA) and Executive Order 13272 require Federal agencies to determine the impact of their rules on small entities, consider alternatives that minimize small entity impacts, and make their analyses available for public comment. The Office of Advocacy gives small business owners and their representatives opportunities to make their voices heard about rules that affect their interests. Highlights of proposed rules that may affect small entities are posted at [http://www.sba.gov/advo/laws/law\\_regalerts.html](http://www.sba.gov/advo/laws/law_regalerts.html).

Recognizing that state and local governments can be a source of burdensome regulations, the Office of Advocacy works with policymakers to bring regulatory flexibility to the states. Many states have enacted legislation or taken other steps to strengthen regulatory flexibility for small businesses. Giving small employers a voice early in the process is key to reducing the small business impact of state regulations while increasing regulatory compliance

and passing on cost savings. Regional Advocates in the 10 SBA regions hear about small business concerns and to help level the playing field for small businesses across the nation.

National Ombudsman The Office of the National Ombudsman (ONO) was created pursuant to the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). In summary, SBREFA directs the Ombudsman to:

- Work with each Federal agency to ensure that small businesses are provided with a means to comment on the unfair or excessive enforcement and compliance activities of the Federal agency.
- Establish a means to receive comments from small business concerns regarding actions by Federal agencies or agency employees conducting compliance or enforcement activities with respect to the small business concern.
- Establish and maintain 10 Regional Regulatory Fairness Boards and coordinate activities and meet at least once annually.
- Produce an annual report to Congress rating each Federal agency's responsiveness to small businesses and provide affected agencies an opportunity to comment on draft reports.

The SBA's ONO deems it a priority to inform the Nation's 25 million small businesses of their right to comment on Federal regulatory enforcement and compliance activities. The Regulatory Fairness Program is meeting this outreach challenge through speeches, presentations, and media interviews throughout the country; through partnerships with major trade associations, members of Congress and others in the small business community; and through a number of outreach avenues, such as Regulatory Fairness Hearings and Roundtables.

Business Gateway Initiative The Business Gateway Initiative involves several activities aimed at improving the delivery of information and services to citizens and reducing regulatory paperwork burden on business. The initiative provides the Nation's businesses with a single Internet-based portal - Business.gov - to access government services and business compliance information, forms, and government contacts.

Complying with laws and regulations costs American businesses billions of dollars each year. The SBA responded to this economic impact on businesses by managing the creation of Business.gov. The one-stop Web site reduces the burden on the business community by eliminating the need to search through multiple Web sites to locate and access government information, services, and legal/regulatory requirements and forms. Additionally, the SBA is meeting the requirements of the Small Business Paperwork Relief Act by publishing a consolidated list of contacts on Business.gov from all Federal agencies as a reference for small businesses when questions arise.

The Business Gateway Initiative will continue to enhance Business.gov and pursue other burden reduction activities to help businesses find, understand, and comply with laws and regulations. By helping businesses find information faster and easier, the SBA is protecting and strengthening the foundation upon which small businesses operate.

**Linkage to Annual Performance Plans** – Success will be measured by using the following indicators<sup>2</sup>:

- Regulatory cost savings to small businesses
- The amount of regulatory comments addressed in 90 business days
- The number of hours businesses save finding business compliance information.

### **3.2. Foster a more small-business-friendly environment.**

#### **Means & Strategies –**

Address Macro Issues The SBA will strengthen its ability to achieve outcomes by improving its direct policies and procedures. In coordination with its partner Agencies and Departments, the SBA will enact policies and procedures that support and advocate on behalf of America’s small business community.

The Agency can achieve the best results by concentrating its efforts on the issues that lie specifically before it as directed by the Small Business Act.

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<sup>2</sup>The Office of Advocacy reports annually on performance measures. Because of the Office’s statutory independence, its performance is not tracked through SBA systems. Copies of the Office of Advocacy performance reports may be viewed at <http://www.sba.gov/advo/laws/flex/>.

SBA policies and rulemakings fall in five broad areas:

- Improving access to capital for small business;
- Helping small businesses receive their fair share of government contracts and furthering their business development;
- Ensuring that businesses and homeowners can recover from disasters that befall their community;
- Assisting with entrepreneurial training and technical assistance with special emphasis on underserved markets; and
- Working with other Federal agencies to better serve small businesses.

*Affect Public Policy* The SBA Administrator combines two roles, that of a senior Administration official as well as the head of the Agency. As a senior Presidential appointee, the Administrator has the ability to affect the national dialogue and debate over issues that affect small business yet are outside the SBA's direct responsibility or authority. The SBA will help explain Administration priorities on issues such as increasing access to affordable private health insurance, strengthening the Nation's commitment to free trade, fueling economic growth through lowering taxes and working to resolve issues concerning illegal immigration.

Through a leadership strategy consisting of communications (including opinion editorials and other written products), holding public events and speeches and testimony before Congress, the Agency will help drive public policy on issues important to the small business community.

*Influence U.S. Foreign Commercial Policy* The SBA, through active participation on the Interagency Trade Promotion Coordinating Committee (TPCC), the President's Export Council (PEC), Summit of the Americas Interagency Follow-up, Asia Pacific Economic Cooperation (APEC), and other interagency working groups, works to impact the Federal government's international commercial policy as it relates to small business.

In this capacity the SBA supports and contributes to Administration policy priorities and Presidential initiatives which include a small business component. Close working relationships with the Commerce and State Departments, and the U.S. Trade Representative help to ensure that small business concerns are considered in bilateral and multilateral trade negotiations and commercial dialog.

Strategic Goal 4	Strategic Objectives
<p><b>Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls.</b></p>	<ol style="list-style-type: none"> <li>1. Deploy a skilled workforce capable of executing high quality programs.</li> <li>2. Provide a safe and secure information system environment to support business decisions and Agency operations.</li> <li>3. Provide financial and performance management services to support efficient and effective program delivery.</li> </ol>

The SBA has made substantial progress in becoming more efficient. By restructuring key Agency operations and reengineering its largest loan programs, SBA has increased the number of 7(a) and 504 loans funded by over 100 percent since FY 2001 while reducing its total budget by 31 percent since 2001 (excluding the disaster program and Congressional initiatives). It is a success story of improving stewardship of taxpayer dollars while continuing to expand critical services. The SBA ensures the continuous improvement of its internal processes through the monitoring of key effectiveness and efficiency measures. One measure of the Agency's commitment to continuous improvement is its achievement of green progress ratings in seven of its eight President's Management Agenda (PMA) initiatives<sup>3</sup>. However, much work remains to be completed.

The SBA Office of Inspector General (OIG), and in some instances, the Government Accountability Office (GAO), identifies through audits, reviews, and investigations major management challenges that impede the successful implementation and efficiency of SBA's operations, stewardship and/or program delivery. While the SBA continues to make progress in eliminating these challenges, many of the actions require investments

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<sup>3</sup> The President's Management Agenda (PMA) contains five government-wide goals to improve federal management and deliver results – Human Capital; Competitive Sourcing; Financial Performance; E-Government; and Improving Performance. In addition, to these, SBA has three agency-specific goals – Faith-based and Community Initiatives; Eliminating Improper Payments; and Improved Credit Management. OMB evaluates the status and progress on each initiative quarterly and applies a three-tier rating – green, yellow, red. In addition to the progress ratings cited above, the SBA has two green, four yellow, and two red status ratings. All ratings are as of June 30, 2007.

and/or substantial changes in operations and/or regulations that span more than a single fiscal year.

The Agency will continue to improve the support provided to SBA program offices by key support organizations including human resources, information technology, and finance. In keeping with the broader Agency focus on customer service, the SBA support offices have developed measures of service and effectiveness associated with provision of services to internal SBA customers.

The specific means and strategies used to achieve the excellence goal and its associated objectives are described below.

**4.1. Deploy a skilled workforce capable of executing high-quality programs.**

**Means & Strategies** – Employees are essential to the success of any service organization and SBA’s people are its most critical resource. Employee surveys in FY 2004 and FY 2006 indicated low morale at the SBA. Furthermore, 34 percent of the SBA’s workforce will be eligible to retire by 2009. The SBA is addressing these critical issues through improved communication, training opportunities and recruiting.

The SBA’s continued implementation of its Human Capital plan will raise employee morale and enable the Agency to recruit, sustain and effectively deploy a skilled workforce. Our goal is to recruit, train and retain employees that will provide executive leadership and support functions to help accomplish the programmatic goals.

The Human Capital Assessment and Accountability Framework (HCAAF) System will ensure SBA’s human capital initiatives support the Agency’s mission, goals and objectives. The Framework incorporates elements of Strategic Alignment; Leadership and Knowledge Management; Results-Oriented Performance; Talent Management, along with Accountability.

This will help ensure that the Agency is capable of executing high quality programs and activities that meet the current and emerging needs of its customers.

The Agency will develop and implement a leadership succession planning strategy to ensure that the right people are hired into the right positions at the right time. The main components of this strategy are:

- Recruiting, retention and development of talented and skilled employees for mission critical positions
- Implementation of the leadership competency assessment for all managers and supervisors
- Implementation of the Leadership Effectiveness through Active Development (LEAD) management and supervisory training program
- Roll-out of the District Director's training program and the orientation program for newly-hired District Directors
- Development and implementation of a recruitment and orientation video.

The SBA will identify leadership competency gaps and develop a comprehensive curriculum map based on the skill gaps identified. The SBA will continue progress in aligning management and staff's Personal Business Commitment Plans with the SBA's strategic goals by:

- Implementing an on-line performance appraisal management system
- Revising a second Performance Appraisal Assessment Tool (PAAT)
- Further implementing improvement activities for mission critical occupations
- Continued accountability procedures, including audits, to ensure effective implementation of Agency merit-based strategic Human Capital Management practices.

The Agency will implement non-leadership succession planning by hiring at lower grades and implementing new recruitment strategies such as category ratings; better utilization of hiring flexibilities; and targeting recruiting for mission critical occupations.

The SBA is taking steps to expand internal communication processes to ensure employee awareness about such issues as:

- The operational changes as described in this plan.
- The environmental factors affecting the Agency.
- Agency leadership's ongoing efforts to guide the Agency in a manner consistent with
  - The President's Management Agenda,
  - Sound public policy, and
  - Effective organizational leadership.

Through organizational and employee assessments, we have determined that there are key skill deficiencies. The Agency has identified two primary categories for training:

- Assurance that our people have the right skills to do their jobs
- Assurance of a customer focus in the execution of our external programs and internal support functions

**Linkage to Annual Performance Plans** – Success will be measured by using the following indicators:

- Employee satisfaction surveys
- Progress and status ratings on PMA initiatives.

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**4.2. Provide a safe and secure information system environment to support business decisions and Agency operations.**

**Means & Strategies** – The SBA envisions an environment where the electronic transfer of applications and documents with customers and partners will occur seamlessly via Agency-wide systems supporting internal operations and bringing the SBA closer to the small business community and its resource partners.

The SBA will implement this vision through efficient and secure information systems and related technology. A key focus will be to leverage data and systems to support program execution and promote cost efficiency. The SBA has formalized IT capital planning and IT governance processes to ensure that IT investments complement existing systems and infrastructure and support the SBA's mission.

The SBA will continue to simplify the interaction between small businesses and the Federal government through the use of the Internet and information technology including Business.gov, the official business portal of the U.S. government.

The SBA will provide clear information on customer support services and will provide targeted training for each of the Agency's major information systems. Further, the SBA will conduct regular reviews of key information systems to ensure overall security and the protection of personally identifiable information.

**Linkage to Annual Performance Plans** – Success will be measured by using the following indicators:

- Progress and status ratings on PMA initiatives
- Hours saved in searching for relevant government information, such as forms
- Unscheduled IT system downtime
- IT security breaches.

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**4.3. Provide financial and performance management services to support efficient and effective program delivery.**

**Means & Strategies** – Financial management processes and systems will support SBA strategic management and financial accountability by providing financial information that is useful, relevant, timely, and accurate and which assists the SBA in maximizing program performance and accountability.

The SBA maintains a rigorous internal control process over its financial systems and reporting environment and is one of the few Federal agencies to include an independent audit committee as a key element in its control environment.

The SBA applies a cost allocation methodology whereby costs are assigned to all Agency activities that are in turn allocated across the Agency's programs. This process allows the SBA to calculate and monitor efficiency measures for the products and services it provides.

The SBA's planning and management efforts will result in clearly defined goals and effective strategies, and the coordination of operational support systems. This will maximize the Agency's mission performance. This effort will be facilitated by the development of a comprehensive management system that will integrate financial, performance, and human resource information. This will link to the Agency's internal management scorecard.

**Linkage to Annual Performance Plans** – Success will be measured by using the following indicators:

- Independent auditor's opinion on the SBA's financial statements
- Prompt implementation of Inspector General audit recommendations
- Progress and status ratings on PMA initiatives.

## Appendices

<b>Performance Planning</b>	<p>Performance planning at the SBA begins with the strategic plan that states the Agency’s mission and the strategic goals that the Agency works toward accomplishing. The plan provides the framework around which the Agency requests funding from the Congress. The strategic plan is implemented via annual performance budgets submitted to the Congress that include goals defining specific levels of performance (targets). At the close of each fiscal year an annual performance report is published that compares the actual levels of performance achieved against the targets and provides explanations and action plans for all variances. Annual performance budgets and reports may be viewed at <a href="http://www.sba.gov/aboutsba/budgetsplans/index.html">http://www.sba.gov/aboutsba/budgetsplans/index.html</a>.</p>
<b>Communication and Accountability</b>	<p>The Agency’s strategic and annual performance goals are communicated internally and externally via the Internet, public statements, and internal management meetings. Personal Business Commitments hold each senior executive accountable for achieving the results outlined in the Agency’s plans. Progress is monitored on a regular basis throughout the year.</p>
<b>Evaluations</b>	<p>The SBA uses a variety of methods and tools to evaluate its programs including independent evaluations, OMB’s Program Assessment Rating Tool (PART), and Office of Inspector General and General Accountability Office reports and evaluations.</p> <ul style="list-style-type: none"><li>• Independent evaluations are conducted on behalf of the SBA for the purpose of evaluating program effectiveness.</li><li>• OMB’s PART evaluates four elements of a program:<ul style="list-style-type: none"><li>○ Program Purpose and Design</li><li>○ Strategic Planning</li><li>○ Program Management, and</li><li>○ Program Results/Accountability.</li></ul></li><li>• The SBA’s Office of Inspector General, an independent oversight office within the SBA, conducts audits, investigations, and reviews relating to the Agency’s programs and support operations.</li><li>• The General Accountability Office, an independent organization established by the Congress, conducts program evaluations and analysis and makes recommendations to improve practices and operations of the programs that it reviews.</li></ul>

Evaluations considered in the development of this strategic plan include:

- The Debenture SBIC Program: A Comparative Analysis of Investment Patterns with Private Venture Capital Equity (Independent Evaluation)
- Public Sector Duplication of SBA Loan and Investment Programs (Independent Evaluation)
- OED Impact Study (Independent Longitudinal Evaluation)
- Section 504 Certified Development Company Guaranteed Loan Program (PART)
- SCORE (PART)
- Small Business Development Centers (PART)
- Disaster Loan Program (PART)
- Section 7(a) Guaranteed Loan Program (PART)
- Women's Business Centers (PART)
- 8(a) Business Development Program (PART)
- Historically Underutilized Business Zone - HUBZone (PART)
- Small Business Surety Bonds (PART)
- Small Business Investment Companies Debentures (PART)

Evaluations scheduled during the period covered by this strategic plan include:

- Analysis of Government Contracting Programs
- OMB PART – Annually (Programs to be determined in conjunction with OMB)
- OIG and GAO Reports and Evaluations (Scope and timing to be determined by OIG and GAO)
- OED Impact Study (Independent Longitudinal Evaluation)

**External Factors**

A variety of factors beyond the SBA's control can affect the attainment of the objectives identified in this Strategic Plan. The following matrix identifies those external factors.

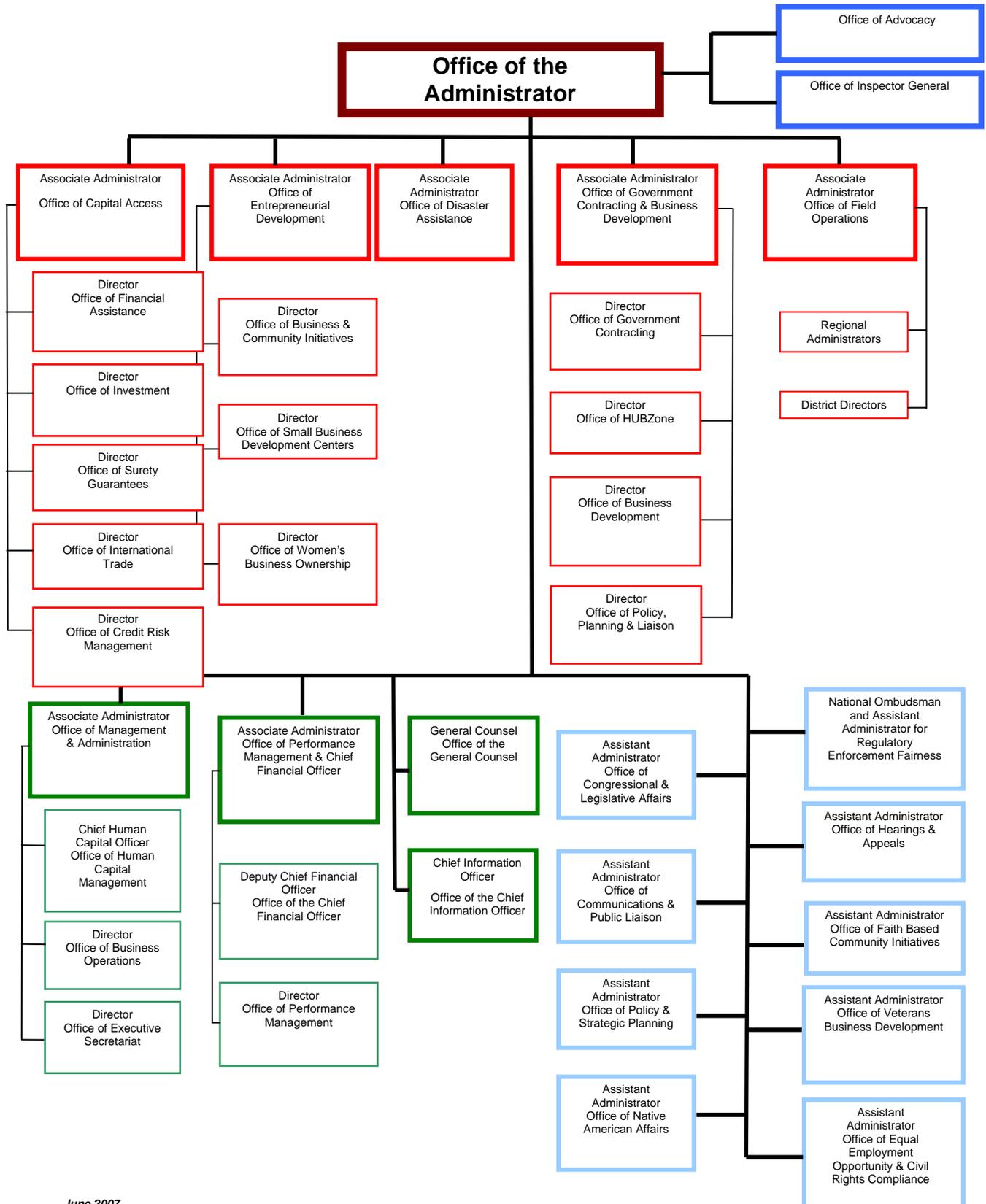
Factor	Objectives Impacted
The flow of men and women who wish to start a small business	1.1.
The SBA relies on other Federal agencies to meet targets and to maintain appropriate data quality standards for reporting contract awards to small businesses.	1.1., 1.2
The development of new guaranty products and/or delivery methods is limited by the level of risk the SBA can afford within its budget.	1.1.
Economic factors including inflation, sector changes, growth rates, unemployment trends, and the availability of capital can impact portfolio performance as well as demand for the SBA's programs.	1.1., 1.2., 3.2.
Availability of local matching funds for resource partners (e.g., state and local governments, colleges and universities, private sector)	1.1., 1.2
Local disasters	1.1., 1.2.
Changes resulting from Congressional mandates	1.1., 1.2., 1.3.
Availability of lender networks in undeserved markets	1.2.
Reaching out to underserved markets where access to credit is constrained may result in the Agency increasing its credit risk.	1.2.
Legislative changes that limit the SBA's ability to impose accountability requirements on lender and finance partners.	1.3.
Since the SBA has a fixed annual budget, significant variances in the number and scope of disasters can lead to additional funding requirements via supplemental appropriations, which are not assured. SBA's annual disaster loan budget	2.1.

Factor	Objectives Impacted
assumes an average disaster season.	
There can be instances where the catastrophic disaster damage is so extensive that long-term financial recovery provided by the SBA is not the immediate concern of the disaster victims. The primary concern may instead be emergency food and shelter. The SBA may be prepared to make and disburse loans, but the disaster victims may not be ready to make long-term recovery decisions. This can also impact the SBA's ability to meet its goals.	2.1.
The SBA relies on many partners across the spectrum of government to deliver timely financial assistance to disaster applicants. Those partners can face many challenges, including providing access to records and services during disaster. This lack of access can have a dramatic effect on the SBA's ability to provide timely assistance.	2.1.
Security concerns, immigration issues, health care mandates and many other issues drive our regulators to promulgate laws and regulations which increase the cost of doing business for the small business owner.	3.1.
The cooperation received from other agencies to provide compliance links for Business.gov.	3.1.
There are continued attempts to push the SBA to address issues beyond the authority of the Small Business Act and applicable laws and regulations. If enacted, some of these changes would have the Agency essentially duplicate the activities of other Federal organizations.	3.2.
The Agency is to be a responsible steward within its programs. The SBA also has the obligation to avoid the unnecessary duplication of programs and responsibilities with other	3.2.

Factor	Objectives Impacted
Agencies.	
As Congress passes laws amending the Small Business Act or other laws to require the Agency to undertake broader responsibilities, the policy focus of the SBA is diluted to incorporate those issues.	3.2.
Large-scale natural disasters can force the Agency to re-focus, shifting percentage of the SBA's personnel to the SBA Office of Disaster Assistance. This will have an effect on the other SBA programs.	1.1., 3.2.
No legal authority to force change. Many of the major public policy issues are outside the ability of the SBA to take direct action.	3.2.
The objectives of other Federal entities occasionally conflict with those of the SBA. There are legitimate differences of opinion among agencies over contracting priorities, policy decisions and research development programs. Within the interagency review process, all agencies are required – on occasion - to compromise to benefit the Nation as a whole.	3.2.

**Organization Chart**

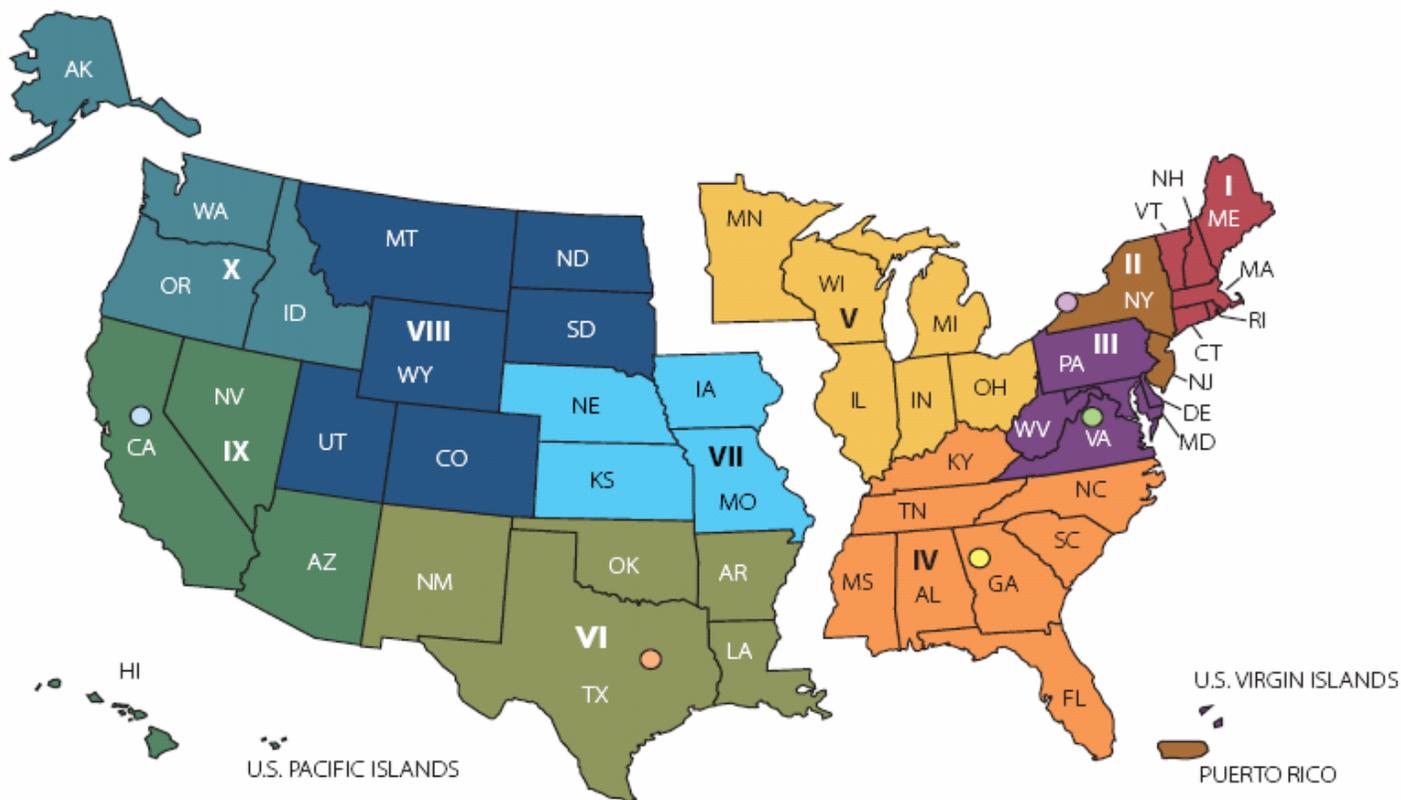
**United States Small Business Administration**



**Organization Map**

The SBA’s headquarters building is located in Washington, D.C., while its business products and services are delivered with the help of 10 regional offices, 68 district offices, their corresponding branch offices, and a vast network of resource partners in all 50 states, the District of Columbia, Puerto Rico, American Samoa, the U.S. Virgin Islands, and Guam.

**SBA REGIONS & DISASTER ASSISTANCE OFFICES**  
Locations and Territorial Responsibilities



**DISASTER ASSISTANCE OFFICES**

- Buffalo Customer Service Center (Nationwide)
- Herndon, DCMS Operations Center and Personnel and Administrative Support Center
- Atlanta Field Operations Center – East (Responsible for Regions I – V)
- Dallas/Fort Worth Loan Processing and Disbursement Center (Nationwide)
- Sacramento Field Operations Center – West (Responsible for Regions VI – X)

## **SI 2 – SBA Offices**

(In alphabetical order)

### **Office of Administration**

The Office of Administration plans, directs and executes all administrative management functions within SBA headquarters, and monitors administrative programs in field offices. The office develops policies and procedures for the procurement of supplies, equipment and non-personnel services. It also implements and manages approved grants and cooperative agreements.

### **Office of Advocacy**

The Office of Advocacy is an independent voice for small business within the federal government. It represents the interests of all small entities including small businesses, small organizations and small governmental jurisdictions. Appointed by the President and confirmed by the U.S. Senate, the Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Economic research, policy analyses, and small business outreach help identify issues of concern. Regional advocates and an office in Washington, DC, support the Chief Counsel's efforts. The Office of Advocacy's economic research, regulatory interventions, and model state legislation initiatives reduce regulatory barriers that impede small business growth and development.

### **Office of Capital Access**

The Office of Capital Access assists small businesses in obtaining the loans necessary for growth by being a gap lender, providing assistance to small businesses that otherwise would not qualify for un-guaranteed financing, obtaining equity, or taking advantage of procurement opportunities.

- The 7(a) loan program requires SBA's lending partners to certify that the applicant was unable to qualify for loans elsewhere on reasonable terms.
- The 504 program, which has a statutorily mandated job creation component, fills another lending gap by providing long-term, fixed rate financing for major assets such as real estate and heavy equipment.
- The Surety Bond Guarantee program serves as a gap surety bond credit provider expanding the bond credit and capacity of small contractors that would not otherwise be able to compete for public and private work.
- Small Business Investment Center financings generally support smaller transactions that may not otherwise receive funding from private venture firms or financial institutions.
- The Office of International Trade develops, oversees, and delivers SBA's technical assistance and export finance programs to small business exporters.
- The Office of Credit Risk Management provides risk management based on monitoring, reviewing, and oversight of the 7(a) and 504 lenders and microloan intermediaries; and monitoring and analysis of the 7(a), 504, microloan and disaster portfolios.

### **Office of the Chief Financial Officer and Performance Management**

The Office the Chief Financial Officer conducts and promotes effective financial management activities for the SBA including budget, credit subsidy, financial operations, financial systems and internal controls. It develops and maintains integrated accounting and financial management systems; directs, manages, and provides policy guidance and oversight of all Agency financial management personnel, activities, and operations; approves and manages financial management systems design and enhancement projects; develops budgets for financial management operations and improvements; implements Agency asset management systems; and monitors the financial execution of the Agency budget in relation to actual expenditures.

The office also provides tools and guidance to assist the Agency in expanding its capacity to conduct and use the results of program evaluations. It helps the Agency develop better performance measures; builds Agency capacity for results-based management through training and outreach to program offices; and supports the Agency's strategic planning. The office also prepares annual accountability and performance reports, and establishes and implements Agency-wide policies for management integrity and audit follow-up, including internal controls.

### **Office of the Chief Information Officer**

The Office of the Chief Information Officer provides information technology leadership, products, services and operational support for the SBA. The chief information officer is the principal advisor to the Administrator on information technology matters and has overall responsibility for developing, managing and monitoring SBA-wide IT systems, projects, personnel and expenditures. The office provides information technology governance support to the Agency, ensuring that the SBA manages its current and prospective IT investment portfolio in accordance with the laws, regulations and policies applicable across government.

The OCIO manages the SBA's functional IT units encompassing systems development, operations, voice and data communications and user support. The OCIO has responsibility for over 80 current, mission oriented IT systems that support SBA program delivery and enable the Agency to equip and outfit its employees with current hardware, software and computing tools, such as email, wireless capabilities and remote access for telecommuters. This office manages and maintains SBA's web presence on [www.sba.gov](http://www.sba.gov) and is also the federal managing partner for the *Business Gateway*, [www.business.gov](http://www.business.gov), a single site resource connecting government to the small business community and entrepreneurs.

The OCIO is also the Agency's lead office for information security, data privacy, electronic identity protection and incident reporting, including information technology aspects of *COOP*, continuity of operations planning.

### **Office of Communications and Public Liaison**

The Office of Communications and Public Liaison has the principal responsibility for developing and implementing effective communications strategies to ensure that the SBA's mission, programs, services and initiatives are articulated clearly and consistently to the American public in general and the small business community in specific. It supports field and program offices with planning and implementation of effective communications strategies. OCPL plays the chief role in articulating, explaining and promoting Agency policy and goals to the national news media.

Through OCPL, the SBA forms alliances with for-profit corporations, small businesses, non-profit organizations, trade and professional associations, academic institutions, and public-sector agencies. The alliances offer opportunities to network on areas of common interest.

### **Office of Congressional and Legislative Affairs**

The Office of Congressional and Legislative Affairs assist in the development of SBA legislative programs and serves as the communications focal point on legislation and congressional activity. CLA monitors legislation and policies introduced by Congress and government agencies to determine their effects on the SBA and small business. It furthers the goals of the SBA and enables Members of Congress to best serve their small business constituencies by promptly providing accurate, current, and continuous information to them, to congressional committees, and to others interested in SBA programs. It also devises and implements legislative strategy and has primary responsibility for all matters relating to congressional and legislative functions. It provides liaison with legislative personnel at the White House, the Office of Management and Budget, and various federal departments and agencies. It coordinates with program offices and field offices to ensure continuity and consistency in the SBA's communications with Congress.

## **Office of Disaster Assistance**

The Office of Disaster Assistance plays a vital role in the aftermath of disasters. Through ODA, the SBA is responsible for providing affordable, timely, and accessible financial assistance to homeowners, renters, and businesses of all sizes affected by disaster. Financial assistance is available in the form of low-interest, long-term loans. The SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses. ODA makes two types of disaster loans:

- Physical disaster loans are for permanent rebuilding and replacement of uninsured or underinsured disaster-damaged privately-owned real and/or personal property. The SBA's physical disaster loans are available to homeowners, renters, businesses of all sizes and nonprofit organizations.
- Economic injury disaster loans provide necessary working capital until normal operations resume after a disaster. Economic injury disaster loans are restricted to small businesses and non-profit organizations.

## **Executive Office of Disaster Strategic Planning and Operations**

The Executive Office of Disaster Strategic Planning and Operations reports directly to the SBA Administrator and is responsible for integrating disaster planning, preparedness activities and disaster response programs for all SBA offices.

The office provides direction and oversight to the Agency's Office of Disaster Assistance in coordinating the use of SBA resources to assist citizens, communities and businesses in response to disaster occurrences and long-term recovery needs. It also represents the SBA on various intergovernmental bodies related to disaster response and recovery and works to ensure that the Agency and its resource partners coordinate effectively to help serve disaster victims. The Agency's disaster training operations, exercises and simulation programs also fall under the purview of this office as does the responsibility for monitoring internal and external communications in times of disaster.

## **Office of Entrepreneurial Development**

The Office of Entrepreneurial Development serves the small business community through outreach and public/private sector collaborative ventures and other creative mechanisms, with the purpose of providing counseling and training to America's small businesses. OED provides entrepreneurs with free and low-cost education and training, topical information, and management assistance critical for sound decision-making.

- The Small Business Development Center program funds 63 lead centers and nearly 900 service locations in every state plus the District of Columbia and U.S. territories. Through these centers, and in partnership with the Association of Small Business Development Centers, the SBA provides up-to-date counseling, training and management assistance in all aspects of small business management.
- The Women's Business Centers program represents a national network of more than 110 educational resource centers designed to assist women start and grow small businesses. WBCs operate with the mission to level the playing field for women entrepreneurs, who still face unique obstacles in the world of business.
- SCORE is a nationwide network of nearly 11,000 volunteers who provide no-cost counseling and mentoring, online and face-to-face. The organization is a key resource partner of the SBA. Its mission is to provide resources and expertise to maximize the success of existing and emerging small businesses

- The Office of Entrepreneurship Education manages the SCORE program, the Small Business Training Network, the International Visitors' Service and other specialized entrepreneurial-focused initiatives.

### **Office of Equal Employment Opportunity and Civil Rights Compliance**

To advance Agency-wide diversity at all levels, and equal access to programs and activities receiving SBA financial assistance, this office works to prohibit discrimination against all SBA employees and applicants based on: race, color, sex, age, religion, disability, national origin, and retaliation for opposition to discriminatory practices or participation in the EEO process. The office of EEO and CRC also works to achieve equal employment opportunity for all qualified employees consistent with the nation's workforce diversity. The office works to ensure that no person in the U.S. is denied the benefits of, excluded from participation in, or subjected to discrimination under any program or activity receiving SBA financial assistance, based on race, color, sex, age, disability, national origin, and marital status (extension of credit). In addition, the office ensures that individuals with disabilities have equal access to SBA-conducted or co-sponsored programs and activities.

### **Office of the Executive Secretariat**

The Office of the Executive Secretariat works with senior management officials to formulate the Administrator's and Deputy Administrator's written correspondence. Under the leadership of the associate deputy administrator for management and administration, ExecSec reviews, edits, and manages correspondence, rules, and regulations. ExecSec also reports products to and from the Office of the Administrator, Deputy Administrator and chief of staff. Together with CLA, OGC, and program offices, ExecSec ensures that correspondence and written products are delivered in the most timely and efficient manner, while providing useful, reliable information, and advice to Congress, other federal agencies, and small business owners nationwide.

### **Office of Faith-Based and Community Initiatives**

Faith-based and community initiatives can play an important role in helping the SBA identify, train and finance the entrepreneurs whose businesses will bring jobs and hope to economically distressed communities across the nation. This office seeks to empower these groups to apply for federal grants. It supplies information and training in order to create a level playing field for faith-based and other community organizations to work with the government to meet the needs of America's communities.

### **Office of Field Operations**

The Office of Field Operations represents SBA field offices at headquarters. The office provides policy guidance and oversight to regional administrators and district directors in implementing Agency goals and objectives, and in solving problems in specific operational areas; establishes and monitors performance goals for district offices; provides associate deputy administrators, associate administrators and the general counsel with a vehicle for overseeing field office program and policy implementation; provides feedback to headquarters management regarding the performance of their programs; ensures that field offices have adequate input into all policy formation and participate in policy deliberations at headquarters; organizes reviews of field offices; and informs the SBA Administrator of field activity.

### **Office of General Counsel**

The Office of General Counsel provides legal advice in support of all SBA programs and initiatives. The office helps to minimize the Agency's legal risks and costs, reduce litigation exposure, and ensure compliance with the applicable statutes, regulations, Executive Orders and other legal requirements. OGC provides the legal support necessary to defend SBA's interest in judicial and administrative actions, and proactively represent the Agency in all legal matters that arise in the context of its financial assistance, procurement and contracting programs, as well as labor and employment disputes.

## **Office of Government Contracting and Business Development**

The Office of Government Contracting and Business Development promote increased small business participation in the federal procurement market for goods and services. The office fulfills SBA's statutory mission to ensure that a fair share of federal procurement goes to small businesses. Several of the government-wide goals are statutory, including those for small businesses, small disadvantaged businesses, women-owned small businesses, HUBZone small businesses, and service disabled veteran-owned small businesses.

- Prime Contracting — The office negotiates federal agency procurement goals, monitors performance, encourages the use of small business sources, provides procurement training and technical assistance to small firms, and provides policy direction and guidance to federal agencies.
- Subcontracting — The program works with large prime contractors to increase substantive small businesses; participation as subcontractors in the federal marketplace
- HUBZone empowerment contracting — This program stimulates economic development and creates jobs in urban and rural communities by providing federal contracting preferences to small businesses in historically underutilized business zones.
- 8(a) Business Development — This is a business assistance and procurement program for small disadvantaged businesses.

## **Office of Hearings and Appeals**

The Office of Hearings and Appeals provides an independent, quasi-judicial appeal of certain SBA program decisions. The office adjudicates disputes arising in numerous jurisdictional areas. These include appeals from SBA formal size determinations; appeals from contracting officer designations of NAICS codes for procurements government-wide; appeals from certain SBA determinations relating to development companies; and appeals from agency and private certifier small disadvantaged business determinations, all of which, by regulation, may be decided either by an administrative judge or an administrative law judge. The office's jurisdiction also includes 8(a) program eligibility, suspension, and termination appeals; and salary offset appeals, all of which by statute must be decided by an administrative law judge.

## **Office of Human Capital Management**

The Office of Human Capital Management develops and provides innovative human capital strategies. The OHCM advises SBA management with respect to selecting, developing and managing a high-quality, productive workforce. This office sets SBA's workforce development strategy; assesses current workforce characteristics and future needs based on SBA's strategic plan; aligns human resources policies with organization mission, strategic goals, and performance outcomes; develops and advocates a culture of continuous learning to attract and retain employees with superior abilities; identifies best practices and benchmarks studies; and creates systems for measuring intellectual capital and identifying links of that capital to organizational performance and growth. This position also implements laws, rules and regulations governing the civil service.

## **Office of the Inspector General**

The Office of Inspector General is an independent office created within the SBA by law to conduct and supervise audits, inspections, and investigations relating to SBA programs and supporting operations; to detect and prevent waste, fraud, and abuse; and to promote economy, efficiency, and effectiveness in the administration and management of SBA programs. The inspector general keeps the SBA Administrator and the Congress fully informed of any problems, recommends corrective actions, and monitors progress in the implementation of such actions. The two operating components of office are the Auditing Division and the Investigations Division. Each administers its respective activities through field offices around the

country. The Management and Policy and Counsel divisions support both the inspector general and the operating divisions by providing policy, planning, administrative, and legal services.

#### **Office of the National Ombudsman**

The Office of the National Ombudsman fosters a more small business–friendly federal regulatory enforcement environment by assisting small businesses when they experience excessive federal regulatory enforcement actions, such as repetitive audits or investigations, excessive fines, penalties, threats, retaliation, or other unfair enforcement action by a federal agency. It does this by evaluating how federal agencies treat small businesses during enforcement or compliance actions.

#### **Office of Native American Affairs**

The Office of Native American Affairs coordinates initiatives and develops policies and procedures to ensure that SBA assistance is made available to American Indians, Native Alaskans, and Native Hawaiians. The initiative consists of two major components: marketing and outreach, and training to enhance business opportunities.

#### **Office of Policy and Strategic Planning**

The Office of Policy and Strategic Planning is responsible for evaluating the existing policies and programs of the SBA as well as translating economic, social and demographic trends that have an impact on small business competitiveness into policy prescriptions that will allow the Agency to be more proactive in addressing the needs of small business.

#### **Office of Veterans Business Development**

Statutes direct the Office of Veterans Business Development to conduct comprehensive outreach on behalf of the Agency, and to be responsible for the formulation, execution, and promotion of policies and programs of the Administration. To accomplish these tasks, the office operates its national outreach Initiative through direct service delivery, funding agreements with resource partners, coordination of outreach and service delivery with federal agency partners, and through development of Agency program initiatives.

#### **Office of the National Women’s Business Council**

The Office of the National Women’s Business Council undertakes a variety of programs and initiatives in support of women-owned businesses. The council holds two public council meetings and other public roundtable events. It publishes research study reports, *Issue in Brief* reports (which synthesize and summarize federal and other research information for women business owners and policy makers on topics such as health care and federal procurement), and fact sheets on the numbers and growth of categories of women-owned firms. The council manages two websites, [www.nwbc.gov](http://www.nwbc.gov) and [www.womenbiz.gov](http://www.womenbiz.gov), plus a bimonthly e-newsletter, *Engage!*

## SI 3 – Detail of OIG Audit Follow-up Action Activity

### Disallowed / Questioned Costs

#### **Report # 9-09, Borrower Eligibility For Gulf Coast Disaster Loans**

**Summary:** The audit objective was to determine whether the SBA had controls in place to prevent ineligible applicants from receiving disaster loans. The audit recommended the Agency request remittance from HUD for a loan associated with a grant that duplicated disaster benefits awarded under an SBA loan.

**Final Action:** \$19,145.00 collected / \$0.00 written off

#### **Report # 9-13, Application Of Insurance Offsets On Disaster Loans For The Midwest Floods Of 2008**

**Summary:** The audit objective was to determine whether SBA properly reduced Midwest flood loan balances to reflect insurance offsets. The audit recommended the Office of Disaster Strategic Planning and Operations reduce four loan balances to prevent duplicate benefits.

**Final Action:** \$22,388.00 collected / \$0.00 written off

#### **Report # 3-30, Early Defaulted Loan To 2B Systems, Inc.**

**Summary:** The audit objective was to determine if the early loan default was caused by lender or borrower non-compliance with SBA requirements. The audit recommended the Agency seek recovery from the bank on the guaranty paid to it.

**Final Action:** \$0.00 collected / \$630,224.00 written off

#### **Report # 7-08, Audit Of SBAExpress And Community Express Loan Purchase And Liquidation Process**

**Summary:** The audit objective was to determine if the SBA Express and Community Express Loan Purchase process adequately identified lender deficiencies that would have affected purchase decisions. The audit recommended the Office of Financial Assistance determine if loan proceeds were used in accordance with the terms of the loan authorizations and to review specific loans for compliance with SBA rules and regulations and improper payments.

**Final Action:** \$0.00 collected / \$935,258.00 written off

#### **Report # 8-08, UPS Capital Business Credit's Compliance With Selected 7(a) Lending Requirements**

**Summary:** The audit objective was to determine whether UPS Capital Business Credit complied with SBA's requirements for documentation. The audit recommended SBA obtain the appropriate use of loan proceeds documentation for the loans reviewed or repair the guarantees for those loans for which appropriate documentation cannot be obtained. Also, to repair the guaranty purchase amount for one loan associated with loan proceeds that were used to pay the lender's loan origination fee.

**Final Action:** \$1,198,774.36 collected / \$3,118,225.64 written off

#### **Report # 8-18, Audit Of Six SBA Guaranteed Loans**

**Summary:** The audit objective was to review six loans with egregious deficiencies that were part of a statistical sample of charged off loans to determine if full denial is warranted. The audit recommended the Office of Financial Assistance seek recovery plus interest from several lenders.

**Final Action:** \$2,216,738.36 collected / \$4,543,645.64 written off

## **Funds Put To Better Use**

### **Report # 9-11 SBA Serviced Liquidation Of Certified Development Company Loans**

**Summary:** The objectives of this audit were to determine whether SBA's liquidation efforts maximized recoveries and if centralization improved the liquidation process. The audit recommended the Office of Financial Programs evaluate whether staffing and process improvements introduced after the audit enabled the Centers to complete all required liquidation actions.

**Final Action:** \$12,700,000.00 implemented / \$0.00 not implemented

### **Table III**

(Tables I and II are in the Office of Inspector General section, OIG Audit Follow-up.)

### **Final Action on Audit Recommendations Not Completed Within 1 Year**

October 1, 2008 – September 30, 2009

### **Report # 0-14, 7(a) Service Fee Collections**

**Program:** OCFO

**Date Issued:** 03/30/2000

**Management Decision Date:** 08/22/2000

**Explanation:** The recommendation is to establish receivable accounts for 7(a) loan service fees. This final action cannot be completed until October 2011 when the LMAS receivable calculation function has been implemented.

### **Report # 3-08, SBA's Oversight of the Fiscal Transfer Agent for the 7(a) Loan Program**

**Program:** CA

**Date Issued:** 01/30/2003

**Management Decision Date:** 10/15/2003

**Explanation:** The recommendation is to develop SBA procedures and regulations governing the proper operation of the Master Reserve Fund. This final action is expected by 03/31/2010.

### **Report # 3-26, Microloan Program: Moving Toward Performance Management**

**Program:** Microloan

**Date Issued:** 05/13/2003

**Management Decision Date:** 08/28/2003

**Explanation:** Three recommendations remain open to the Office of Financial Assistance (OFA). 1) Work with the Office of Field Operations to establish a task force to develop a system for district office marketing and oversight of the Microloan program. Increased marketing efforts for microloans are currently on hold as funding levels for the program are uncertain. 2) Ensure the development of a comprehensive Microloan program SOP. OFA had previously completed a draft SOP for the Microloan Program. The Office of General Counsel is leading a team to revise the draft SOP. 3) Ensure program goals are set and outcome-oriented data. Principal program goals are set forth in the SBA microloan regulations and these can only be modified with a regulatory change. With the absence of an approved budget, the Agency determined that it would not be appropriate to request a regulatory change. Final actions for these recommendations are expected by 12/31/2009.

### **Report # 4-34, SBA's Process for Complying With the FMFIA Reporting Requirements**

**Program:** OCFO

**Date Issued:** 07/29/2004

**Management Decision Date:** 09/09/2004

**Explanation:** The two recommendations remaining open are to the Office of the Chief Financial Officer to revise, clear and issue the draft SOP 00 02 3 and clearly define material weakness as it relates to SBA and at the different levels of management within the Agency. The new Internal Control SOP is in clearance. These final actions are expected to be completed by 03/31/2010.

**Report # 4-40, SBA Guaranteed Loan To Elatec Technology Corporation And HK Equipment, Inc.**

**Program:** OPM

**Date Issued:** 09/13/2004

**Management Decision Date:** 04/06/2007

**Explanation:** This recommendation is to recover from the lender the \$246,460 paid to purchase the guaranty on a loan. This recommendation had previously been elevated to the Deputy Administrator to determine how to proceed. But, it was not resolved. It is being resubmitted to the new COO. A final action is expected to be completed by 11/30/2009.

**Report # 4-41, Selected SBA General Support Operating Systems**

**Program:** OCIO

**Date Issued:** 09/10/2004

**Management Decision Date:** 11/09/2004

**Explanation:** There are two open recommendations to the Office of Chief Information Officer. These recommendations are related to systems patches and security fixes and a monitoring strategy. The last of the software has been procured and will be installed during October 2009. One recommendation is believed resolved, but the OCIO is meeting with the OIG to discuss additional corrective action. Both of these final actions are expected to be completed by 10/31/2009.

**Report # 5-12, SBA's Information System Controls for FY 2004**

**Program:** OCIO

**Date Issued:** 02/24/2005

**Management Decision Date:** 04/18/2005

**Explanation:** The one remaining open recommendation is to the Chief Information Officer to develop logging procedures for all SBA internal and contractor supported general support systems and major applications. This is believed to be resolved; the OCIO is meeting with the OIG to discuss additional corrective action. This final action is expected by 10/31/2009.

**Report # 5-23, SBA's Administration of Its Special Appropriations Grant**

**Program:** OA

**Date Issued:** 09/21/2005

**Management Decision Date:** 05/01/2006

**Explanation:** There are five open recommendations to the Office of Administration to develop policies and procedures regarding the Agency's grants portfolio, obtain documentation that shows all costs charged to the grant are allocable and allowable, include guidelines in the grant application instructions that clearly define key personnel, obtain all performance and financial reports as required by the terms of the grant, and consider invoking SBA authority to suspend grantee payments until earlier audit recommendations are addressed. The Office of Business Operations will distribute information to all DPGM staff; a revised SOP will also cover this information. These recommendations are expected to have final actions by 12/31/2009.

**Report # 5-28, Review of SBA Procedures for Cash Gifts**

**Program:** OA

**Date Issued:** 09/30/2005

**Management Decision Date:** 02/23/2006

**Explanation:** The one open recommendation is to the Office of Administration to streamline procedures to obligate funds within five working days after a commitment document is approved. Procedures were still in final clearance at the close of the fiscal year. This recommendation was closed on 10/01/2009.

**Report # 6-04, SBA's FY 2005 Financial Statements****Program:** OCFO**Date Issued:** 11/15/2005**Management Decision Date:** 05/10/2006

**Explanation:** There is one open recommendation to the Office of the Chief Financial Officer to coordinate with the Office of Procurement and Grants Management to implement timely closeout procedures and strengthen monitoring procedures to ensure that all grant undelivered orders are supported by evidence as to their need and validity. A new Oracle report was developed to simplify the reconciliation and close-out process. This report was presented to grant program offices in a training session. The corrective actions are ongoing. This recommendation is expected to have final action by 12/31/2009.

**Report # 6-10, SBA's FY 2005 Financial Statements Management Letter****Program:** OCFO**Date Issued:** 01/18/2006**Management Decision Date:** 03/06/2006

**Explanation:** There is one open recommendation to the Office of the Chief Financial Officer to update the accounting SOP to include SBA's policies and procedures for processing detailed accounting transactions. A draft SOP is about to go into clearance. SBA continues to update and use online tables to document its accounting transactions' policy and procedures. It was decided to make this a feature of SBA's ELIPS system. We will include this on the FY 2010 priority list for development activities and will continue to include it as a requirement for LMAS. The recommendation is expected to have final action by 03/31/2010.

**Report # 6-25, SBA's Implementation of the Improper Payments Information Act (IPIA)****Program:** OCFO**Date Issued:** 06/21/2006**Management Decision Date:** 07/19/2006

**Explanation:** The recommendation is to the Office of the Chief Financial Officer to develop Procedure Notices or SOPs as internal guidance when changes to IPIA requirements are issued by OMB. The new Internal Control SOP is in clearance. This final action is expected to be completed by 03/31/2010.

**Report # 7-03, SBA's FY-2006 Financial Statements****Program:** M&A**Date Issued:** 11/15/2006**Management Decision Date:** 01/04/2007

**Explanation:** The recommendation is to the Chief Operating Officer, in conjunction with appropriate program officials, to ensure that policies are implemented regarding segregation of duties for FRIS, JAAMS, DCMS and LAS. Pending system integration will establish roles and responsibilities with respect to Oracle and the contract writing system. This final action is expected to be completed by 10/30/2009.

**Report # 7-21, SBA's Use of the Loan and Lender Monitoring System****Program:** OCRM**Date Issued:** 05/02/2007**Management Decision Date:** 09/22/2008

**Explanation:** The recommendation is to the Office of Credit Risk Management to develop and implement comprehensive loan monitoring policies and procedures. Lender Oversight Regulations were published as an Interim Final Rule in January 2009. This was a critical step toward the creation of a Lender Enforcement SOP. This SOP was written and is currently in clearance. This final action is expected to be completed by 12/31/2009.

**Report # 7-28, SBA's Oversight of Business Loan Center, LLC****Program:** Office of the Administrator**Date Issued:** 07/11/2007**Management Decision Date:** 09/16/2008

**Explanation:** The recommendation is to the Office of Capital Access to mitigate risk and promote consistent and uniform enforcement actions by developing SOPs that provide an integrated system of enforcement activities. An SOP governing lender oversight supervision and enforcement actions is in clearance for internal review. The final action is expected to be completed by 12/31/2009.

**Report # 7-32, Advisory Memorandum: Surety Bond****Program:** OSG**Date Issued:** 09/28/-2007**Management Decision Date:** 11/27/2007

**Explanation:** The recommendation is to the Office of Surety Guarantees to require a surety to perform specific actions before hiring a replacement contractor. A regulation addressing this situation is in clearance. This final action is expected to be completed by 12/31/2009.

**Report # 8-06, SBA's FY 2007 Financial Statements Management Letter****Program:** OFA**Date Issued:** 12/14/2007**Management Decision Date:** 12/18/2007

**Explanation:** There are three open recommendations to the Office of Capital Access. 1) To mitigate potential risks regarding the guaranteed loan purchase process, issue the updated SOP 50 51, Loan Liquidation and Acquired Property. A proposed revision to SOP 50 51 Chapter 13 will be incorporated into the SOP. 2) Implement procedures regarding the evaluation of lenders. A policy decision will be developed along with an update to the SOP. 3) Implement an action plan for timely updating, reviewing and approving of SOPs. Comprehensive updates to SOP 50 10 have been issued. Teams were formed to revise the liquidation SOP 50 51 and place the revision into the formal clearance process. These three final actions are expected to be completed by 03/31/2010.

**Report # 8-09, Loan Classifications and Overpayments on Secondary Market Loans****Program:** OFA**Date Issued:** 03/26/2008**Management Decision Date:** 09/03/2008

**Explanation:** There are nine open recommendations to the Office of Financial Assistance to revise the classification procedures to ensure loan currency is not solely based on the next installment due date, take additional actions to ensure lenders comply with the requirements for reporting next installment due dates on 1502 reports, develop a mechanism to identify loans with no principal reduction for 60 days or more, ensure SBA is in compliance with the 1086 agreement, modify the 1086 agreement to require lenders request guarantee purchase when interest is 120 days or more past due, ensure guarantees are purchased within 30 days of the lender's demand, conduct post purchase reviews of the 15 loans with inappropriate billings, discontinue the practice of including the amount of SBA's servicing fees in the purchase payment to the Fiscal and Transfer Agent, and reduce the servicing fees owed the lender at the time of purchase by the amount of fees owed SBA from the lender. Final actions for all nine recommendations were submitted in September, these are being carefully reviewed to assure all findings were adequately addressed.

**Report # 8-12, Oversight of SBA Supervised Lenders****Program:** CA**Date Issued:** 05/09/2008**Management Decision Date:** 06/26/2008

**Explanation:** The three open recommendations are to the Office of Capital Access to establish risk mitigation goals applicable to each loan program and the entire lending portfolio, develop SOPs that establish a hierarchy of enforcement actions, and develop guidance addressing when corrective action plans should be required. These final actions are expected to be completed by 12/31/2009.

**Report # 8-13, Planning For the Loan Management and Accounting System Modernization and Development Effort**

**Program:** CA

**Date Issued:** 05/14/2008

**Management Decision Date:** 08/11/2008

**Explanation:** There are three open recommendations. One recommendation is to the Office of Financial Assistance to Make cost-effective remediation of mainframe vulnerabilities a priority and ensure that migration of LAS occurs before the current mainframe contract expires in 2012 to reduce SBA's mainframe costs and timely mitigate associated security risks. The remaining two recommendations are to the Office of the Chief Information Officer to ensure interim remediation and prioritization of loan accounting system vulnerabilities and to design and implement an enterprise-wide quality assurance function that fulfills responsibilities of the Clinger-Cohen Act. These final actions are expected to be completed by 12/31/2009.

**Report # 8-14, Non-Native Managers Secured Millions of Dollars from 8(a) Firms Owned By Alaska Native Corporations**

**Program:** BD

**Date Issued:** 08/07/2008

**Management Decision Date:** 09/25/2008

**Explanation:** The recommendation is to the Office of Field Operations to perform a workforce analysis of staffing levels at the Alaska District Office. An additional position was allotted which resulted in two new hires bringing staffing levels to a sufficient level to handle the additional workload. This final action is expected to be completed by 10/31/2009.