



**U.S. Small Business Administration  
Office of Inspector General  
Washington, D.C. 20416**

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**REPORT NUMBER 13-19**

**DATE:** September 27, 2013

**To:** Jonathan Carver, Chief Financial Officer

**SUBJECT:** Evaluation of SBA's Implementation of the GPRA Modernization Act of 2010

This report presents the results of our review of the Small Business Administration's implementation of the Government Performance and Results Act Modernization Act of 2010 (Modernization Act). The objective of this evaluation was to determine if the SBA met statutory reporting requirements of the Modernization Act<sup>1</sup> in its 2014 Agency Performance Plan and 2012 Agency Performance Report. To conduct our review, we evaluated the SBA's Performance Management reporting to include its 2013 and 2014 Agency Performance Plans, 2011 and 2012 Agency Performance Reports, and Agency Quarterly Performance Update presentations. The OIG also evaluated a limited sample of program performance indicators to understand how performance information is reported to the SBA Performance Management Office. We performed this review in accordance with *Quality Standards for Inspection and Evaluations* issue by the Council of the Inspectors General on Integrity and Efficiency.

We found the SBA to be generally compliant with the Modernization Act's reporting requirements; however, we did identify omissions in a few areas. We have made one recommendation to help improve the SBA's Modernization Act Reporting.

## **Background**

In 1993, Congress passed the Government Performance and Results Act (GPRA), which requires federal agencies to engage in project management tasks such as setting goals, measuring results and reporting their progress. In order to comply with GPRA, agencies produce strategic plans, performance plans, and reports on their performance. In 2010, Congress enhanced GPRA with the adoption of the GPRA Modernization Act (Modernization Act), which helps agencies to focus on their highest priorities by utilizing Agency Priority Goals. Guidance for complying with the Modernization Act is provided via Office of Management and Budget (OMB) Circular No A-11 (August 2012). Part 6 of A-11 provides specific instructions to government agencies on how to report on their performance measures to the OMB and Congress.

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<sup>1</sup>The statutory requirements are described in OMB Memorandum M-11-31, *Delivering an Efficient, Effective, and Accountable Government* and OMB Circular A-11, Part 6 (issued August 2012), *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports*.

## Results

Our review indicated that the SBA adhered to most of the requirements set forth in OMB Circular A-11, Part 6. We observed that the 2014 Agency Performance Plan, 2012 Agency Performance Report, and Agency Quarterly Performance Update presentations followed general guidelines. However, our review also found opportunities for improvement. Enhancements in the following areas would enable the agency to fully comply with all reporting requirements:

- Modernization Act guidance requires agencies to identify Management Challenges and provide planned actions, performance indicators, and performance goals to resolve the Management Challenges within their Agency Performance Plan. Management Challenges are the agency programs and activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement, or inefficiencies. While the SBA OIG has published its annual report on the *Most Serious Management and Performance Challenges facing the Small Business Administration*, the SBA did not address the Management Challenges in their 2014 Agency Performance Plan, as required.
- Strategic Objectives reflect the outcome or management impact the agency is trying to achieve. Modernization Act guidance requires agencies to include at least one performance goal for each Strategic Objective. However, the SBA has only identified performance goals for 6 of the 12 Strategic Objectives listed in their 2014 Agency Performance Plan and 2012 Agency Performance Report. The Strategic Objectives without required performance goals include:
  - *1.6: Strengthen outreach to underserved communities and underserved populations*
  - *2.2: Invest in SBA's employees so they can effectively serve small business*
  - *2.3: Mitigate risk to taxpayers and improve oversight across SBA programs*
  - *3.1: Collaborate with other agencies to strengthen the delivery of programs, resources, and services*
  - *3.2: Foster a small business-friendly environment by encouraging federal agency awareness about the impact of unfair regulatory enforcement and compliance efforts, reducing burdens on small business and improving small business research*
  - *3.3: Promote the availability, analysis, and dissemination of the most current, accurate, and detailed statistics possible on small business.*

Without performance goals, the SBA is not able to measure progress towards achieving their Strategic Objectives.

- Modernization Act guidance requires agencies to designate a person to lead, oversee and be accountable for the implementation of each agency Strategic Objective. The SBA did not identify Goal Leaders for any of its Strategic Objectives in the 2014 Agency Performance Plan.
- Agency Priority Goals (APGs) are a new reporting requirement under the 2010 Modernization Act. These APGs are chosen from a subset of agency performance goals and reflect the agency's highest priorities as determined by the agency head. Further, the guidance requires the agency to discuss APG progress in their Annual Performance Report. While the SBA's four APGs are tracked on [Performance.gov](http://Performance.gov), the SBA did not include any of its Agency Priority Goals within the 2012 Agency Performance Report.

- Modernization Act guidance requires agencies to identify performance goals changed or dropped since publication of the previous year's Annual Performance Plan, if such changes were approved by OMB, and the reasons for the changes. The SBA did not identify or explain the reasons for dropping two performance goals<sup>2</sup> between the publication of the 2011 and 2012 Agency Performance Report.

## Conclusion

The objective of this evaluation was to determine if the SBA has met statutory reporting requirements of the Modernization Act as described in OMB Memorandum M-11-31, *Delivering an Efficient, Effective, and Accountable Government* and OMB Circular A-11, Part 6 (August 2012), *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports*. We found the SBA generally compliant with the Modernization Act's statutory reporting requirements. Further, implementation of the additional provisions of the act identified in our findings and summarized in our recommendation will provide the SBA with additional tools for planning, communicating priorities and focusing agency action.

## Recommendation

We recommend that the SBA include in their 2015 Agency Performance Plan and 2013 Agency Performance Report all requirements, as described in the latest version of *OMB Circular A-11, Part 6* (issued July 2013), required information, specifically:

- Identify planned actions, performance goals, indicators and milestones used to measure progress toward achieving Management Challenges.
- Identify a limited number of long-term performance goals for each Strategic Objective included in the strategic plan.
- Identify the agency official's title and the organization responsible for the achievement of each Strategic Objective.
- Identify which performance goals are Agency Priority Goals.
- Identify performance goals changed or dropped since publication of the latest Annual Performance Plan, if such changes were approved by OMB, and the reasons for the changes.

## Agency Comments and OIG Response

On August 20, 2013, we provided a draft of this report to the Chief Financial Officer and Performance Management Office. On September 18, 2013, the Office of Inspector General received a response from the Chief Financial Officer. The Chief Financial Officer concurred with the recommendation listed above. The full text of the SBA's response is included in Appendix I to this report.

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<sup>2</sup> Goals dropped: 1) The SBA will increase the average hours of counseling per client for all OED resource partner programs by two percent, and 2) In order to promote innovation along with commercial success, the SBA will target a TBD percent commercialization rate for SBIR awards in FY 2013.

We appreciate the courtesies and cooperation of the Office of the Chief Financial Officer and Performance Management Office during this audit.

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/s/

Robert A. Westbrook

Deputy Inspector General



U.S. SMALL BUSINESS ADMINISTRATION

Appendix I

WASHINGTON, D.C. 20416

To: Robert A. Westbrook  
Assistant Inspector General for Auditing

From: Jonathan I. Carver /s/  
Chief Financial Officer

Date: September 18, 2013

Re: Response to Draft Report on the "Evaluation of SBA's Implementation of the GPRA Modernization Act of 2010"

In the subject report, the Office of Inspector General finds the "SBA to be generally compliant with the Modernization Act's requirements; however we did identify omission in a few areas." The report further states that they had made one recommendation (five parts) to help improve the SBA's Modernization Act Reporting.

### **Response to Draft Report**

#### Background

The report states that OCFO adhered to most of the requirements set forth in OMB Circular A-11, 1 Part 6. The report further states that "the 2014 Agency Performance Plan, 2012 Agency Performance Report, and Agency Quarterly Performance Update presentations followed general guidelines."

The OIG recommended enhancements in the following areas that would enable the agency to fully comply with all reporting requirements:

1. The SBA did not address the Management Challenges in their 2014 Agency Performance Plan.
2. A performance goal was not identified for each strategic objective.
3. The SBA did not identify Goal Leaders for any of its strategic objectives in the 2014 Agency Performance Plan.
4. SBA did not include any of its Agency Priority Goals with the 2012 Agency Performance Report.

5. The SBA did not identify or explain the reasons for dropping two performance goals between the publication of the 2011 and 2012 Agency Performance Report.

Management's response to the recommendation in the draft report is noted as follows:

- 1. Identify planned actions, performance goals, indicators and milestones used to measure progress toward achieving Management Challenges.**

OCFO concurs with this recommendation. To the extent possible, we will include this information in future Agency Performance Plans.

- 2. Identify a limited number of long-term performance goals for each Strategic Objective included in the strategic plan.**

OCFO concurs with the process of identifying performance goals for the strategic objectives in our strategic plan.

- 3. Identify the agency official's title and the organization responsible for the achievement of each Strategic Objective.**

OCFO concurs with this recommendation. We will include Goal Leaders (as titles only) for each strategic objective.

- 4. Identify which performance goals are Agency Priority Goals.**

OCFO concurs with this recommendation. We will identify which performance goals are Agency Priority Goals.

- 5. Identify performance goals changed or dropped since publication of the latest Annual Performance Plan, if such changes were approved by OMB, and the reasons for the changes.**

OCFO concurs with this recommendation. We will identify performance goals that were deleted or changed since publication of the latest Annual Performance Plan and the reasons for the changes.

Thank you for the opportunity to review the draft report. Please let me know if you need additional information or have any questions regarding our response.