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United States General Accounting Office
Washington, DC 20548

Resources, Community, and
Economic Development Division

B-283476

September 2, 1999

The Honorable Christopher Bond
Chairman
The Honorable John Kerry
Ranking Minority Member
Committee on Small Business
United States Senate

The Honorable James M. Talent
Chairman
The Honorable Nydia M. Velazquez
Ranking Minority Member
Committee on Small Business
House of Representatives

Subject: Small Business Administration: Information on the Women's Business Center Program

The Small Business Reauthorization Act of 1997 created the Small Business Administration's (SBA) Women's Business Center Program.¹ This program was intended to remove the barriers to creating and developing small businesses owned and controlled by women. The program provides grants for private sector organizations to establish business training centers for women—often focusing on those who are socially and economically disadvantaged. The women's business centers are financed by SBA funds and matching funds from nonfederal sources. The grants are awarded through a competitive process for periods of up to 5 years. The amount of the nonfederal match increases over the life of a grant, going from \$2 of federal money for each \$1 of matching funds the first year to \$1 of federal money for each \$1 of matching funds by the fifth year. As of program year 1999, 58 centers were receiving SBA funding.

In preparation for reauthorizing this program, you requested (1) a description of the women's business centers, including their funding status, their experiences in raising matching funds, the types of services offered in a women's business center's first and last year of grant funding, and the differences between "parent" and "satellite" centers; (2) a determination of the extent to which SBA's award criteria predict long-term success or failure of women's business centers; and (3) our comments on the Office of Women's Business Ownership's

¹The Congress passed the Women's Business Ownership Act of 1988 mandating that the SBA create and administer what was then called the Women's Business Owner Demonstration Program. The 1997 Reauthorization Act made the program permanent. SBA's Office of Women's Business Ownership administers this program.

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compliance with legislative reporting requirements and the inherent difficulties with obtaining the required data from the women's business centers. This letter summarizes the information presented to your staff at our briefings on August 5 and August 11, 1999, and formally transmits the briefing charts.

In brief, we found that the women's business centers that have received SBA grants differ in their statuses and circumstances. Over two-thirds of the centers that currently receive grant funds or that received funding from SBA in the past continue to operate as women's business centers. Most of these centers reported in a survey we conducted that they were able to raise the required level of matching funds. Of those centers whose grants had expired, most continued to offer the same types of services after SBA funding ended as they had in the first and last year of their grant funding. Satellite centers reported providing the same types of services to their clients as those provided by parent centers.² Satellite status offered advantages and disadvantages, with some parent centers providing their satellites with office space and furniture, while other parent centers used their satellites only to generate income for the parents' benefit.

In our review of SBA's program records, we did not find a link between a center's scoring well on the criteria for awarding funds and the center's continued operation. Our analysis revealed that of the top-scoring centers in a given year, about as many are currently open as are closed.³ We found that after an SBA grant term expired, the primary reason a center closed was the inability to raise funds. In terms of the characteristics of successful centers, we did not find major differences between centers that continue to operate and those that have closed.

Women's business centers find it easier to meet some mandated reporting requirements than others. For example, the centers said that they could provide SBA with data on the number of clients who receive assistance but that it is much more difficult to provide information on clients' gross incomes. Additionally, some centers expressed dissatisfaction with SBA's computerized data tracking system, saying that it is prone to errors. The Office of Women's Business Ownership recognizes the problems with the tracking system and is in the process of establishing a new one. The women's business centers also made suggestions that they said would improve the program, such as extending the grant period beyond 5 years and reducing the amount of matching funds they are required to raise.

In performing our work, we were unable to fully respond to your request for some data for program years 1989 through 1998 because of limitations in SBA's records and databases. First, many of the program data on amounts available and disbursed to grantees prior to 1996 were incomplete or unavailable, having been archived or destroyed. Although we were able to obtain financial information for program years 1996 and 1997 (see enc. I), we had to perform follow-up and additional analysis because the initial data provided were not

²"Parent" women's business centers receive grant funding directly from SBA, while satellite centers receive funding from parent centers instead of directly from SBA.

³We looked at the top three scorers for the program years 1989 through 1998 for which SBA was able to provide data.

complete. Second, our review of top-scoring centers was limited to 5 program years of data (1991, 1993, 1995, 1997, and 1998) because SBA was unable to provide this information for other years.⁴ SBA officials told us that some of the requested information was destroyed due to federal paperwork reduction standards, but this does not explain why data were available for 1991 and 1993 but not 1992. Finally, during our review of program files, and even with the help of program staff, we could not find all the financial information for the last completed program year that centers are required to submit. After we discussed this latter problem with the Assistant Administrator for the Office of Women's Business Ownership and the Deputy Assistant Administrator for Procurement and Grants Management at the end of our audit work, the Deputy Assistant was able to provide us with the missing financial information that we requested for the last program year.

We conducted a telephone survey of centers that previously received or are currently receiving SBA grant funds. Although the primary purpose of our telephone survey was to gain a comprehensive perspective from the women's business centers of program operations and issues, we incorporated questions into our survey to obtain missing program information. We will provide additional details about the program's data limitations in a separate letter to SBA's Administrator.

The briefing slides are presented in enclosure I and the additional geographic information you requested in enclosure II. We performed our work from May through August 1999 in accordance with generally accepted government auditing standards. Our scope and methodology is presented in enclosure III.

We provided SBA with a draft of our report for its review. We met with SBA officials, including the Assistant Administrator for the Office of Women's Business Ownership and the Deputy Associate Deputy Administrator for Entrepreneurial Development to obtain their comments. SBA generally agreed with the information presented in the briefing charts and provided technical changes and suggestions for clarification, which we made as appropriate.

We are also sending copies of this report to the Honorable Aida Alvarez, Administrator, Small Business Administration. Please contact me at (202) 512-7631 if you or your staff have any questions. Major contributors to this report were Thomas Barger, Ginger Kellar, Mike Mgebhoff, Cheri Truett, Kathryn Wilke, and Carol Anderson-Guthrie.


Stanley J. Czerwinski
Associate Director, Housing and
Community Development Issues

Enclosures - 3

⁴The Office of Women's Business Ownership did not issue a request for proposals for new centers in 1994, and officials told us that in 1996, they did not issue any competitive awards.

GAO

Small Business Administration
The Office of Women's Business Ownership

Women's Business Centers

GAO Objectives

- What is the status of women's business centers (WBC)?
 - Is there a link between award criteria and the centers' continued operations?
 - What difficulties does the Small Business Administration's (SBA) Office of Women's Business Ownership (OWBO) have in meeting mandated reporting requirements?
-

GAO Results in Brief

- Most centers continued to be active, raised matching funds, and provided the same level of services throughout the program and after graduation.
 - No link was identified between SBA's award criteria and the centers' continued operation.
 - Reporting requirements are difficult for both the centers and OWBO to meet, and communication problems exist.
-

GAO Methodology

- We interviewed:
 - OWBO Director and staff,
 - SBA Grants Management staff,
 - First OWBO Director,
 - Representatives of Association of Women Business Owners,
 - SBA Inspector General staff, and
 - District Office Technical Representative - Washington, D.C.
-

GAO Methodology (Cont.)

- We reviewed program files and data for current and graduated centers from:
 - OWBO and
 - Grants Management.

 - We visited the Washington, D.C., WBC.

 - We conducted a telephone survey with 76 currently funded and graduated centers that have received WBC funds.
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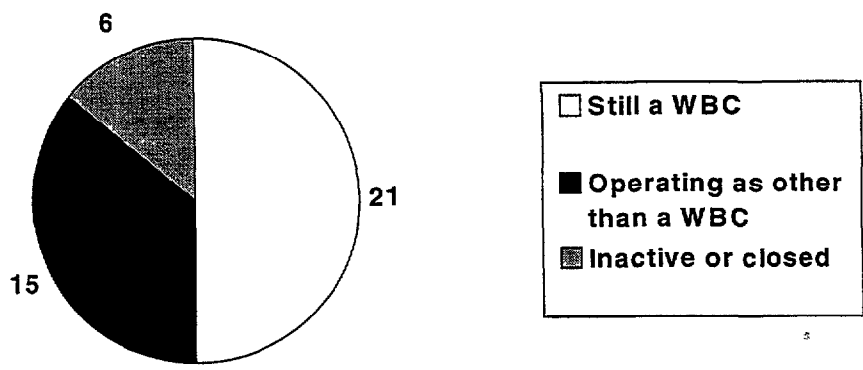
**GAO Objective 1 - Status of
Women's Business Centers**

	<u>Number of centers as of FY 1998</u>		
	<u>OWBO's annual report</u>	<u>GAO's review of OWBO documents</u>	<u>GAO's survey respondents</u>
Currently funded	37	36	34
Graduated active	22	22	21
Inactive or closed	23	26	21
Total	82	84	76

Note: OWBO's and GAO's numbers differ because OWBO did not count 3 centers that had received WBC funding and counted 1 center that had not actually received WBC funding. As a result, GAO's total is 2 higher than OWBO's initial count. All but 8 of these centers responded to our survey.

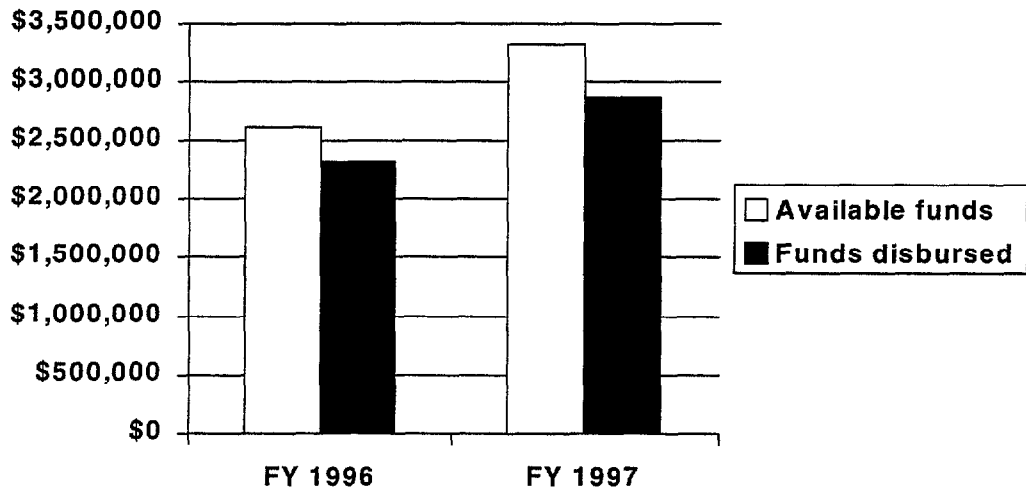
GAO 42 Centers No Longer Receive OWBO Funding

Number of centers



Source: GAO's survey results.

GAO Most Available Grant Funds Were Disbursed to Grantees

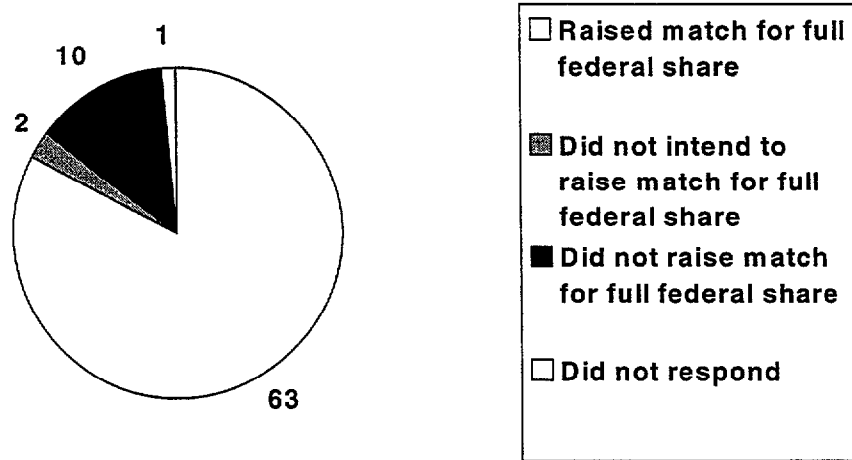


Note: FY 1996 and 1997 were the only years for which OWBO could provide sufficient data; we performed additional analysis to make the data usable. The 1998 program year had not ended at the time of our review.

Source: Analysis of data provided by OWBO.

GAO Most Centers Raised Required Matching Funds for Full Federal Share

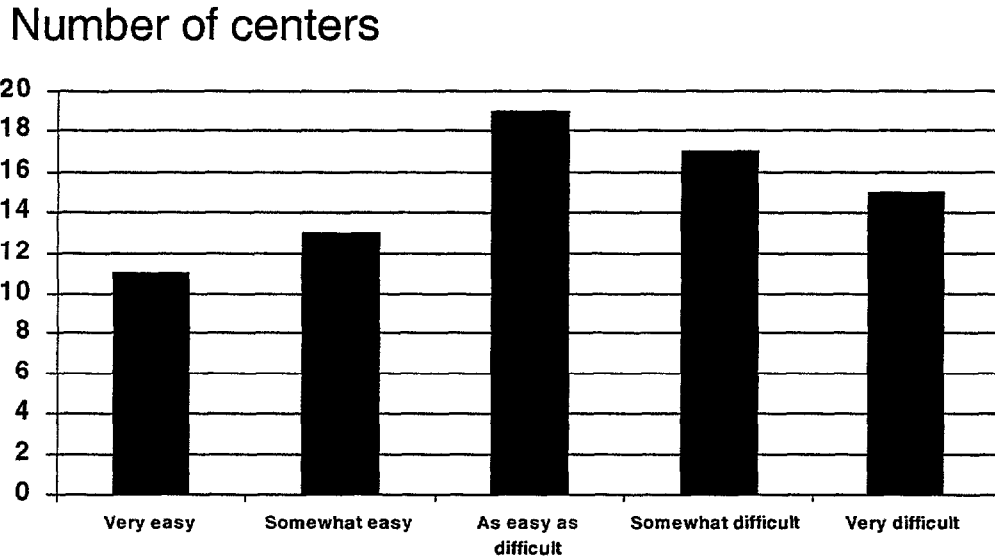
Number of centers



Note. Some survey respondents told us they did not raise or did not intend to raise their full match and as a result did not receive the full federal share.

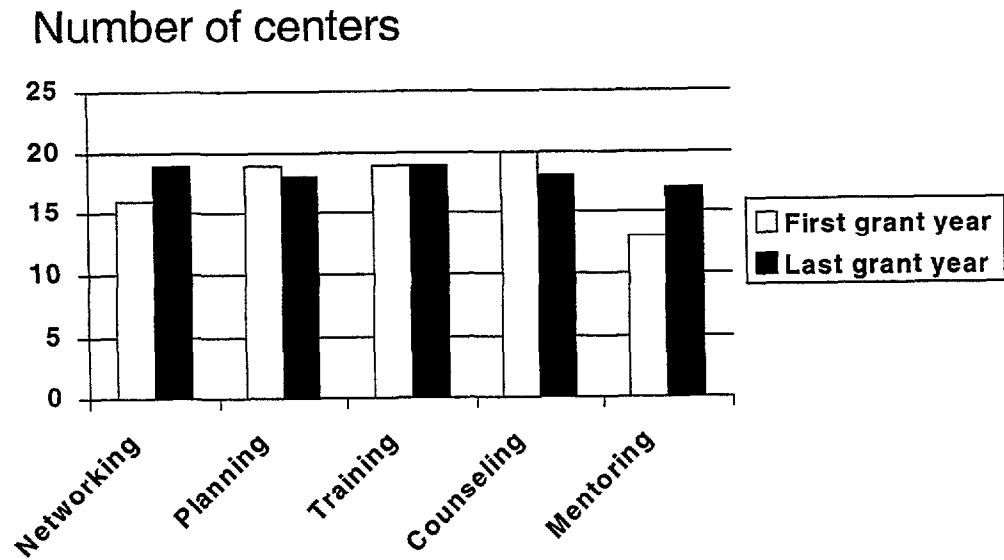
Source: GAO's survey results.

GAO Experiences Raising Matching Funds in First Year Was Mixed



Source: GAO's survey results.

GAO Most Graduated Centers Offered All Services in First and Last Grant Years



Note: In conducting our telephone survey, we found no indication that the level of services offered changed after a center's graduation.

Source: GAO's survey results.

GAO Satellite and Parent Centers' Services
Did Not Differ

- OWBO does not have an official definition of a satellite center.
- A satellite can be described as a center that is not directly funded by OWBO.
- Little difference exists between parent and satellite centers because almost all satellite centers provide all services.

Note: Of the 15 satellite centers responding to our survey, 12 offered every identified service.

GAO Being a Satellite Center Has Advantages and Disadvantages

- Parent centers may provide in-kind support—e.g., office space, furniture, assistance with funding.
 - Parent centers may provide donor contacts or lend their “name recognition” to their satellites.
 - Parent centers may not be supportive—e.g., may charge for overhead costs or use satellites as “cash cows.”
-

GAO Objective 2 - Link Between Award Criteria and Continued Operation

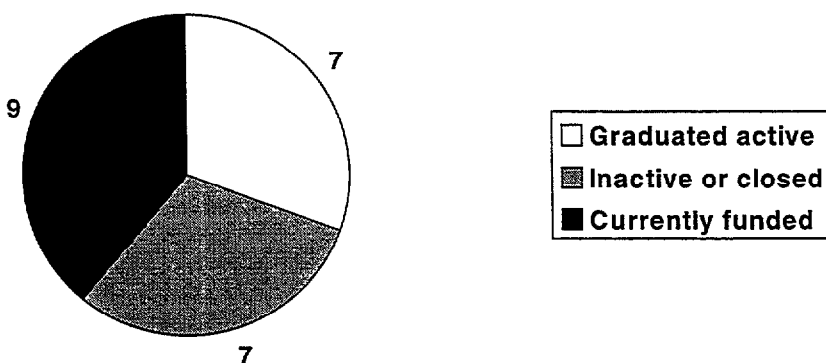
We did not find a link between award criteria and the centers' continued operation.

- Criteria included programmatic approach, understanding of the problem or need, organizational qualifications, and cost.
- From OWBO, we requested the names of the three top-scoring award proposals for each program year.
- OWBO was able to provide data for only 5 of the program years—1991, 1993, 1995, 1997, and 1998.

Note: OWBO did not issue a proposal for new centers in 1994, and OWBO officials told us that in 1996, they did not issue any competitive awards. Officials also said that information prior to 1993 should have been destroyed due to federal paperwork reduction standards.

GAO Status of 23 Top-Scoring Centers

Number of centers



Note: The number of top-scoring centers surpasses 15 for 5 program years because some of the parent centers were operating more than one satellite. With the exception of the 1997 program year, at least one top scorer is classified under "graduated active," "closed," or the status is uncertain. No major difference exists between 1997 criteria and 1998 or 1995.

Source: GAO's analysis of data provided by OWBO.

GAO Inability to Raise Matching Funds Was
Major Reason for Closing

Reasons given	Number of centers
Unable to raise matching funds	14
Lack of a strong fund-raising strategy	7
Lack of state or municipal funding	5
Lack of community support	4
Board members not actively involved in fund-raising	4

Note: A total of 21 inactive, closed, or terminated centers responded to this question.

Source: GAO's survey results.

GAO Possible Characteristics of Successful Centers

We spoke with:

- OWBO staff,
- Representatives of the Association of Women's Business Centers, and
- Women's business centers staff.

They provided us with a list of likely characteristics of successful centers tied to:

- Executive director's prior experience,
 - Composition of center's board of directors, and
 - General characteristics (e.g., level of community support or a strong fund-raising strategy).
-

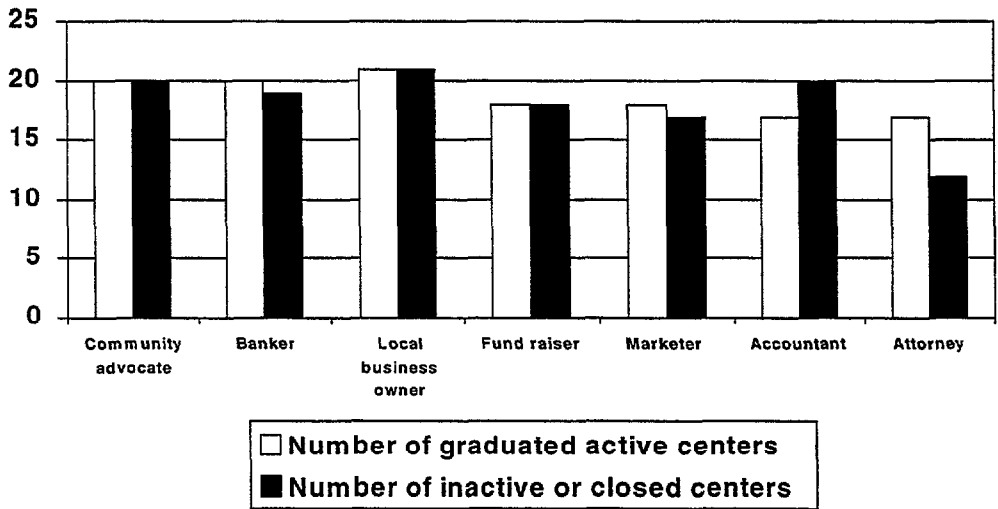
GAO Characteristics of Successful Centers

Our survey found no link between these characteristics and the success of the centers.

For example, the composition of a center's board of directors was not an indicator of success.

GAO No Relationship Between Makeup of Board of Directors and a Center's Success

Directors' professions



Source: GAO's survey results.

GAO Objective 3 - OWBO Difficulties in Meeting Mandated Reporting Requirements

Able to report:

- Number of individuals receiving assistance and
- Number of start-up businesses formed.

Difficulties in reporting:

- Gross receipts of assisted businesses,
- Increases or decreases in profits of assisted businesses, and
- Increases or decreases in employment at assisted businesses.

Note: OWBO officials said that some difficulties in reporting are due to problems that centers have in getting this type of information from businesses in their formative years.

GAO Three Issues Limiting OWBO's Reporting to the Congress

- Centers reported that communication lapses occur within the program—e.g., redundant requests for information from headquarters and the district office and delays in reimbursements to the centers.
- Centers reported having difficulty with OWBO's computerized tracking system (OWBOTrack)—e.g., it is not compatible with some centers' software.
- Centers and OWBO report that clients are reluctant to divulge financial information because of privacy concerns; hence, the centers' records may not be complete.

Note: SBA has designed a new client tracking system that the agency plans to implement in FY 2000.

GAO Open-Ended Survey Responses: WBCs'
Suggestions to Improve Program

- Improve OWBOTrack.
 - Extend the grant cycle beyond 5 years.
 - Reduce the nonfederal match.
 - Allow the centers to recompete.
 - Ensure the success of currently funded centers before funding new centers.
 - Improve communication among OWBO, district office, and the centers.
 - Reduce redundant data requests.
-

Women's Business Centers:
Matching Funds Raised

State	City	Center	Raised full match	Did not raise full match*	Did not intend to raise full match*
Alabama	Mobile	Women's Business Assistance Center	X		
Alaska	Anchorage	YMCA Women's Fund	X		
Arizona	Phoenix	Self-Employment Loan Fund	X		
California	Long Beach	American Women's Economic Development Corporation	X		
	Orange County	American Women's Economic Development Corporation	X		
	Palos Verdes	Women's Business Owner's Corporation	X		
	Fort Bragg	Women's Economic Self-Sufficiency Training	X		
	Oakland	Women's Initiative for Self-Employment	X		
Colorado	Denver	Mi Casa Resource Center for Women, Inc.	X		
Delaware	Wilmington	YWCA of New Castle County	X		
District of Columbia		National Women's Business Center	X		
Georgia	Atlanta	Women's Economic Development Agency	X		
Illinois	Chicago	Women's Business Development Center	X		

Enclosure II

State	City	Center	Raised full match	Did not raise full match*	Did not intend to raise full match*
	Joliet	Women's Business Development Center	X		
	Rockford	Women's Business Development Center	X		
Iowa	Iowa City	Institute of Social and Economic Development	X		
Kentucky	Ashland	Venture Concepts	X		
Louisiana	New Orleans	Women Entrepreneurs for Economic Development	X		
Maine	Wiscasset	Coastal Enterprises, Inc.			X
Maryland	Baltimore	Women Entrepreneurs of Baltimore	X		
Massachusetts	Boston	Center for Women and Enterprise	X		
Michigan	Ann Arbor	Center for Empowerment and Economic Development	X		
	Detroit	Excel	X		
	Grand Rapids	Excel	X		
	Grand Rapids	Grand Rapids Opportunities for Women	X		
Minnesota	Bemidji	Women in New Development		X	
	Fosston	The People Connection	X		
	Mahnomen	Women's Business Development	X		

Enclosure II

State	City	Center	Raised full match	Did not raise full match*	Did not intend to raise full match*
Mississippi	Mound Bayou	Mississippi Women's Economic Entrepreneurial Project	X		
Missouri	St. Louis	National Association of Women's Business Owners	X		
Montana	Helena	Career Training Institute	X		
	Helena	Montana Capital Fund	X		
	Missoula	Montana Community Development Corporation	X		
Nevada	Las Vegas	Nevada Self-Employment Trust	X		
New Hampshire	Portsmouth	Women's Business Center Inc.	X		
New Mexico	Albuquerque	Women's Economic Self-Sufficiency Team		X	
	Farmington	Women's Economic Self-Sufficiency Team		X	
	Las Cruces	Women's Economic Self-Sufficiency Team		X	
	Santa Fe	Women's Economic Self-Sufficiency Team		X	
	Taos	Women's Economic Self-Sufficiency Team		X	
New York	New York City	Women's Venture Fund	X		
	New York City	Asian Women in Business			X

Enclosure II

State	City	Center	Raised full match	Did not raise full match*	Did not intend to raise full match*
North Carolina	Fayetteville	Women's Center of Fayetteville	X		
North Dakota	Fargo	Women's Business Institute	X		
Ohio	Akron	Women's Business Resource Network	X		
	Athens	Women's Business Resource Network	X		
	Canton	Women's Business Resource Network		X	
	Cincinnati	Women's Business Resource Network	X		
	Cleveland	Women's Business Resource Network	X		
	Columbus	Women's Business Resource Network	X		
	Elyria	Women's Business Resource Network	X		
	Hillsboro	Women's Business Resource Network	X		
	Toledo	Women's Business Resource Network	X		
	Yellow Springs	Women's Business Resource Network	X		
Oklahoma	Oklahoma City	Working Women's Money University	X		
Oregon	Portland	Native American's Business Network	X		
	Medford	Southern Oregon's Women's Access to Credit		X	
Pennsylvania	Philadelphia	Women's Business Development Center	X		

Enclosure II

State	City	Center	Raised full match	Did not raise full match ^a	Did not intend to raise full match ^a
	Pittsburgh	National Association of Women's Business Owners		X	
Puerto Rico	San Juan	Women's Business Institute		X	
South Carolina	Columbia	Columbia College	X		
South Dakota	Watertown	Entrepreneur Network for Women	X		
Tennessee	Nashville	National Association of Women's Business Owners	X		
Texas	Fort Worth	Fort Worth International Center	X		
	Mercedes	Rio Grand Valley	X		
	San Antonio	Southwest Resource	X		
	Austin	Texas Center for Women's Business Enterprise	X		
	Dallas	Texas Center for Women's Business Enterprise	X		
	Houston	Texas Center for Women's Business Enterprise	X		
Utah	Salt Lake City	Utah Tech Financial Corporation	X		
	Salt Lake City	Women's Business Center at the Chamber	X		
Washington	Seattle	Community Capital Development	X		
West Virginia	Charleston	Center for Economic Opportunities	X		

Enclosure II

State	City	Center	Raised full match	Did not raise full match ^a	Did not intend to raise full match ^a
Wisconsin	Madison	Wisconsin Women's Business Initiative Corporation	X		
	Milwaukee	Wisconsin Women's Business Initiative Corporation	X		

^aSome survey respondents told us they did not raise or did not intend to raise their full match and, as a result, did not receive the full federal share.

Source: GAO's survey results.

Scope and Methodology

To obtain an overview of the history, funding, organizational structure, and issues associated with the Women's Business Centers Program, we conducted interviews with the Director and staff of the Small Business Administration's (SBA) Office of Women's Business Ownership, SBA Grants Management staff, and the first Director of the Office of Women's Business Ownership. We also visited a women's business center in Washington, D.C. We interviewed officials of the SBA Office of Inspector General about their work on the program. To obtain data showing funding for all the centers, we reviewed and analyzed files and financial data from the Office of Women's Business Ownership and SBA Grants Management. We discussed the results of our analyses with officials from the Office of Women's Business Ownership and SBA Grants Management.

To document the status and issues concerning women's business centers and the factors that may affect the centers' operations and funding, we developed a telephone survey instrument. To identify all centers that received grants, we reviewed the Office of Women's Business Ownership's March 31, 1999, Women's Business Centers Programs, Report on History of Grants, FY 1989 Through FY 1998. Working with the Office's officials, we confirmed the contact information for all currently and previously funded centers. To identify factors that should be used in the survey, we interviewed representatives of the Association of Women's Business Centers, the SBA District Office Technical Representative in Washington, D.C., and officials of the Office of Women's Business Ownership. We tested and modified the survey instrument and conducted the telephone survey of the identified centers during June 1999. Of a total of 84 centers, 76 responded to the survey.

To determine whether there is a link between the criteria for awarding funding and continued center operations, we reviewed and analyzed the Office of Women's Business Ownership's award criteria and discussed changes in the criteria with program officials. In addition, we identified the three top-scoring centers for 5 years and determined whether these centers were open or closed. We also analyzed our survey results to determine if there were differences in the characteristics of centers that remained open and those that closed.

To determine whether the Office of Women's Business Ownership experienced difficulties in meeting legislatively mandated reporting requirements, we reviewed the Office's annual reports and discussed the reporting requirements with officials. In addition, we analyzed our survey responses to identify specific reporting difficulties encountered by the centers.

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