



Highlights of [GAO-08-995](#), a report to the Chairman, Committee on Small Business and Entrepreneurship, U.S. Senate

## Why GAO Did This Study

Over the past 6 years, the Small Business Administration (SBA) has sought to transform the agency and improve its operations. A major focus of transformation was to centralize the remaining loan functions performed by 68 district offices. SBA's implementation of early transformation efforts did not reflect key practices GAO recommended in a 2003 report as important for successful transformations. Consequently, its centralization of the guaranty purchase process for one of its loan programs resulted in backlogs and other problems reported by SBA's Inspector General. Some of SBA's actions also led to a reduction in staff at district offices and a decline in employee morale. GAO was asked to assess how SBA has (1) responded to GAO's 2003 recommendations, (2) addressed the impacts of transformation on employees, (3) defined the roles and responsibilities of district offices, and (4) assessed the centralization of loan functions. GAO reviewed documents related to SBA's transformation and reform efforts, interviewed SBA officials, and analyzed SBA employee survey data. GAO also visited 10 district offices and two centers and interviewed groups of employees.

## What GAO Recommends

GAO recommends that SBA (1) develop a strategic training plan and (2) develop measures to track and monitor quality assurance of its centralized loan guaranty purchase process. In its comments, SBA agreed with these recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-995](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

## SMALL BUSINESS ADMINISTRATION

### Opportunities Exist to Build on Leadership's Efforts to Improve Agency Performance and Employee Morale

#### What GAO Found

In the past 2 years, SBA has applied key practices that support successful transformations to improve agency operations and, thereby, has taken actions to address recommendations GAO made in its 2003 report, including improving communication, performance management, and employee involvement. The Administrator appointed in 2006 emphasized the importance of transparency in his reform agenda and took actions to improve communications across the agency. The development of a performance management framework was a key step in linking the agency's reforms with strategic goals and employee roles. The Administrator also made a concerted effort to engage SBA's employees in improving the agency, and meetings with employees affirmed that these efforts had a positive effect. Some employees continued to feel that management does not consider their ideas and concerns. SBA recently conducted focus groups to understand these concerns and plans to implement initiatives to address them. SBA senior officials also said that they are taking steps to institutionalize these improvements. SBA leadership's commitment will be important to ensure that the agency's transformation and reforms are successful.

SBA took some actions to address its low employee morale, which had declined significantly following the centralization efforts, as shown in the 2004 and 2006 Federal Human Capital Surveys. SBA's 2007 survey results suggest that these recent actions, such as improving communication and training, have had a positive impact on employees. The creation of SBA University in 2007 was an important action since it provided training and also showed that the agency was willing to invest resources in the development of employees. SBA officials said they are developing a core training program. However, SBA has not developed a training plan that lays out goals, strategies, and milestones. Such a plan would help to establish priorities and could assure employees that SBA remains committed to developing its employees.

SBA continues to define the roles and responsibilities of the district offices, as evidenced by its recent determination that district offices should retain a role in loan processes that have been centralized. District directors and employees made positive comments about the flexibility they had in using resources to meet office goals. But they also said that they still were adjusting to new responsibilities and the reduction of staff in their offices.

SBA recently re-engineered its guaranty purchase process. Its measures to track progress have emphasized the timeliness of the process, completeness of packages lenders submit, and customer service. SBA reviews each purchase decision and is developing a new quality assurance review process, but has not yet developed performance measures to track the quality of its purchase reviews. SBA Inspector General audits have noted concerns about the quality of purchase reviews and found that the center's purchase reviews do not adequately prevent improper payments. Performance measures could provide more attention to the quality of reviews.