

**Testimony of  
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**Before the  
Senate Committee on Small Business & Entrepreneurship  
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Chairman Kerry, Ranking Member Snowe and Members of the Committee, thank you for the opportunity to speak with you today regarding the Small Business Administration's (SBA) programs that support women's entrepreneurship and business development. I am Anoop Prakash, Associate Administrator for the Office of Entrepreneurial Development (OED), and have been with the SBA since May 2007.

In my brief time at the Agency, I have had the privilege and opportunity to meet with many Women's Business Center (WBC) directors and counselors, women small business owners, and leaders of the National Women's Business Council, to discuss women's entrepreneurship and the state of SBA programs serving women. During this period, I have witnessed a renewed sense of optimism and energy in the community of WBCs and women owners of small businesses. This is due in part to increased transparency, accountability, and accessibility of agency contracting and grant programs, demonstrated by the SBA publication of agency-wide procurement scorecard in July.

While the majority of my discussions have been overwhelmingly positive, I am also aware of the management challenges that have resulted in grant disbursement backlogs and delays, and other customer service issues that have affected at least one-third of Women's Business Centers and have periodically placed them in difficult financial circumstances.

My remarks today will focus on three key areas – First, I will share some key performance metrics and trends regarding SBA programs and their engagement with women entrepreneurs. Second, I will provide an update on the WBCs grant program, including a discussion of management challenges and plans to implement new legislation in FY2008. Lastly, I will discuss the great progress made in making women-owned business government contracting achievement more transparent and thus holding agencies accountable.

**Performance Metrics across all SBA Programs and Services**

I am proud to share with you several performance measures from our technical assistance and capital access programs as they relate to women clients.

In 2006, the SBA Entrepreneurial Development network, which includes Small Business Development Centers (290,582), WBCs (86,126), SCORE (96,788), and on-line training through the SBA's Small Business Training Network (SBTN) (163,880),



accounted for 637,376 women entrepreneurs counseled or trained. Overall, women represent 45% of all clients counseled and trained.

Also worth noting is that the number of loans, both 7(a) and 504, made to women has been on the upswing. At this point in 2006, 20,321 7(a) loans had been made to women clients compared with 21,324 thus far in 2007, an increase of approximately 5%. In the 504 portfolio, 1,475 loans were made to women at this point last year compared to 1,630 today, an increase of 5.25%.

Three months ago, the Agency launched the Patriot Express Loan Pilot Program. Patriot Express is available to veterans, service-disabled veterans, active-duty service members eligible for the military's Transition Assistance Program, reservists and National Guard members, current spouses of any of the above, and the widowed spouse of a service member or veteran who died during service or of a service-connected disability. To date, 211 Patriot Express loans have been made and of those, 40 have been to women with an average loan amount of \$84,800. Thus, 20% of the Patriot Express loans that have been approved were made to women owned small businesses.

### **Women's Business Center Program: Management Challenges and Opportunities**

I am particularly proud to be working with the dynamic social entrepreneurs who lead the network of WBCs. These centers distinguish themselves by going beyond the task of small business counseling, by also creating a community of mutually supporting women entrepreneurs, counselors and mentors in their respective locations.

The centers account for roughly 10% of the total clients served by OED's technical assistance programs (1,420,897 in 2006), and receive 11% of the grant funds. Over the course of the program's life, the number of WBCs has grown steadily, starting with 13 centers in 1989, with 96 centers receiving funds in 2007, and an additional 26 centers that have previously graduated from the grant program.

While the size of the network has grown, including an eightfold increase in appropriated funds over 18 years, the SBA resources assigned to manage and provide service to the portfolio of centers, namely the Office of Women's Business Ownership (OWBO) and Division of Procurement and Grants Management (DPGM), have declined due to decreases in the overall Agency budget.

The result has been a program that has outgrown the initial set of policies and manual, paper-based procedures, and an Agency program office that has had challenges managing the enormous amount of reimbursement requests and oversight paperwork generated in supporting the 96 centers in the program under the current process.

Since the program offices have been aware of these challenges during early FY2007, both OWBO and DPGM took specific measures to improve the grants process. For example, realizing that the process was inefficient and WBCs were often unclear as to what paperwork was required, OWBO created a grant disbursement manual, with the



assistance of DPGM, and presented the manual at the annual Post Award Conference in September 2006. The manual and training were very well received by the WBCs.

After the 2006 post awards, in response to additional WBC concerns, OWBO and DPGM began examining its processes and identifying bottlenecks and inefficient or unnecessary steps in the payment process.

As a result of this examination, on March 1, 2007, OWBO and DPGM took the following actions:

- Centralized the processing of pay requests to one point of contact in its office, to improve continuity of service to the WBCs
- Eliminated the submission of the pay request first to the district office and advised centers to submit the requests directly to the OWBO pay request manager, to eliminate a bottleneck in the current process
- Created a log to track the receipt and processing of pay requests, to measure and track the length of time for processing
- Initiated a prescreening process, to identify any missing documentation prior to a review of the pay request, eliminating the time spent reviewing incomplete requests
- Implemented a policy of notifying the WBC when a pay request has been forwarded to DPGM with a recommendation for payment, to increase transparency

These changes have resulted in a more efficient processing of pay requests, though there are additional improvements we can make to better serve WBCs.

As the manager accountable to the Administrator for the performance of the Office of Women's Business Ownership, I have spent a considerable amount of time trying to understand the customer service, management and performance issues in my first 3 months with the Agency. As recent as last week, my team and I had focused meetings with senior lead directors of the WBCs programs, board members from the Association of Women's Business Council, and our SBA District Office Technical Representatives who work most closely with the WBCs in their districts to understand what is working and what is not working. We came away with a rich set of concerns and recommendations that will inform our work going forward.

Further, we have taken the opportunity to explore best practices and centers of excellence across the Federal government in how other agencies manage similar grant disbursements more effectively.

Lastly, we fully embrace the Inspector General's report, which will clarify some of the existing issues we have not considered, and inform our efforts by providing us a series of recommendations which will greatly improve the current process.

It is clear to all involved that the program policies and procedures, as administered by the OWBO and DPGM, requires a focused re-engineering effort to



automate the exchange of forms and information, and streamline the number of reviews and touch-points within the Agency. We are committed to engaging in the re-engineering process immediately, in time to effect and enhance the performance of the program in the new fiscal year.

### **Women's Business Center: Implementation of Recent Legislation**

I would now like to address the committee regarding our plans to implement the legislation included in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery and Iraq Accountability Appropriations Act of 2007, and some remaining questions we have regarding the legislations intent.

First, I would like to address the question of why we could not implement the new legislation in fiscal year 2007, regardless of the intent. When reviewing the legislation SBA noted that the legislation specifically states, "(b) Repeal- Section 29(l) of the Small Business Act (15 US.C. 656 (l)) is repealed effective October 1 of the first full fiscal year after the date of enactment of this Act." As you know, Section 29(l) governs the WBC program sustainability grants. The SBA can only operate under the newly legislated guidelines in the new section 29(m) once the date to repeal the old guidelines (October 1, 2007) has passed. To further complicate matters, the grant funds in question would have expired by then – on September 30, 2007, at which time the funds would be returned to Treasury if not obligated this fiscal year. We believe that view is also supported by the language establishing a "Transitional Rule" in section (b). Clearly if a transitional rule is required the legislation must require SBA to transition from 29(l) to 29(m). This position was further supported by the different language in sections 29(l) and 29(m), it was clear to SBA that these provisions were not to operate simultaneously.

The Agency would have also been unable to start the award process over upon passage of the legislation because there simply would not have been sufficient time to complete the new award process. The Request for Proposal (RFP) had already been issued several months prior to passage of the legislation, and in fact was nearing expiration, when this legislation was signed into law.

Second, I would like to also ask for clarification on the intent of the legislation. The new law, as written, gives graduated centers funding priority. The SBA currently has 26 additional centers that would require these grant monies. Based on the 2007 appropriation and with a mandate to fund graduated centers first, SBA would not have been be able to fund any new centers and would have been forced to significantly diminish funding to existing centers. We understand the intent of the committee is *not* to halt the growth of the WBC program, and would appreciate clarification regarding the stated "priority" as we look to develop our program announcements for FY2008.

Additionally, we are unclear on the Committee's intent regarding performance-based funding of centers. As you know, a key distinction of the WBCs, and a distinction the program centers are rightfully proud of, is that they each represent the best applications received by the SBA. That is to say, they have been awarded their grants in a



competitive process that values consistent performance. The graduated center priority does not clarify whether all graduated centers would qualify for funding based solely on years in the program, and not on performance. The SBA would strongly oppose giving grants to graduated centers regardless of their performance in assisting their clients. This would also contradict the intent of section 29(h)(2) of the Small Business Act which specifically references program examinations and the performance of centers funded through sustainability grants. Again, we would ask the committee for clarification on this matter.

I have full faith we can resolve the remaining issues in a manner satisfactory to all. To be clear, our intent is to implement this legislation in a timely manner, and continue to ensure the funding is an effective and reliable mechanism for the most deserving centers across the country. We will also use this opportunity to concurrently address the service issues that have been highlighted in my earlier testimony.

### **Government Contracting**

Lastly, I would like to address contracting. SBA recognizes the need for improving our Government Contracting programs and is taking the lead, along with the Office of Management and Budget's Office of Federal Procurement Policy (OFPP), to carry out a number of initiatives, including working with agencies to ensure their small business contracting reports are accurate. The integrity of the data reported to Congress and the public is crucial to instill confidence in the Federal contracting system. Along with the Administrator of the OFPP, Administrator Preston issued a memorandum to all federal agencies requiring them to review their procurement data and identify any necessary changes to help resolve apparent discrepancies in the Federal Procurement Data System.

Although the Federal government was not successful in meeting the procurement goals for HUBZones, women-owned small businesses, and service disabled veterans, the report shows that contracts with women-owned small businesses from FY 01-FY 04 increased by \$3.6 billion, going from \$5.5 billion to \$9 billion, which equates to 3.03 percent in FY 04. Nevertheless, we are still far short of the five percent goal.

Under Administrator Preston's leadership, SBA recently published the first Small Business Procurement Scorecard. The scorecard is a method to help ensure that Federal agencies provide the maximum possible opportunity for small businesses in the Federal marketplace, consistent with statutory contracting goals. It reflects current performance at the time of publication, as well as progress being made in improving such performance. The new scorecard uses the same approach as the President's Management Agenda to ensure that agencies have clear goals and action plans, and are regularly assessed on their performance, and data integrity is a key element of it. Additionally, the Scorecard is an important tool to both increase procurement opportunities for small businesses while more accurately measuring individual Agency's results.

We have developed simple, straightforward, and measurable criteria for the government-wide Small Business Procurement Scorecard. SBA implemented the first Scorecard for FY 06. Every six months the Scorecard will allow agencies to measure their achievements and progress in making contracting opportunities available to small businesses, and provide the public the opportunity to assess agencies' performance in meeting their goals. SBA's purpose in implementing the Scorecard is clear: to ensure agency compliance with small business goals individually and as part of the overall small business goal.

The SBA is committed to furthering our positive impact on women in business across our lending, contracting and technical assistance programs. We have begun the process towards greater transparency and accountability, though there is still work to be done to improve our service model, especially with regards to grant disbursement to WBCs. We welcome the findings of the Inspector General audit report to inform our way forward, and I look forward to working with my colleagues in the Agency and the Committee in the coming months to implement their recommendations.

Chairman Kerry, this concludes my testimony today. Thank you.