

SMALL BUSINESS ADMINISTRATION

PART ASSESSMENTS¹

¹This document contains details of the most recent program assessments as of the date the 2005 Budget was published (February 2004). Programs originally assessed for the 2004 Budget were reassessed only where evidence showed an agency's rating was likely to change. Programs not reassessed are presented in this document in the form of reprints of the original worksheets and are footnoted "FY 2004 Budget".

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Program Assessment Rating Tool (PART)

Program: Business Information Centers
Agency: Small Business Administration
Bureau:
Type(s): Direct Federal

Section Scores				Overall Rating
1	2	3	4	Results Not
20%	50%	100%	27%	Demonstrated

1.1 Is the program purpose clear?

Answer: YES

Question Weight: 20%

Explanation: The Business Information Center (BIC) program, implemented administratively in 1992, provides technology , technology products, and reference material to SBA District offices and community based resource partners in order to improve their technical assistance capabilities. BICs provide early start-up clients access to technology.

Evidence: FY 2004 SBA Budget Submission

1.2 Does the program address a specific and existing problem, interest or need?

Answer: NO

Question Weight: 20%

Explanation: Less than 20% of nascent entrepreneurs actually start businesses. Of those who start businesses, 80 % discontinue operations within five years due to lack of management knowledge according to Dun & Bradstreet and many academic researchers. BICs provide entrepreneurs with access to technology and research materials that can assist clients in making sound management decisions. Nonetheless, these services are available absent the existence of BICs.

Evidence: Review of the Academic Literature of Entrepreneurship and Economic Development. Also, results of the Kauffman Foundation Study on "nascent" Entrepreneurs.

1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?

Answer: NO

Question Weight: 20%

Explanation: While no other Federally funded program predominantly targets the nascent entrepreneur and the early start-up clients in a single one location, access to technology is available in many other locations, including public libraries, chambers of commerce, etc.

Evidence:

1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?

Answer: NO

Question Weight: 20%

Explanation: SBA annually leverages its \$475,000 with \$2 million in private sector support. Nonetheless, SBA spent approximately \$14 million in administrative funds in FY 2002 to manage and support this program.

Evidence: Activity Based Costing system

1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly?

Answer: NO

Question Weight: 20%

Explanation: Needs analysis of the target market are not consistently used in allocating BIC funds.

Evidence:

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Section Scores				Overall Rating
1	2	3	4	Results Not Demonstrated
20%	50%	100%	27%	

2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program? Answer: NO Question Weight: 12%

Explanation: While the program has several output goals (customer satisfaction, number of clients counseled and trained, and unit cost), it lacks meaningful, long-term outcome goals and measures.

Evidence: SBA SCORECARD and Strategic Plan

2.2 Does the program have ambitious targets and timeframes for its long-term measures? Answer: NO Question Weight: 12%

Explanation: In the absence of long-term, outcome goals, ambitious targets and timeframes for measures are unavailable.

Evidence:

2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals? Answer: YES Question Weight: 12%

Explanation: Client outputs are measured quarterly including specific demographic classifications. Management Oversight Reviews are conducted to ascertain the level of accomplishments toward long-term goals.

Evidence: BIC Demographic Data Base, Strategic Plan.

2.4 Does the program have baselines and ambitious targets for its annual measures? Answer: YES Question Weight: 12%

Explanation: Baseline data are measured using FY 2002 actual performance and annual targets are developed. Annual targets for the BICs are increase number of clients (3% annual) and customer satisfaction (80% approval rating).

Evidence: SBA 's Congressional Budget Submission FY 2004

2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program? Answer: NO Question Weight: 12%

Explanation: Until FY 2003, there was no formal system assure that partners committed to and worked towards the annual and long-term goals of the program. SBA now requires all BIC sites to sign an annual standards agreement to provide services and serve clients which incorporates the annual and long-term goals of SBA.

Evidence: SBA Standards of Excellence and Cosponsorship Files

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Type(s): Direct Federal

Section Scores				Overall Rating
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20%	50%	100%	27%	Demonstrated

2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need? Answer: NO Question Weight: 12%

Explanation: To date, there have been no independent evaluation of the impact of the BIC program. SBA has developed a draft statement of work for an independent evaluation of technical assistance programs.

Evidence: SBA SCORECARD and Strategic Plan

2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget? Answer: YES Question Weight: 12%

Explanation: Beginning in FY 2003, budget and performance integration has begun. SBA's FY 2003 budget submission clearly identified the resources necessary to achieve program output targets. In addition the agency has a cost allocation study which identifies the total cost of BICs.

Evidence: SBA 's Congressional Budget Submission FY 2004

2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies? Answer: YES Question Weight: 12%

Explanation: Beginning in FY 2003, the BIC program was actively involved in the agency's strategic plan. BICs are currently in the SBA's SCORECARD and has developed long-term strategies for delivering the needed informational and assistance to the nascent entrepreneur market. In addition, the program office has developed a "Standards of Excellence" memorandum of understanding for program intermediaries.

Evidence: SBA SCORECARD, Strategic Plan, Standards of Excellence.

3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance? Answer: YES Question Weight: 14%

Explanation: Annual Customer Satisfaction Surveys are consistently administered across all BICs. Monthly/Quarterly client output data are collected and analyzed in respect to program performance. Quarterly Management Oversight Reviews begun in FY 2002 will continue in 2003.

Evidence: SBA 's BIC Annual Client Satisfaction Survey (OMB approved). Management Oversight Review Reports. BIC Demographic Database.

3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results? Answer: YES Question Weight: 14%

Explanation: Federal Managers are held accountable for BIC performance results through data monitoring systems.

Evidence: Economic Development Management Information System

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Type(s): Direct Federal

Section Scores				Overall Rating
1	2	3	4	Results Not Demonstrated
20%	50%	100%	27%	

3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose? Answer: YES Question Weight: 14%

Explanation: The annual BIC appropriation is obligated by SBA's Office of Procurement and Grants Management after review and commitment by senior management in Economic Development.

Evidence: Federal Acquisition Regulations

3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution? Answer: YES Question Weight: 14%

Explanation: In addition to complying with all FAR regulations for procurement, "Standards of Excellence" have been established which state criteria for measuring the impact of these new standards for efficiency of program execution. Also, a plan has been developed to further reduce program costs while not comprising program execution.

Evidence: SBA's newly created "Standards of Excellence"

3.5 Does the program collaborate and coordinate effectively with related programs? Answer: YES Question Weight: 14%

Explanation: Currently, SCORE, Small Business Development Centers, and Women's Business Centers all work with and in the BIC.

Evidence:

3.6 Does the program use strong financial management practices? Answer: YES Question Weight: 14%

Explanation: The BIC program follows the policies and requirements of the Federal Management Act. The program also complies with the CFO's operational directives and guidance.

Evidence: GPRA

3.7 Has the program taken meaningful steps to address its management deficiencies? Answer: YES Question Weight: 14%

Explanation: The program office created the Standards of Excellence and instituted management Oversight Reviews.

Evidence: SBA's newly created "Standards of Excellence"

4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals? Answer: NO Question Weight: 20%

Explanation: While BICs have achieved an 90 percent customer satisfaction score from clients, the agency lacks long-term, outcome oriented goals from which to measure the economic impact of the program.

Evidence: Annual BIC Client Satisfaction Survey

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1	2	3	4	Results Not
20%	50%	100%	27%	Demonstrated

- 4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: YES Question Weight: 20%
- Explanation: BICs are on target to achieve a 3 percent growth in clients served and has achieved a 90 percent approval rating from over 700 randomly selected clients surveyed.
- Evidence: BIC Demographic Database SBA FY 2003 and 2004 Budget submission and Annual report.
- 4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: SMALL EXTENT Question Weight: 20%
- Explanation: While SBA has been transitioning BICs to community-based sites with no direct SBA personnel involvement (to reduce costs), program administrative costs were approximately \$14 million in FY 2002 to manage and support only \$475,000 in grants.
- Evidence: Activity Based Costing system
- 4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?** Answer: NO Question Weight: 20%
- Explanation: The program is duplicative of other federal and non-profit initiatives. It lacks measurable economic impact data and is expensive to management and support.
- Evidence: Activity Based Costing system
- 4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?** Answer: NO Question Weight: 20%
- Explanation: There have been no independent evaluations to measure the economic impact of the program. Nonetheless, SBA is developing an overall research plan capable of measuring the appropriate outcomes for each ED program.
- Evidence: SBA SCORECARD and Strategic Plan

PART Performance Measurements

Program: Business Information Centers
Agency: Small Business Administration
Bureau:

Measure: Number of small businesses counseled and trained.
Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002	146,410	146,658	
2003	151,058		
2004	155,590		

Measure: Percent of customers satisfied with program services.
Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002	90.0%	83.0%	
2003	85.5%		
2004	88.0%		

Measure: Unit Cost (\$ per client served).
Additional Information: Cost per client served. FY 2002 did not have target.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2002		\$81	
2003	\$84		
2004	\$82		

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

1.1 Is the program purpose clear?

Answer: YES

Question Weight: 20%

Explanation: The purpose of the program is to help families and businesses recover from disasters. Both the program's purpose and the SBA Office of Disaster Assistance (ODA) mission statement are clear, concise and consistent.

Evidence: The Small Business Act (Section 2(e)) states "[it is the declared policy of the Congress that the Government should aid and assist victims of floods and other catastrophes". Accordingly, SBA's Mission Statement in this regard is "[to help people recover from disasters and rebuild their lives by providing affordable, timely and accessible financial assistance to homeowners, renters and businesses."

1.2 Does the program address a specific and existing problem, interest or need?

Answer: YES

Question Weight: 20%

Explanation: The program specifically addresses victims (homeowners, renters and businesses) suffering uncompensated losses resulting from disasters.

Evidence: Disasters occur at unpredictable times and with differing levels of intensity. Victims sustain varying degrees of uninsured loss. As a result, a five year average of the agency's published statistics show the Disaster Loan Program averages approximately 33,000 loan approvals to homeowners, renters and businesses for almost \$1 billion annually. The agency responded to 207 disaster declarations in FY 02.

1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?

Answer: YES

Question Weight: 20%

Explanation: The program is not duplicative of other Federal, state, local or private effort. Disaster loans fill the assistance gap where private insurance or other government programs leave off. Extensive electronic communication, information sharing and coordination procedures exist between federal, state, and local programs to prevent redundancies and duplication.

Evidence: The Small Business Act and the Stafford Act prohibit duplication with any other department or agency of the Federal government. Further, the Federal Response Plan (FRP) was developed to organize the federal government's response to disasters and includes measures to assure that regulatory prohibitions of duplication at all levels are met.

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
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Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency? Answer: YES Question Weight: 20%

Explanation: The Disaster Loan program is free of major design flaws that would limit the program's effectiveness or efficiency. The program is designed to assist individuals and businesses adversely affected by disasters. Upon declaration of a disaster, SBA establishes field offices in the affected area (often within a day) and coordinates disaster relief activities with federal, state, and local entities. On-site inspectors verify damage and agency personnel collect applications. The agency reviews applications for creditworthiness and ensures that the disaster loans are not made for losses already covered by insurance, grants, or other types of assistance from governmental or private entities. On average, SBA completes loan processing in 12 days. Agency statistics show that a majority of home and business owners affected by disaster would have undue hardship finding disaster loans from private sector lenders at reasonable rates and terms to repair/replace their losses.

Evidence: As evidence of the program's efficiency, studies covering cost efficiency and business process re-engineering have been completed. Functional Statement of Need, and Requirements Analysis, was originally dated 08/09/00; However, in March of 2003, the requirements were revalidated and a revised document, "Revalidated Functional Statement of Need and System Requirements," was produced. Market Research was documented in the "Loan Management COTS Software Market Survey," dated November 30, 2002. The Alternatives Analysis, and Benefit-Cost analysis were documented in the "Business Case for Disaster Credit Management Modernization Report," dated March 28, 2001).

1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly? Answer: YES Question Weight: 20%

Explanation: Tight restrictions in this regard are already in place due to legislative and regulatory requirements that prohibit victims from receiving duplicate benefits (from any source) for the same loss. In addition, appropriate internal controls, including on site verification of the loss and supervised disbursement of loan proceeds, are well-established and in place to prevent inappropriate or unauthorized use of loan proceeds.

Evidence: Annual Quality Assurance Reviews (QARs) are conducted to help monitor and minimize "Erroneous Payments." Extensive Internal Controls are already in place to minimize unauthorized use of loan funds and approval of loans to ineligible entities. Preliminary reviews indicate "Erroneous Payments" are at a very low level. Based on a review of the 480 files analyzed in the FY 2002 Field Quality Assurance Reviews, the erroneous payment rate was determined to be 1.7 percent.

2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program? Answer: YES Question Weight: 16%

Explanation: SBA has developed long term outcome goals to measure the impact of disaster loan assistance on those homeowners, renters and businesses affected by disasters. These include measures (in percentages) of restoration of both homes and businesses as well as a measure of the number (in percentages) of businesses operational post disaster.

Evidence: Strategic Plan

2.2 Does the program have ambitious targets and timeframes for its long-term measures? Answer: YES Question Weight: 16%

Explanation: The SBA's measures provide ambitious time frames within which businesses and homes must be restored and ambitious timeframes within which businesses must be operational.

Evidence: See measures section.

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals? Answer: YES Question Weight: 16%

Explanation: Within each outcome goal, SBA has established annual performance measures to measure progress towards achievement of the long term goals set for 2008.

Evidence: See measures section.

2.4 Does the program have baselines and ambitious targets for its annual measures? Answer: YES Question Weight: 16%

Explanation: Appropriate baselines and quantitative measures are established so that performance goals can be easily measured. In addition, the measures section of this document reflect annual measures that have been in place for some time.

Evidence: Existing and new annual performance measures are stated in the "measures" section of this document and will be included in the 2005 GPRA documents.

2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program? Answer: NA Question Weight: 0%

Explanation: SBA does not have program partners as defined by the question. SBA's Office of Disaster Assistance deals directly with the disaster victim and is solely responsible for monitoring and reporting output and outcome goals of the program.

Evidence:

2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need? Answer: YES Question Weight: 16%

Explanation: At least nine (9) Independent evaluations of ODA by GAO and the SBA's Inspector General since FY 01, including one GAO review which included ODA's current Strategic Plan and accompanying outcomes, long-term performance and output measures in its review have been performed. Findings and recommendations are being utilized to construct an improved Strategic Plan with logically connected goals and measurements.

Evidence: OIG reports: 1-12, Information Systems Control Audit), 2-04 (Review of Financial Statements), dated 2-27-02; 2-10 and 2-12 (Early Defaulted Loans); OIG Mid year review of Agency Progress on the FY2002 Management Challenges: 2-26 (Out of Sequence Payments); OIG Semi-Annual report to Congress (Spring 2001 and Fall 2001); OIG review of GPRA progress at request Representative Dan Burton, 04/05/01; GAO report GAO-01-592 (Federal Managers views on Key Management issues); GAO-01-260 SBA Challenges; GAO-03-385 Response to 911 Victims; GAO-03-721T (Observations on the Disaster Loan Program).

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

2.7 **Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?** Answer: NA Question Weight: 0%

Explanation: Budget requests are based on the five-year average annual loan volume. Should the number or severity of disasters result in a loan volume requirement that exceeds the average, supplemental appropriations are requested.

Evidence:

2.8 **Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight: 16%

Explanation: SBA disaster program management has been proactive in taking meaningful steps to correct its strategic planning deficiencies through the development of a new program strategic plan.

Evidence: New program Strategic Plan.

3.1 **Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: YES Question Weight: 11%

Explanation: ODA's management information system provides credible performance information from all key managers and offices throughout the country. This information allows headquarters management to review all important performance outputs, relative staffing and cost of operations. Management regularly utilizes this information to make decisions to manage the program and improve its performance. The agency maintains an extensive data base and reporting system to track and measure daily and monthly loan servicing and collection performance at 5 loan servicing centers where over 95% of the agency's portfolio resides. Each servicing center has many additional performance reports available from local portfolio data bases.

Evidence: ODA has immediate access to the complete staffing structure of all its Disaster Area Offices--both individually and collectively. Accordingly, ODA headquarters management regularly monitors the "workload to staff" ratio to keep the Area Offices operating as efficiently as possible. ODA Headquarters also uses this information to impose staffing restrictions on the field based on other external factors such as budget. For Servicing, the agency's Management Information Summary reports, Performance Goals reports and "Cash Collections-All Service Centers are utilized."

3.2 **Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight: 11%

Explanation: ODA's key federal managers are its four Disaster Area Directors. They are issued annual performance goals and held accountable for operating within scheduled budgets and for performance results. The performance standards for which they are held accountable can be found in the measurement section of this document. The same process of performance goals and accountability applies to the key federal managers at two Commercial and three Disaster Home Loan Servicing Centers, responsible for over 95% of the Agency's portfolio.

Evidence: ODA individual performance plans. For servicing, these activities are monitored by utilizing the Center Activity and Program Goals report.

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose? Answer: YES Question Weight: 11%

Explanation: Program funds are obligated consistently with overall program plans. Field managers are also required by headquarters to submit budgets for approval so that management can ensure that funds properly correspond to the appropriate resource needs of the program plan. The Disaster Program has developed adequate procedures for reporting and evaluating actual expenditures and is not in violation of the Anti-Deficiency Act.

Evidence: Quarterly Allotment reports.

3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution? Answer: YES Question Weight: 11%

Explanation: Cost comparison measures and competitive outsourcing plans are currently in place. In addition, the Disaster Credit Management System (electronic processing and tracking system) is in process of being implemented, which will enhance management's ability to measure and achieve efficiencies.

Evidence: Competitive sourcing plans, Disaster Credit Management System implementation summary, and activity based costing.

3.5 Does the program collaborate and coordinate effectively with related programs? Answer: YES Question Weight: 11%

Explanation: SBA's disaster program coordinates effectively with FEMA and all other federal, state and local agencies that have disaster assistance programs. For example, SBA, FEMA and the other agencies share duplication of benefits information through FEMA's NEMIS management information system. SBA's Disaster Program also collaborated with FEMA on the development the DisasterHelp.Gov web-site and is still actively involved in this e-gov initiative. The Federal Response Plan sets forth the coordination requirements and procedures for all agencies with disaster programs and SBA has always been an active member of that group.

Evidence: The Federal Response Plan sets forth the coordination requirements and procedures for all agencies with disaster programs and SBA has always been an active member of that group. The Federal Response Plan (Recovery Function Annex) provides the framework for this collaboration.

3.6 Does the program use strong financial management practices? Answer: NO Question Weight: 11%

Explanation: The program has financial management and review procedures that prevent duplicate and minimize potential erroneous payments. The Agency maintains an extensive data base and reporting system to track and measure daily and monthly loan servicing and collection performance at five loan servicing centers where over 95% of the Agency's portfolio resides. Each servicing center has many additional performance reports available from local portfolio data bases with which to monitor and track new loans received, and address poor performing loans or identify borrowers in need of servicing assistance. Nonetheless, the agency was cited for deficiencies in estimating the subsidy cost of the program under the FY 2002 financial statement audit.

Evidence: Financial statement audits. Servicing activities are monitored by using the MARS 390, Mars 391 and Management Information Summary Reports. FY 2002 financial statement audit.

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

3.7 Has the program taken meaningful steps to address its management deficiencies? Answer: YES Question Weight: 11%

Explanation: Management routinely monitors cost and performance data to ensure efficient operations. Management regularly utilizes this information to make day-to-day and strategic decisions on program operations. In addition, ODA is developing new outcome oriented goals to support the program. In addition to monitoring daily loan servicing operations to detect portfolio or management deficiencies, management has created an extensive cost analysis of its Disaster Home Loan Servicing Center operations. This analysis extends over the past three years of cost data created from agency-wide Cost Allocation Models utilizing the Activity Based Cost Models. The data was used in part to compare Agency servicing costs to those of a private contractor, proving the Agency more cost effective.

Evidence: Quality Assurance Reports identify deficiencies, makes recommendations for improvements and requires field management to respond with a written plan of action. For servicing, a comparative analysis report "The Disaster Home Loan Servicing demonstration, Final Report to Congress" dated 1-17-03, compares cost of contractor operations (ACS) and Agency servicing operations.

3.CR1 Is the program managed on an ongoing basis to assure credit quality remains sound, collections and disbursements are timely, and reporting requirements are fulfilled? Answer: YES Question Weight: 11%

Explanation: The disaster loan portfolio is highly centralized in 2 commercial and 3 disaster Home Loan Servicing Centers. Monthly center and main frame reports focus on key management and operating goal indicators to assure proper portfolio management procedures. These reports and procedures are consistent with risk and oversight analysis. In addition, SBA conducts detailed field reviews of each center operation to assure consistency with policy, good credit administration, and agency operating guidelines as well as discovering "best practices." A private loan servicing contractor was allowed to service 30% of the Agency's Disaster Home Loan Portfolio for a four year period, since expired. Monthly reports, daily cash collection reconciliations and several physical audits were performed on the contractor's performance for risk and quality assurance purposes.

Evidence: Agency MIS Servicing reports. In-house management reports.

3.CR2 Do the program's credit models adequately provide reliable, consistent, accurate and transparent estimates of costs and the risk to the Government? Answer: NO Question Weight: 11%

Explanation: During the FY 2002 financial statement audit, auditors concluded that the agency financing account balances may not be accurate in reflecting the cost of the program. Subsequent research indicated that the budgetary model may have been the cause. As such, SBA is developing a new model to calculate disaster loan subsidy costs.

Evidence: FY 2002 financial statement audit.

4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals? Answer: NO Question Weight: 20%

Explanation: ODA has only recently established long term performance goals as a part of revisions to its Strategic Plan and has not yet had the opportunity to measure the new goals. Next year (04) will be the first opportunity SBA will have to measure the success of its goals.

Evidence:

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

4.2 Does the program (including program partners) achieve its annual performance goals? Answer: YES Question Weight: 20%

Explanation: SBA's disaster program currently achieves its annual performance goals. These goals are now being included in an expanded and revised Strategic Plan and GPRA documentation.

Evidence: The Automated Loan Control System (ALCS) report # 85 covers elapsed time to process a loan application and is used to track the number of loans processed within 7 to 21 days. ALCS report # 84 tracks the number and percentage of approved loans receiving a disbursement within 5 days of loan closing. Effective Field Presence within 3 days is measured by direct verification of ODA. Credit Underwriting Compliance rate is measured by annual Quality Assurance Reviews of the 4 Disaster Area Offices. These reviews are supervised by ODA staff. Finally, the Customer Satisfaction rate is measured by a Customer Service Survey which has been issued for this year and results are in the process of being compiled.

4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year? Answer: YES Question Weight: 20%

Explanation: SBA implemented its Home Expedited Loan Officer's Report (HELOR) which simplified procedures and reduced processing time from 2 hrs per loan to 20 minutes per loan for Home Disaster Loans of \$25K or less and a credit score of 640 or more. Depending on the Area, loans that qualify to be processed under HELOR criteria range from 13% to 20%. SBA also created new standardized Training Manuals for Loss Verifiers and Loan Officers, that are distributed nationally to loss verification and loan processing staff across the country. SBA also compiled and distributed to the field standardized and periodically updated cost guidelines for loss verifiers to base cost estimates for disaster repair. Such updated cost guidelines and standardized training reduces the need for re-verification and reprocessing of disaster losses which in turn, helps make the program more timely and cost efficient.

Evidence: The "Annual Summary Report of Disaster Loans Processed within 21 days" shows consistent improvement in processing times over the past four years. Additionally, SBA's Office of Disaster Assistance has the master copies for the Loss Verifier's Training Manual and Loan Officer's Training Manual on file for review. Regular monthly reports summarize HELOR activity, market penetration, comparative delinquency, and loss rates nationwide and by Geographical Area.

4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals? Answer: YES Question Weight: 20%

Explanation: Under Presidential Disaster Declarations, FEMA provides grants to many affected disaster victims who suffered home and personal property losses. Some FEMA grants only enable disaster victims (Individuals and Families) to make temporary and emergency repairs to their home. FEMA grants also help cover certain other expenses, e.g., medical expenses, storage, etc., but none of the FEMA grant programs are sufficient to provide homeowners with funds to make permanent repairs to cover the full extent of disaster related and uninsured losses. However, the grant programs are more expensive to the government than the SBA disaster loan program, and they do not fully meet the recovery needs of the disaster victim. Fortunately, disaster victims with unmet needs can qualify for loans under the SBA Disaster Loan program, which is the only disaster relief program that can provide sufficient funds to fully restore uninsured disaster damage to those

Evidence: The Federal Response Plan sets forth the plan, procedures, and coordination policies for the various grant and loan programs for all Federal, State and Local Agencies that have Disaster Response Programs.

Program Assessment Rating Tool (PART)

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Moderately
100%	100%	78%	73%	Effective

4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?

Answer: LARGE
EXTENT

Question Weight: 20%

Explanation: Recent evaluations by GAO of SBA's results in responding to 911 victims indicate that the SBA program was highly effective in achieving results as regards its program delivery. GAO commented that the Disaster Program's goals and measures did not capture the notable progress the program has made in improving its loan processing--progress that ultimately affects disaster loan applicants and borrowers. SBA's Office of Disaster Assistance is revising its measures and goals to focus more on outcomes.

Evidence: Please refer to the independent evaluations listed as evidence in question 2.6. Special attention is directed to GAO reports-03-385 Response to 911 Victims; and GAO-03-721T (Observations on the Disaster Loan Program).

PART Performance Measurements

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance

Measure: Percent of businesses still operational 12 months after final Economic Injury Disaster Loan (EIDL) disbursement

Additional Information: This measure tracks the percentage of businesses receiving timely initial disbursement of disaster loan funds and business disaster loan borrowers that continue to be operational after receiving full disbursement of their EIDL disaster loans.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Long-term
2004	70%		
2005	75%		
2006	77%		
2007	78%		
2008	80%		

Measure: Percent of businesses who's physical disaster loss is restored 6 months after final disbursement.

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Long-term
2004	45%		
2005	47%		
2006	50%		
2007	60%		
2008	70%		

Measure: Percent of homeowners who's physical disaster loss is restored 6 months after final disbursement.

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Long-term
2004	40%		

PART Performance Measurements

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance

Measure: Percent of homeowners who's physical disaster loss is restored 6 months after final disbursement.

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Long-term
2005	45%		
2006	50%		
2007	60%		
2008	70%		

Measure: Percent of renters who's physical disaster loss is restored 3 months after final disbursement.

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Long-term
2006	90%		

Measure: Percent of timely field presence after a disaster declaration

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2000	95%	100%	
2001	95%	100%	
2002	95%	99%	
2003	95%		

PART Performance Measurements

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance

Measure: Percent of applications processed within 21 days

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2000	85%	91%	
2001	85%	94%	
2002	85%	96%	
2003	85%		

Measure: Percent of loans that receive initial disbursement of proceeds within 5 days of loan closing

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2002	95%	96%	
2003	95%		
2004	95%		
2005	95%		
2006	95%		

Measure: Percent of customers satisfied with Disaster Loan program services

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001	80%		
2002	80%		
2003	80%		

PART Performance Measurements

Program: Disaster Loan Program
Agency: Small Business Administration
Bureau: Office of Disaster Assistance

Measure: Percent of customers satisfied with Disaster Loan program services

**Additional
Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2004	80%		
2005	80%		

Program Assessment Rating Tool (PART)

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	50%	100%	60%	

1.1 Is the program purpose clear?

Answer: YES

Question Weight: 20%

Explanation: The 504 program provides economic development financing and is specifically designed to stimulate private sector investment in long-term fixed assets to increase productivity, create new jobs, and increase the local tax base. The stimulus is provided by making long-term, low down payment, reasonably priced fixed-rate financing to healthy and expanding businesses which have the highest probability of successfully creating new jobs and competing in the world marketplace.

Evidence: Small Business Act: Loan to State and Local Development Companies.

1.2 Does the program address a specific and existing problem, interest or need?

Answer: YES

Question Weight: 20%

Explanation: SBA says that some entrepreneurs need affordable credit, i.e. long-term fixed-rate financing to amortize sizeable loans over a long period for fixed assets and financial markets do not typically meet this need. The program assists small business management to plan longer term, expand business operations, and increase employment.

Evidence: A requirement of private sector participants in the 504 Program is to present small business financing applications that will retain or create 1 job per \$35,000 of loan value. SBA 504 Program records show a total of 1,190,990 jobs have been created and retained, as a result of total debentures disbursed over the 16 year life of the program.

1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?

Answer: NO

Question Weight: 20%

Explanation: There is potential overlap between SBA's 504 and the 7(a) programs. While both may provide long-term loans for fixed asset purchases, the programs have different financing structures. The 504 program provides fixed rate lending with the government in a second lien position. The 7(a) program, which also can finance working capital requirements, provides financing at variable rates with lenders and the government sharing risk as first lien holders.

Evidence: Small Business Act - Warden & Assoc and PriceWaterhouse, LLP study 1997 , 504/7a Matrix

1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?

Answer: NO

Question Weight: 20%

Explanation: While SBA recently addressed effectiveness issues (barriers to competition among certified development companies participating in the program), efficiency problems remain (risk sharing). Under the program, SBA holds a second lien on borrower assets. As a result, the private lender (first lien holder) may not have adequate incentives to manage loans and mitigate non-performance; upon default, SBA often purchases the first lien holder's position in order to ensure effective liquidation efforts. This increases burdens on the agency.

Evidence: 504 Notice of Proposed Rulemaking

Program Assessment Rating Tool (PART)

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	50%	100%	60%	

1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly? Answer: YES Question Weight: 20%

Explanation: Recent changes in program rules have improved borrower access to loans. In addition, a survey of 504 loan recipients stated, " Very few recipients (12%) thought they could have obtained a commercial loan on equal terms." The survey also states that 68% of recipients went to a bank first and were referred to a CDC.

Evidence: Warden & Assoc and PriceWaterhouse, LLP study 1997 - 504 Advanced Notice of Proposed Rule Making (ANPRM), public comments on the ANPRM, and the draft rule.

2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program? Answer: YES Question Weight: 12%

Explanation: The program's statutorily required outcome goal is to create or retain jobs. To support this goals, the Office of Capital Access incorporated the following long-term 504 measures into agency's Five Year Strategic Plan. 1. Expand small business access to 504 lending by increasing the percentage of counties served; 2. Increase the number of small businesses that receives long-term fixed-asset financing, specifically those in emerging markets and rural communities; 3. Reduce SBA's administrative cost of the 504 program; 4. Expand the 504 program to increase its overall lending level.

Evidence: Five Year Strategic Plan. Small Business Act.

2.2 Does the program have ambitious targets and timeframes for its long-term measures? Answer: NO Question Weight: 12%

Explanation: As stated in the agency's 5 year Strategic Plan: from FY 2003 - 2008, SBA's 504 program will assist in creating and retaining 580,000 jobs. Through the 504 program, SBA anticipates aiding 6,100 start-up firms in the next five years. By FY 2007, the 504 program will provide approximately 5,000 loans to underutilized markets. These goals reflect decreases from prior years.

Evidence: Five Year Strategic Plan.

2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals? Answer: YES Question Weight: 12%

Explanation: The agency has established annual goals for all lending programs intended to increase Federal assistance for deserving underserved businesses. Annual goals include number of loans, number of start-ups, jobs created or retained, and unit cost.

Evidence: SBA performance plan and annual budget submissions reflect the program's annual performance goals. .

2.4 Does the program have baselines and ambitious targets for its annual measures? Answer: NO Question Weight: 12%

Explanation: While the program has baselines for its annual measures, targets are not ambitious, especially given Agency assertions that the new 504 rule will greatly expand competition and subsequently lending.

Evidence: As stated in the agency's 5 year Strategic Plan: from FY 2003 - 2008, SBA's 504 program will assist in creating and retaining 580,000 jobs. Through the 504 program, SBA anticipates aiding 6,100 start-up firms in the next five years. By FY 2007, the 504 program will provide approximately 5,000 loans to underutilized markets.

Program Assessment Rating Tool (PART)

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	50%	100%	60%	

2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program? Answer: NO Question Weight: 12%

Explanation: Agency policy requires each district office to meet a specific annual lending goal. The Agency monitors district performance on a weekly basis with Agency Administrator. The program is goaled by GPRA toward increasing the number of loans made and to specific categories (i.e., loans to start-ups). Communication of goals to Certified Development Companies (CDC's) are done through District Offices, and through ongoing discussions with trade group and annual conferences. Nonetheless, individual CDCs are not required commit to and work towards SBA's annual goals.

Evidence: All CDC's are required to make a minimum number of loans per year. The agency recently decertified 8 CDC's for not making the required number of loans and have removed over 100 since 1993. Each CDC is currently required to make a minimum number of loans in their area of operation, if those established minimums are not met, the Agency will allow competing CDCs to begin making loans in that region. The Agency's upcoming proposed rule will allow for increased competition within communities to better serve the small businesses.

2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need? Answer: NO Question Weight: 12%

Explanation: The agency has conducted a number of studies covering a variety of aspects of the 504 program. The independent studies have validated the 504 program's focus, and IG's reports that have led to program enhancements via regulation and procedural changes. Nonetheless, SBA needs to evaluate the net economic impact of the program and ensure that loan recipients would not have been able to received loans from the private market at reasonable rates.

Evidence: 1996 504 program study analyzing overall program by Walker & Co. Study in 1997 of the 504 program effectiveness, Warden & Assoc and PriceWaterhouse, LLP. 1999 IG report on the oversight and management of the 504 program. In 2000, SBA completed a study, in conjunction with BLS, investigating small businesses that have received financing from SBA partners. 2002 IG report detailing oversight of the Colson contract finding minimal management problems. SBA is initiating an expanded study in 2003 which will serve two goals: 1. Expand already existing data from SBA's 2000 study and 2. Verify the accuracy of data submitted to the agency by small businesses.

2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget? Answer: YES Question Weight: 12%

Explanation: The agency's annual budget request includes program performance and goals. The agency allocates full budgetary costs, including overhead to the program. As such, the agency can measure the impact of funding, legislative, and policy changes on performance.

Evidence: SBA performance plan, annual budget submissions, and activity based costing system.

2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies? Answer: YES Question Weight: 12%

Explanation: SBA has committed to developing long-term performance goals. The agency is in the process of publishing a notice of proposed rulemaking, which addresses a broad range of strategic issues related to program performance.

Evidence: 504 Program Advanced Notice of Proposed Rulemaking, draft regulation incorporating public comments.

Program Assessment Rating Tool (PART)

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	50%	100%	60%	

3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance? Answer: YES Question Weight: 11%

Explanation: The offices of Capital Access and Chief Financial Officer are collaborating on three fronts to address this issue. They have: 1. re-established the agency's Risk Subcommittee (comprising Capital Access and CFO) to maintain line of communication between the two offices and review (monthly) program data and trend analysis; 2. implemented the Loan Monitoring System (LMS) which provides broad portfolio analysis capabilities to supplement program supervision; 3. benchmarked and tracked the losses in the portfolio against what was budgeted to eliminate surprises; and 4. developed an econometric model to better determine loan subsidy costs and predict portfolio performance.

Evidence: New 504 loan program econometric subsidy model for the FY 2005 Budget. Loan Monitoring System. Office of Lender Oversight.

3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results? Answer: YES Question Weight: 11%

Explanation: Agency program managers are held accountable to the goals established by the agency. Employee performance assessments and reviews include accountability to those goals. District Director evaluations are also based on their success toward achieving their goals. SBA has policies in place that provide for the removal of CDCs that do not meet minimum lending or performance standards. In June 2003 the Agency removed 8 CDC's for not making a required number of loans, the Agency has removed more than 100 since 1993. Additionally, the Agency removes exclusivity of a region, and allows other CDC's to make loans if established CDC does not make the required number of loans to "adequately serve" the community.

Evidence: SBA performance plan and annual budget submissions.

3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose? Answer: YES Question Weight: 11%

Explanation: All participants are aware of specific debenture funding days each month (established by agency Policy and reiterated to the Participants and field offices one year in advance).

Evidence: The debenture closings and exchange of funds are conducted by a private entity (contracted to the agency) and the CDCs, escrows, attorneys and borrowers. Disbursements generally are sent directly to interim lender escrows for controlled and specific uses involving the real estate transaction, construction/rehabilitation of a business structure and limited business purposes

3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution? Answer: YES Question Weight: 11%

Explanation: Under competitively bid contracts, private sector contractors are used to provide most services. These contracts are awarded on a competitive technical and cost basis through an RFP process. The agency tracks loan unit costs and monitors the efficiency of loan origination.

Evidence: Activity based costing system. CDC reporting.

Program Assessment Rating Tool (PART)

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	50%	100%	60%	

3.5 Does the program collaborate and coordinate effectively with related programs? Answer: YES Question Weight: 11%

Explanation: The program office works with local development agencies to assist small businesses in need of financing for fixed assets and land.

Evidence: The 504 program is an economic development program and serves as a vehicle for job creation and retention.

3.6 Does the program use strong financial management practices? Answer: YES Question Weight: 11%

Explanation: In addition to the agency's internal funds control practices, SBA has outsourced borrower payments and dispersion of payments to Colson Services, a subsidiary of JP Morgan Chase. Bank of New York is responsible for maintaining of secondary market and contact with investors in the government debenture portions of the loans. CDCs submit audited financial statements with signed opinions from their auditors. Annual reports are submitted and reviewed by agency personnel. SBA maintains a database that tracks individual CDC portfolio performance.

Evidence: 99% of lenders participating in 504 are overseen by regulatory entities such as the Federal Deposit Insurance Company and the Office of the Comptroller of the Currency. Each loan that is made through the 504 program is reviewed prior to approval by 3 independent entities consisting of: the CDC, the lender in the first lien position, and SBA personnel who review and approve each loan.

3.7 Has the program taken meaningful steps to address its management deficiencies? Answer: YES Question Weight: 11%

Explanation: Capital Access, CFO, and Lender Oversight have developed a process to exchange information on the status of the 504 program. Office of Lender Oversight (OLO) has implemented a plan to review PCLP CDC's in upcoming risk based reviews to broaden SBA's oversight of the program. Additionally, the LMS system will allow for overall 504 portfolio evaluation. SBA's proposed rule will allow market conditions to determine the needs of the small business borrowers and expand the effectiveness of the program.

Evidence: OLO 504 Portfolio Review, LMS contract, 504 Proposed Rule

3.CR1 Is the program managed on an ongoing basis to assure credit quality remains sound, collections and disbursements are timely, and reporting requirements are fulfilled? Answer: YES Question Weight: 11%

Explanation: As a program that is statutorily required to have no loan subsidy, fees are used to offset default and other non-administrative costs. As such, there is pressure to effectively manage existing credit in order to maintain reasonable fee rates on new loans. In order to further credit management capacity, the agency has implemented a loan monitoring system based on credit scores. The system enables the agency to more effectively target lender reviews.

Evidence: Program regulation, contracts, and the Small Business Act.

3.CR2 Do the program's credit models adequately provide reliable, consistent, accurate and transparent estimates of costs and the risk to the Government? Answer: YES Question Weight: 11%

Explanation: Program costs have generally tracked projections under the credit models. The agency utilizes historical data in developing expected cash flows for the program. These flows are validated by third parties and also reviewed under the agency's annual audit. In order to further refine cost estimates, SBA has developed an econometric credit model for use in developing FY 2005 Budget estimates.

Evidence: Independent validation and verification contracts and annual audit results.

Program Assessment Rating Tool (PART)

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	50%	100%	60%	

4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals? Answer: SMALL EXTENT Question Weight: 20%

Explanation: The 504 program has a statutory goal of creating or retaining at least 1 job for each \$35,000 in loans. The agency has consistently met this requirement. In addition, the agency has developed its own goals in terms of the overall number of jobs created annually. As a result of a weakened economic climate and the agency's inability to meet original FY 2003 targets, SBA has decreased future targets.

Evidence: According to lender and borrower reporting, the program has helped create or retain over 1.1 million jobs since the program was launched. The survey also indicated (self reporting) that 88% of respondents stated they would be unable to get a loan with similar terms without the 504 program. Warden & Assoc and PriceWaterhouse, LLP study 1997

4.2 Does the program (including program partners) achieve its annual performance goals? Answer: LARGE EXTENT Question Weight: 20%

Explanation: On the whole the 504 program meets most annual lending goals. For 2003, the program was behind schedule in meeting lending goals for veteran-owned businesses. The Agency is working with SBA veterans outreach and district offices to improve performance. Currently 70% of field offices are within 10% of achieving their goals with the greatest percentage of lending volume still to come in FY03.

Evidence: The SBA's FY2002 Performance and Accountability Report shows most goals as being achieved or substantially achieved. The performance for 2003 to date (5/31/03) reflects consistent improvement in all goaled areas, and exceeding all 2003 goals YTD with the exception of veterans .

4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year? Answer: YES Question Weight: 20%

Explanation: The Agency has decreased the cost per loan associated with the 504 program. From FY 1999 through FY2002, the per loan cost decreased 14%. The Agency has also achieved efficiencies in loan servicing. According to SBA's ABC model, costs associated with servicing 504 loans have decreased annually with an overall decrease of 30% from FY2000 to FY2003. Through the Agency's transformation pilot program, 504 application approvals have seen dramatic increases in efficiency. Turn around times for center processing has averaged 4.8 days compared to understaffed district office times taking over 14 days.

Evidence: Per loan cost in 1999 - \$3,223, in 2002 - \$2,780. Agency 2003 ABC Model, Center Pilot Overview, Unit Cost Data.

4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals? Answer: LARGE EXTENT Question Weight: 20%

Explanation: The overall performance of the 504 program has been favorable. This public/private partnership facilitates community development and job retention/creation. As a zero subsidy program, taxpayers only bear administrative costs for providing approximately \$2.5 billion in annual lending.

Evidence: NADCO Membership Survey, SBA Performance and Accountability Report

Program Assessment Rating Tool (PART)

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	50%	100%	60%	

4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?

Answer: SMALL
EXTENT

Question Weight: 20%

Explanation: The agency has conducted a number of studies covering a variety of aspects of the 504 program. The independent studies have validated the 504 program's focus, and IG's reports that have led to program enhancements via regulation and procedural changes. SBA is drafting a proposal to conduct an updated independent evaluation of the 504 program, and has identified a potential funding source for the study. The study will evaluate the economic impact of the program and determine whether 504 loan supplement private lending.

Evidence: 1996 504 program study analyzing overall program by Walker & Co. Study in 1997 of the 504 program effectiveness, Warden & Assoc and PriceWaterhouse, LLP. 1999 IG report on the oversight and management of the 504 program. In 2000, SBA completed a study, in conjunction with BLS, investigating small businesses that have received financing from SBA partners. 2002 IG report detailing oversight of the Colson contract finding minimal management problems. SBA is initiating an expanded study in 2003 which will serve two goals: 1. Expand already existing data from SBA's 2000 study and 2. Verify the accuracy of data submitted to the agency by small businesses.

PART Performance Measurements

Program: Section 504 Certified Development Company Guaranteed Loan Program

Agency: Small Business Administration

Bureau: Capital Access

Measure: Estimated number of jobs created or retained.

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001	104,702	104,702	
2002	116,048	116,048	
2003	80,759		
2004	80,759		
2005	84,797		

Measure: Number of Loans to Start-ups

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001	978	978	
2002	980	989	
2003	1,000		
2004	1,000		
2005	1,050		

Measure: Number of 504 loans guaranteed.

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002	5,220	5,480	

PART Performance Measurements

Program: Section 504 Certified Development Company Guaranteed Loan Program
Agency: Small Business Administration
Bureau: Capital Access

Measure: Number of 504 loans guaranteed.

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2003	6,000		
2004	6,000		
2005	6,300		

Measure: Cost to originate each loan.

Additional Information: SBA expects to have 504 lending increase due to expected increase in competition. It is difficult to judge future measure based on past performance. Increases in lending would lower overall unit cost.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2002	2,780		
2003	2,904		
2004	2,912		
2005	2,766		

Program Assessment Rating Tool (PART)

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	88%	100%	53%	Effective

- 1.1 Is the program purpose clear?** Answer: YES Question Weight: 20%
 Explanation: SCORE, started in 1964, is SBA's oldest Entrepreneurial Development program. Staffed by volunteer working and retired executives and business owners, the program provides counseling and mentoring to entrepreneurs and existing business owners.
 Evidence: SBA's Cooperative Agreement and the National SCORE Associations (NSA) Mission and Vision Statements.
- 1.2 Does the program address a specific and existing problem, interest or need?** Answer: YES Question Weight: 20%
 Explanation: 80 percent of new business starts discontinue operations within five years. Among the most prevalent reasons given for the discontinuance is lack of "knowledge." The program provides business advice through a network of volunteers and provides mentoring.
 Evidence: Dun & Bradstreet Annual Survey of Company Failures.
- 1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?** Answer: NO Question Weight: 20%
 Explanation: The program matches retired business executive volunteers with entrepreneurs for mentoring. While on a more limited scale, these services are available through local business networks.
 Evidence: SBA OIG Inspection Report: "Coordination and Performance Measurement in SBA's Entrepreneurial Development Programs" September 2000, SBA budget request and Performance Plan, 2003.
- 1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?** Answer: Yes Question Weight: 20%
 Explanation: The program relies on 10,500 volunteers in 389 chapters who donate more than 1.1 million volunteer hours per year. These volunteers are supported by the National SCORE Association (NSA) staff of 13 to manage operations. The program is administered by two full-time SBA staff.
 Evidence: SCORE Daily Desktop Guide; SCORE Operating Manual; SCORE Training Manual; SCORE Marketing Guide; SCORE Fundraising Guide; Cooperative Agreement.

Program Assessment Rating Tool (PART)

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	88%	100%	53%	Effective

1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly? Answer: YES Question Weight: 20%

Explanation: SCORE is a unique program, manned by a counseling team of over 10,500 volunteer Executives -- experienced business leaders from every industry. SCORE has aggressively reached beyond the walls of its chapters to reach entrepreneurs. SCORE actively seeks and forms alliances with leading companies to expand small business outreach, services and resources to communities nationwide -- companies like Lowe's Home Improvement, for example, where an alliance is developing to provide counseling to Lowe's largely entrepreneurial clientele nationwide, in their store locations. Online counseling is now over 26% of SCORE business. The SCORE program serves primarily the nascent entrepreneur market (63% of clients), serving a total of 440,293 clients in 2002. Services are provided based on the needs of the clients -- whether face-to-face or through electronic counseling. Grant funds are exclusive to the development, implementation and delivery of the fundamentals of business management that is relevant to this market.

Evidence: SCORE Daily Desktop Guide; SCORE Operating Manual; SCORE Training Manual; SCORE Marketing Guide; SCORE Fundraising Guide; Cooperative Agreement.

2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program? Answer: YES Question Weight: 12%

Explanation: SBA has developed long-term measures as reflected in the agency's Strategic Plan. In SCORE's five-year plan, the program purpose was refined and performance measures and annual goals supporting the purpose of the program were articulated and disseminated. Performance-based allocation of funding to local chapters is based on chapter achievement against goals. Additionally, SBA has incorporated these long-term measures into its draft research plan which will enable the agency to establish baselines and collect yearly data on goal attainment. The forthcoming Cooperative Agreement for SCORE reflects both long-term and annual goals.

Evidence: The U.S. Small Business Administration Strategic Plan, Fiscal Year 2003-Fiscal Year 2008; SCORE Strategic Plan, FY 2004 SBA Budget Submission and FY 2004 SCORE Cooperative Agreement and the draft research plan.

2.2 Does the program have ambitious targets and timeframes for its long-term measures? Answer: YES Question Weight: 12%

Explanation: Outcome measurements have been developed and are contained in program strategic plans. Goals are structured in a way to achieve program efficiencies concurrent with long-term improvement and program delivery. The program is being challenged to improve program capacity; targets have been set which are ambitious yet achievable utilizing current resources for long-term program delivery. Baselines and refined levels for targets will be further developed with the implementation of the research project in FY 2004.

Evidence: The U.S. Small Business Administration Strategic Plan, Fiscal Year 2003-Fiscal Year 2008; SCORE Strategic Plan and the FY 2004 SBA Budget Submission.

2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals? Answer: YES Question Weight: 12%

Explanation: Samples of annual performance criteria in the Notice of Award: SCORE will increase by 3% the number of clients counseled and trained from a baseline of 510,000 clients.

Evidence: Cooperative Agreement and Notice of Award; SBA Scorecard and SCORE Strategic Plan Scorecard.

Program Assessment Rating Tool (PART)

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	88%	100%	53%	Effective

2.4 Does the program have baselines and ambitious targets for its annual measures? Answer: YES Question Weight: 12%

Explanation: Baselines have been established for this program beginning with FY 2002 figures. A targeted 3% growth is goaled. Examples include increasing clients served from an actual of 440,293 in FY 02 to 462,257 in FY 03. However, new goals based on measurable economic outcomes will be instituted as the research plan develops an effective economic impact measure and test model.

Evidence: Cooperative Agreement; SBA Scorecard and FY 2004 Budget Submission; SCORE Scorecard and Annual Performance Plan; Monthly Chapter Goaling Reports; Quarterly Narrative and Financial Reports; Annual Audit.

2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program? Answer: YES Question Weight: 12%

Explanation: SCORE commits to long-term and annual goals that are negotiated between the National SCORE Association and SBA, provision of which is contained in the annual Notice of Award, the SBA's 5-Year Strategic Plan and the SBA's annual budget request. Annual goals are derived from the FY 2002 baseline and include quantifiable and ambitious targets of increasing both clients served and increasing the diversity in the client base and in the counselor corp. The National Program Manager and the Grants Manager monitor performance through quarterly narrative reports and timelines which include program deliverables (outputs and outcomes).

Evidence: Cooperative Agreement; SBA Scorecard and FY 2004 Budget Submission; SCORE Scorecard and Annual Performance Plan; Monthly Chapter Goaling Reports; Quarterly Narrative and Financial Reports; Annual Audit.

2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need? Answer: NO Question Weight: 12%

Explanation: The Agency conducts district level Quality Service Reviews (QSRs). SBA, as of last year, contracted with the Univ. of Michigan to conduct a Customer Satisfaction Survey. SBA's OIG is conducting an audit of the program currently. SBA intends to undertake an economic impact evaluation of the program in the near future.

Evidence: Periodic QSRs (every 2-3 years); CSI Customer Satisfaction Survey.

2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget? Answer: YES Question Weight: 12%

Explanation: The SBA FY 2004 budget request directly identifies quantifiable performance targets which were derived from a FY 2002 baseline and the resources necessary for their accomplishment. Future requests for funding are based on performance.

Evidence: Cooperative Agreement; SBA Budget Request and Performance Plan; SCORE Audited Financial Statements; SCORE Annual Report.

Program Assessment Rating Tool (PART)

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	88%	100%	53%	Effective

- 2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies?** Answer: YES Question Weight: 12%
- Explanation: The agency has developed a new strategic plan. Likewise, the agency is developing an evaluation strategy that will look at the economic impacts of this and other SBA programs.
- Evidence: SBA SCORECARD and Strategic Plan.
- 3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance?** Answer: Yes Question Weight: 11%
- Explanation: According to the agreement that the SCORE association and SBA make each year, monthly and yearly data is collected. The information is put into management reports.
- Evidence: Management Information System (MIS) reports; Quarterly Narrative Reports.
- 3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results?** Answer: YES Question Weight: 11%
- Explanation: Both the SBA manager and the National Score Association CEO are rated on their performance with respect to accountability for costs and program performance. There is an identified SBA SCORE manager with specific performance elements as well as agency scorecard assignments. For the CEO of NSA, an annual performance plan is in place which includes a baseline salary which can be augmented by performance-based incentives.
- Evidence: SBA Performance Review (Pumas); NSA CEO Contract and Performance Plan.
- 3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose?** Answer: Yes Question Weight: 11%
- Explanation: The annual SCORE appropriation is obligated by SBA's Office of Procurement and Grants Management after review and commitment by the program office.
- Evidence: Form 1223, Approval documentation, Notice of Award.
- 3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution?** Answer: YES Question Weight: 11%
- Explanation: Within the SBA strategic plan, SCORE has agreed to increase program efficiency and reduce unit costs by 10% over 5 years. The cost savings of an all volunteer counseling staff is valued conservatively at \$65 million -- and all are experienced, qualified business executives. In addition, SCORE uses its internal volunteer expertise to develop and implement projects as well as leverage co-sponsorships and MOUs to augment funding. For example, a former VP of Bechtel led SCORE's development of its electronic database; and the newly launched SCORE website was the result of a partnership with Verizon.
- Evidence: SBA Strategic; FY 2004 Budget Request and Performance Plan; SCORE Strategic Plan; SCORE Strategic Partnerships.

Program Assessment Rating Tool (PART)

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	88%	100%	53%	Effective

- 3.5 Does the program collaborate and coordinate effectively with related programs?** Answer: YES Question Weight: 11%
 Explanation: Currently, SCORE, SBDCs and Women's Business Centers, and the Business Information Centers work together to assist entrepreneurs and small businesses.
 Evidence:
- 3.6 Does the program use strong financial management practices?** Answer: Yes Question Weight: 11%
 Explanation: Strong financial management controls and procedures are in place. Quarterly financial reports are readily available. Internal and external CPA audits are conducted annually.
 Evidence: Audited financial statements. Board of Directors Report. OMB Circular A-110.
- 3.7 Has the program taken meaningful steps to address its management deficiencies?** Answer: Yes Question Weight: 11%
 Explanation: The program does not have any severe management deficiencies. SBA's CFO reviews the program annually to ensure that the proper cost controls are in place.
 Evidence: SBA budget request and Performance Plan, 2003.
- 3.BF1 Does the program have oversight practices that provide sufficient knowledge of grantee activities?** Answer: Yes Question Weight: 11%
 Explanation: Weekly face-to-face meetings between the program and the agency, weekly memo updates, quarterly reports, and the presence of the SBA Manager at board meetings and annual national meetings informs the agency about grantee activities.
 Evidence: MIS Reports; Quarterly Narrative Reports; OBCI Weekly Reports to the Administrator.
- 3.BF2 Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?** Answer: Yes Question Weight: 11%
 Explanation: The SCORE program collects data monthly, quarterly and annually. The SCORE program is different because of the relationship with the Association. The Association reports annually to a board of directors. This report is available to the public.
 Evidence: SBA OIG Inspection Report: "Coordination and Performance Measurement in SBA's Entrepreneurial Development Programs" September 2000, annual report to the Board of Directors.

Program Assessment Rating Tool (PART)

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	88%	100%	53%	Effective

4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals? Answer: NO Question Weight: 20%

Explanation: SBA has directed resources in an effort to identify long-term goals for the program and to evaluate achievement against those goals. After an extensive literature review and consultation with academics and other researchers, it was determined that little if any economic impact analysis has been conducted on an economic development program using a sufficiently rigorous model (a random control model, for instance). For that reason, SBA, will launch a long-term research effort to develop an effective economic impact testing model and appropriate measures, and implement those measures into SBA entrepreneurial programs strategic planning and goals. Due to the econometric and data challenges, as well as budget constraint, the initial study will likely be done regionally, the test results evaluated, refined with OMB help and oversight, and expanded in ensuing years.

Evidence: U.S. Small Business Administration Strategic Plan FY 2003 - 2008; SCORE Strategic Plan, FY 2003 Customer Satisfaction Survey, SBA Scorecard and monthly SCORE goal reports.

4.2 Does the program (including program partners) achieve its annual performance goals? Answer: YES Question Weight: 20%

Explanation: This program meets all of the annual program performance targets.

Evidence: FY 2002 SCORE Year End Report and SBA FY 2004 Budget Submission.

4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year? Answer: LARGE EXTENT Question Weight: 20%

Explanation: SCORE is moving chapters out of government-provided space into low-or no-cost community locations. Expansion of online counseling, now comprising 26% of all counseling, was achieved with no additional budget and has contributed substantially to numbers of clients counseled. On-line counseling is available 24 hours a day, 7 days a week, dramatically increasing the convenience and availability of SCORE counseling. Increased recruitment of volunteers has also increased clients counseled with no additional cost. As a volunteer program, it is very cost efficient in achieving annual performance goals with a value of \$65 million in volunteer contribution. Furthermore, SCORE is aggressively pushing for new, low-cost or cost-free ways to reach the entrepreneurial market. All leveraged by a \$5 million grant. Nonetheless, the agency's internal administrative cost for the program increased significantly in 2001 and 2002 over prior years.

Evidence: FY 2002 SCORE Year End Report, SBA FY 2004 Budget Submission and SCORE Strategic Plan.

4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals? Answer: LARGE EXTENT Question Weight: 20%

Explanation: With the implementation of new economic impact studies, new long-term goals will be developed to focus on those outcomes. However, SCORE is SBA's most dynamic and efficient program under current measures. In terms of cost per client, SCORE, at app. \$30/client, is much more efficient than any other SBA technical assistance program. Their client counseling numbers have shown significant growth in recent years, and the program has taken a dynamic approach to marketing to entrepreneurs, providing a good counseling product, and cutting costs.

Evidence: GRPA Goaling and Report; SBA Budget Submission and Strategic Plan.

Program Assessment Rating Tool (PART)

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately Effective
80%	88%	100%	53%	

4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?

Answer: SMALL EXTENT

Question Weight: 20%

Explanation: The SCORE program underwent significant independent evaluations this year. In addition to ongoing QSRs, the SBA's IG finalized an audit of the program. That audit identified no performance deficiencies in the program and concluded that "the national SCORE had an internal control structure in place to ensure appropriate use of federal funds." Also, SCORE contracted with an independent firm (Community Poll) which conducted a customer satisfaction survey. Results showed that 83% of clients rated service as "good to excellent" with more than half of that group rating it as "excellent." A statement of work has been developed for a contractor, pending funding, to perform an independent evaluation. In addition, SBA has developed a research plan which will provide economic impact data which will assist in analyzing performance determinations.

Evidence: SBA Inspector General Report #3-23, April 11, 2003;CommunityPoll Customer Satisfaction Survey, Research Plan and Statement of Work.

PART Performance Measurements

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:

Measure: Number of clients counseled by SCORE face-to-face, on-line or by telephone
Additional Information: FY 2002 figure represents counseling and training data combined as these data were not targeted separately.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002	399,576	320,364	
2003	336,332		
2004	346,422		
2005	356,815		
2006	367,519		

Measure: Number of clients who attend training programs, workshops, or seminars conducted by SCORE
Additional Information: Counseling and training data were not reported or targeted separately prior to FY 2002.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002		119,929	
2003	125,925		
2004	129,703		
2005	133,594		
2006	137,602		

Measure: Percentage of client satisfaction regarding usefulness of service and implementation of recommendations
Additional Information: This measure tracks attitudinal views of clients served regarding usefulness of service and whether they implemented recommendation into action steps. No data available for FY 2002 (baseline year).

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002		83%	

PART Performance Measurements

Program: Service Corps of Retired Executives

Agency: Small Business Administration

Bureau:

Measure: Percentage of client satisfaction regarding usefulness of service and implementation of recommendations

Additional Information: This measure tracks attitudinal views of clients served regarding usefulness of service and whether they implemented recommendation into action steps. No data available for FY 2002 (baseline year).

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2003	87%		
2004	87%		
2005	90%		
2006	90%		

Measure: Customer return rate

Additional Information: No FY 2002 target (baseline year).

Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002		33%	
2003	35%		
2004	35%		
2005	36%		
2006	36%		

Measure: Cost per client served

Additional Information: No FY 2002 target (baseline year).

Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2002		29.5%	
2003	31%		
2004	32%		

PART Performance Measurements

Program: Service Corps of Retired Executives
Agency: Small Business Administration
Bureau:

Measure: Cost per client served
Additional Information: No FY 2002 target (baseline year).

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2005	33%		
2006	34%		

Measure: Cost per client served
Additional Information: Cost per client served

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2002	30		
2003	29		
2004	27		
2005	26		
2006	25		

Program Assessment Rating Tool (PART)

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	100%	100%	53%	Effective

1.1 Is the program purpose clear?

Answer: YES

Question Weight: 20%

Explanation: The SBDC program provides business counseling and management assistance to current and prospective small business owners. It also assists in economic development such as trade shows, analysis of community's strengths and weaknesses, etc. The SBDC program is SBA's largest resource partnership, operated with state and local governments and institutions of higher education.

Evidence: 15 USC 648 and 13 CFR Part 130.

1.2 Does the program address a specific and existing problem, interest or need?

Answer: YES

Question Weight: 20%

Explanation: The problem is that 80 percent of new business starts discontinue operations within five years. Among the most prevalent reasons given for the discontinuance is lack of "knowledge." Also, there is a need to promote economic development by helping people with good ideas start and/or expand businesses. SBDCs also promote economic development by facilitating trade shows and conducting studies of the problems affecting businesses in a particular area and making efforts to remedy these problems. The program can address these problems and needs. Through resource materials, on-site counselors, and training seminars, the program provides access to business knowledge and increases economic activity.

Evidence: Dun & Bradstreet Annual Survey of Company Failures, SBDC Annual Reports, Chrisman Report.

1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?

Answer: NO

Question Weight: 20%

Explanation: The design of the SBDC program is congressionally mandated by statute. Therefore, SBA has little control over program design. Some small businesses served by the SBDC program could seek counseling & training from other SBA or non-SBA sources. However, with over 1000 centers, no other program covers such a wide geographical area. SBDCs also serve functions that other similar programs do not, such as administering the Coverdell Drug-Free Workplace Program. The target small business population for the SBDC program is those not served by the private sector. The average SBDC client receives 5.5 hours of counseling. The SBDC program partners with other programs and makes referrals to those programs, as appropriate.

Evidence: MIS Reports and Cooperative Agreement. There are other programs -- federal, state, local -- that assist small businesses. None are identical in scope or outreach to the SBDC Program. While a national program, it is a public/private partnership designed to be state specific, and it provides long-term, in-depth counseling to small businesses.

1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency?

Answer: NO

Question Weight: 20%

Explanation: As a formula grant program, a lack of competition negatively impacts the effectiveness of the SBDC program. A major shift was made in the program design several years ago when it was determined that educational institutions could more appropriately serve as host state lead centers than state governments. Also, the program leverages the federal dollars by requiring a 100% match from state and local sources, adding to the program's effectiveness. In an effort to make the program more competitive, in its FY 2004 legislative package, SBA has proposed opening SBDC lead center grants to competitive bidding every five years. This would help increase efficiency in the program through promulgation of best practices.

Evidence: 15 USC 648; 13 CFR 130, FY 2002 Performance & Accountability Report, FY 2004 Budget and Performance Plan, reauthorization proposal.

Program Assessment Rating Tool (PART)

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	100%	100%	53%	Effective

1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly? Answer: NO Question Weight: 20%

Explanation: The intended beneficiaries are nascent, start-up and existing small businesses, a huge market in excess of 17 million potential clients. With approximately 1,000 centers and 6,000 experienced counselors and consultants nationwide, the SBDC Program has the capacity to target this market. Local SBDCs develop needs assessment studies to document whether program offerings are meeting local needs. In addition, SBDCs have the authority and capacity to contract out for specialized services for clients not available elsewhere. Increasing their effectiveness is their ability to draw on host institution resources (universities, colleges, etc) and draw on resources of collaborative economic development partners in the community. Nonetheless, the formula based allocation of funds does not ensure that the program avoids unintended subsidies or reaches beneficiaries efficiently.

Evidence: MIS data, Chrisman Report, SBA FY 2004 Budget and Performance Plan. Economic impact data indicates that small businesses assisted by SBDCs in FY2001 had an additional \$6.56 billion in sales and created/retained approximately 131,000 jobs.

2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program? Answer: YES Question Weight: 20%

Explanation: The SBDC program has one long-term outcome-oriented performance measure: jobs created or retained. The remainder of the program's measures are output oriented. SBA is in the process of developing a long-term research plan to more accurately test and measure SBDC and other programs in terms of economic impact outcomes. As this project is developed, program goals and incentives will be reformed to address these measures.

Evidence: SBA Strategic Plan for FY 2003.

2.2 Does the program have ambitious targets and timeframes for its long-term measures? Answer: YES Question Weight: 20%

Explanation: The SBDCs must create or retain 500,000 jobs by 2007. This is tracked annually. The SBDCs must increase counseling & training of established small businesses, rather than pre-ventures. This is tracked quarterly.

Evidence: MIS data and SBA Strategic Plan.

2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals? Answer: YES Question Weight: 20%

Explanation: The SBDC program has established a limited number of annual goals to serve the needs of the small business community. Each SBDC has a needs assessment process in place as required by the Certification Standards. In addition, each SBDC is required to provide training and counseling to a specified number of clients based on assessed needs. These milestones/goals are part of the funding instrument, the co-operative agreement. The SBDCs also have a client satisfaction goal.

Evidence: MIS data; annual narrative reports; cooperative agreement; client satisfaction surveys; SBDC Chrisman Economic Impact Study.

Program Assessment Rating Tool (PART)

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	100%	100%	53%	Effective

2.4 Does the program have baselines and ambitious targets for its annual measures?

Answer: YES

Question Weight: 20%

Explanation: The SBDCs have been given ambitious annual goals through the district offices. Although funding has increased only approximately 1% in nominal dollars, and has actually decreased in real dollars due to inflation, the SBDCs goals were increased by 3%. Under the existing measures, SBDCs created or retained 131,000 jobs in FY2001. SBDCs counseled and trained 295,000 established businesses in FY2002.

Evidence: MIS data and District Office Goals.

2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program?

Answer: YES

Question Weight: 20%

Explanation: SBDC partners support the overall annual performance goals of the agency and report their activities related to those goals. The SBDC Program Announcement requires all SBDC Lead Centers to ensure they receive all economic impact data from all service centers and that the data collected is consistent. The data required from all partners includes the long-term goal of jobs created and jobs retained.

Evidence: SBDC Program Announcement, MIS Data , Co-operative Agreement.

2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need?

Answer: YES

Question Weight: 20%

Explanation: The Office of Inspector General conducted a study of the SBDC Program and conducts studies of individual SBDCs. SBA's Office of Policy & Planning conducted a review of the SBDC Program. SBA's Office of Entrepreneurial Development will contract for a study during 2003. In addition the association of SBDC has contracted for the Chrisman Economic Impact Study.

Evidence: OIG studies, "SBDCs: A Program Review, September 2001 Chrisman Study.

2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget?

Answer: YES

Question Weight: 20%

Explanation: However, by statue, SBDC funds are allocated to states according to a population based funding formula. States are required to meet their annual and long-term performance goals as stipulated in their Cooperative Agreements. The agency has a cost allocation survey which directly links all the costs of operating the program. SBA has proposed, as part of congressional reauthorization, to require each lead SBDC to compete in a competitive bidding process every five years and, as part of its Scorecard projects, is working with a task force to develop a legislative proposal to develop an incentive program for funding.

Evidence: MIS data and legislative initiatives; Cooperative Agreements; SBA Scorecard; FY 2004 Legislative Package.

Program Assessment Rating Tool (PART)

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	100%	100%	53%	Effective

2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies? Answer: YES Question Weight: 20%

Explanation: The Office of SBDCs strategic plan contains the development of a needs assessment process which will identify long-term needs and, therefore, long-term goals for the program. In addition, individual SBDCs are required by certification standards to have their own strategic plans. Also, SBA is working with the SBDCs toward a broad SBDC strategic plan that contains measurable outcomes.

Evidence: Certification standards, OSBDC's and SBA's strategic plans. SBA, as mentioned above, is working with OMB officials, independent researchers, and members of academia to develop new and better economic impact measures and a more reliable testing model.

3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance? Answer: YES Question Weight: 11%

Explanation: SBA collects quarterly counseling & training statistics and annual economic impact data from the SBDCs. The SBDCs also prepare a semi-annual and annual narrative report documenting their progress against their goals. SBA uses this information to manage the program. Nonetheless, SBA has historically encountered some difficulty in aggregating data because some SBDCs do not use standard data definitions. When an SBDC is deemed to be not successful, action is taken. This includes conditional funding or termination.

Evidence: MIS data; SBDC Chrisman Economic Impact Study; narrative progress reports; OMB Circular A-110; 13 CFR 143.

3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results? Answer: YES Question Weight: 11%

Explanation: Federal managers and program partners are held accountable for cost schedules and performance results. Each year the SBA district offices and the SBA state directors negotiate milestones in the co-operative agreement. The failure to meet goals may lead to the termination or non-renewal of an SBDC. For example, the Louisiana SBDC and the Washington, DC SBDC were recently conditionally funded. They had to improve their achievements toward the goals in order to receive unconditional funding. SBA project officers also have a performance standard written into their PMAS, and their oversight of the SBDC program is reviewed during the Quality Service Review (QSR) process.

Evidence: See SBA Project officer PMAS , Co-operative Agreements, QSR reports, Letters to Louisiana and Washington DC SBDCs.

3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose? Answer: YES Question Weight: 11%

Explanation: In accordance with statute and agency practice, all funds are obligated on a fiscal year or calendar year basis in a timely manner; all funds are distributed in accordance with a statutorily required funding formula.

Evidence: 15 USC 648 and the JAAMs system.

Program Assessment Rating Tool (PART)

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	100%	100%	53%	Effective

3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution? Answer: YES Question Weight: 11%

Explanation: Under SBA's activity based costing methodology, the federal cost of delivering services to SBDC clients is measured and tracked.

Evidence: SBA's activity based costing system.

3.5 Does the program collaborate and coordinate effectively with related programs? Answer: YES Question Weight: 11%

Explanation: As a public/private partnership, the SBDCs are experienced with collaboration and coordination. In fact, the SBDC program announcement requires SBDCs to work with other resources. They conduct joint training sessions with other SBA programs, such as SCORE and Women's Business Centers and make mutual referrals to those resources. They also collaborate & coordinate with non-SBA programs such as the Manufacturing Extension Partnership (MEP) program. While MEP is handling engineering questions for a small manufacturer, the SBDC can handle the business-related questions for that same manufacturer.

Evidence: SBDC program announcement and cooperative agreement.

3.6 Does the program use strong financial management practices? Answer: YES Question Weight: 11%

Explanation: The program adheres to the Small Business Act requirement that each SBDC be financially examined every two years. In addition, a year-end reconciliation is performed comparing the SBDCs financial reports to SBA's financial systems.

Evidence: See OSBDC financial reports and year end reconciliation.

3.7 Has the program taken meaningful steps to address its management deficiencies? Answer: YES Question Weight: 11%

Explanation: Management deficiencies can be identified during financial and programmatic examinations. They are immediately addressed by SBDCs and SBA District offices. In addition, examiners follow-up on these deficiencies during their next biennial examination. If an SBDC does not address the deficiencies, they can and have been terminated or they can receive conditional funding or payments to the SBDC can be suspended. Deficiencies found during the certification process must also be addressed by the SBDC in order to receive funding. An SBDC can receive certification with conditions. In addition, SBA provides technical assistance to SBDCs that have deficiencies. For example financial training was provided to the California and Michigan SBDC Networks.

Evidence: Financial & Programmatic Review Reports, Certification Reviews, Louisiana and Washington DC Letters.

3.BF1 Does the program have oversight practices that provide sufficient knowledge of grantee activities? Answer: YES Question Weight: 11%

Explanation: SBDCs receive bi-ennial programmatic and financial on-site examinations from SBA Headquarters. SBDCs also receive annual reviews by SBA District Offices. SBDCs are reviewed every four years by the Association of SBDCs in order to receive certification. SBDCs are reviewed annually by their host organizations. All evaluations are used to determine whether the SBDCs are accomplishing their mission.

Evidence: Financial and Programmatic review Reports, and SBDC Annual Narrative Reports.

Program Assessment Rating Tool (PART)

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	100%	100%	53%	Effective

3.BF2 **Does the program collect grantee performance data on an annual basis and make it available to the public in a transparent and meaningful manner?** Answer: YES Question Weight: 11%

Explanation: SBA collects substantial data from each SBDC network. This data is tabulated for each SBDC, for SBDCs by Region, and for the overall SBDC program. It is tabulated by quarter and by year. SBDCs also write annual narrative reports. SBDCs disseminate this data to Congress and to the public.

Evidence: MIS data, SBDC Annual Narrative Reports.

4.1 **Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: LARGE EXTENT Question Weight: 20%

Explanation: The agency has articulated its new long-term goals for this program in its Strategic Plan. Both annual performance goals and performance measures have been developed and are contained in both the Strategic Plan and the research plan for the economic impact study. Goals include creating or retaining jobs, increase counseling of established small businesses, and increased on-line counseling.

Evidence: SBA Strategic Plan.

4.2 **Does the program (including program partners) achieve its annual performance goals?** Answer: LARGE EXTENT Question Weight: 20%

Explanation: The SBDC program met or exceeded its annual performance goals four out of the last five years. The SBDCs are required to input their counseling and training statistics in the MIS System which collects performance on numerous outputs and outcomes. They must also state their achievements toward their milestones (goals) in their annual narrative reports. In addition, the SBDCs must conduct client satisfaction surveys.

Evidence: MIS data, SBDC annual narrative reports, FY2001 Performance & Accountability Report and SBA Strategic Plan. In FY2002, SBDCs counseled or trained 651,421 small businesses; the goal was 631,349. Another performance goal was to develop a draft on-line needs assessment by September 2002; it was developed by February 2002.

4.3 **Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: LARGE EXTENT Question Weight: 20%

Explanation: The SBDCs have demonstrated improving efficiencies in achieving program counseling and training goals each year. Funding is fairly level, yet the SBDCs have increased counseling and training hours provided to small businesses. From 1999 to 2002, the unit cost of providing counseling to clients decreased from \$170 to \$154.

Evidence: MIS data, FY 2004 Budget request

Program Assessment Rating Tool (PART)

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:
Type(s): Block/Formula Grant

Section Scores				Overall Rating
1	2	3	4	Moderately
80%	100%	100%	53%	Effective

4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals?

Answer: SMALL
EXTENT

Question Weight: 20%

Explanation: The SBDC Program provides long-term, in-depth counseling. The program provides an average of 5.4 hours of counseling to each client. Nonetheless, the program is costly as measured per client assisted as compared to other SBA programs. The Chrisman Economic Impact Study shows that SBDC long-term counseling generated approximately \$2.09 in tax revenues for every \$1 spent on the entire SBDC program. In FY2001, SBDCs reported over 131,000 jobs created or retained, an increase in sales of \$77 for every federal dollar spent, \$287M generated in state taxes, and \$294M generated in federal taxes. The program compares favorably to the NIST MEP Program. MEP has assisted 149,000 small manufacturers since 1989; SBDCs assist 600,000 small businesses every year. MEP's 2002 budget is approximately \$106M; the SBDCs 2002 budget is approximately \$88M.

Evidence: MIS data, SBDC Chrisman Economic Impact Study, MEP web site.

4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results?

Answer: SMALL
EXTENT

Question Weight: 20%

Explanation: The latest Chrisman Economic Impact Study shows that the SBDC program is effective and achieving results. It shows that long-term counseling activities generated approximately \$2.09 in tax revenues for every \$1 spent on the entire program (counseling less than 5 hours and training). It also shows that in FY2001 small businesses receiving counseling had an additional \$6.56 billion in sales and created/retained approximately 131,000 jobs. A recent internal SBA independent study indicated that the SBDC program has numerous strengths. The long-term goals established this year also help determine whether the program is achieving meaningful results. In addition, SBA is developing a research plan which will lay the groundwork for an annual impact study to provide baseline economic data, annual output and outcome data to analyze performance. A statement of work has been developed to contract for an annual independent evaluation of the program.

Evidence: SBDC Chrisman Economic Impact Study (Jan 2003); and "SBDCs: A Program Review Sept 2001".

PART Performance Measurements

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:

Measure: Number of small businesses counseled and trained.
Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002	627,935	651,306	
2003	634,214		
2004	653,240		
2005	672,838		

Measure: Jobs created or retained.
Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002	50,000		
2003	132,000		
2004	132,000		
2005	135,960		

Measure: Develop draft on-line national needs assessment
Additional Information: Data not currently available.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: One-time
2002			

PART Performance Measurements

Program: Small Business Development Centers
Agency: Small Business Administration
Bureau:

Measure: Percentage of client satisfaction regarding usefulness of service and implementation of recommendations.

Additional Information: FY 2002 data is not available.

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002	87.5%		
2003	88%		
2004	88.5%		
2005	89%		

Measure: Number of existing small businesses counseled and trained.

Additional Information: FY 2002 is baseline

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2002		295,000	
2003	305,325		
2004	316,011		
2005	327,072		
2006	338,519		

Measure: Number of small businesses counseled on-line.

Additional Information: Targets under development

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: One-time
TBD			

PART Performance Measurements

Program: Small Business Development Centers

Agency: Small Business Administration

Bureau:

Measure: Unit cost (\$ per client)

**Additional
Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual (Efficiency Measure)
2002	154	154	
2003	154		
2004	150		
2005	148		
2006	145		

Program Assessment Rating Tool (PART)

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	88%	67%	60%	

1.1 Is the program purpose clear?

Answer: YES

Question Weight: 20%

Explanation: To encourage private risk-taking and venture investing, for the benefit of U.S. small businesses and the customers and communities they serve.

Evidence: \$5.7 billion in private capital mobilized with SBA leverage since FY 1994; \$800 million in FY 02 alone supporting over 4,000 reported financings. Total committed capital is currently over \$20 billion. Please see FY03 SBA Investment Division Business Plan for mission statement and program goals, including as they relate to the President's Management Agenda.

1.2 Does the program address a specific and existing problem, interest or need?

Answer: YES

Question Weight: 20%

Explanation: To fill the gap in smaller equity and debt financings (between \$300,000 and \$5 million). To expand the reach of venture capital, including into underserved urban and rural markets. To contribute to an environment in which employers can flourish and hire new people.

Evidence: National Venture Capital Association statistics show median venture capital investment at \$7 million in CY02, compared to average SBIC investment of \$664,000 in FY02. SBIC investments made in 48 states are more geographically diverse than total venture. Only 30% of SBIC portfolio is "high tech" compared to 79% of total venture (with 25% of SBIC portfolio invested in manufacturing). 27% of the SBIC portfolio is invested in "LMI" areas. In FY02, over 1.1 million people were employed by companies in which SBICs held financial interests.

1.3 Is the program designed so that it is not redundant or duplicative of any other Federal, state, local or private effort?

Answer: NO

Question Weight: 20%

Explanation: SBA fostered venture capital when this market was virtually non-existent (late 1950s- early 1960s) and angel investors were the primary sources of equity capital for start-up businesses. However, the venture capital market has matured substantially over the last 15 years (although it is currently in an economic slump). While SBA has a market niche providing patient capital for small business investments through public-private partnerships, the private market provides equity capital to all ranges of business including small. Further, debt financing is available in the private sector as well as other SBA loan guarantee programs.

Evidence: SBICs currently provide over 62% of total (including private) number of venture financings. State/local economic development programs are not focused on profit maximization, as is the SBIC program. However, the SBIC program provides 8 percent of total dollar volume of venture capital investments in small businesses.

Program Assessment Rating Tool (PART)

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	88%	67%	60%	

1.4 Is the program design free of major flaws that would limit the program's effectiveness or efficiency? Answer: NO Question Weight: 20%

Explanation: SBIC fund management and investment decisions are competitively sourced to qualified private venture capital fund managers. The government acts as a preferred limited partner and monitors SBICs for signs of poor financial performance or fraud. The program operates on a zero subsidy rate and, while not intended to make money for the government, is supposed to "break even" over time. Private industry pays for part of the costs of the program through fees and profit-sharing. While the SBIC program is well-managed within its current legal parameters, there are at least two design flaws in the program's structure that limits efficiency and effectiveness: 1) SBA's "profits" are not proportional to the investment that the agency makes in SBICs and 2) insufficient incentives exist to encourage SBICs to return capital (pay back principal debt) to SBA as quickly as possible.

Evidence: Rigorous licensing procedures are in place and have recently been strengthened to maximize prospective returns on new SBICs. Post-license oversight and risk management tools have also been enhanced. Given the downturn in private equity, some structural changes are recommended to balance risk and rewards to taxpayers and to keep program self-financing over reasonable time periods.

1.5 Is the program effectively targeted, so that resources will reach intended beneficiaries and/or otherwise address the program's purpose directly? Answer: YES Question Weight: 20%

Explanation: SBICs may only invest in U.S. small businesses defined as having a net worth less than \$18 million and two years after-tax income of less than \$6 million.

Evidence: Target market is large enough to support the current level of SBIC financings. Program is sustaining seed/early stage and subordinated debt markets, with SBA leverage attracting SBICs into transactions based on higher prospective returns commensurate with risk. Program resources directly affect small businesses ability to create jobs, economic growth, and innovation in the economy. A negligible amount of program resources has been paid erroneously or to unintended beneficiaries over the last ten years.

2.1 Does the program have a limited number of specific long-term performance measures that focus on outcomes and meaningfully reflect the purpose of the program? Answer: YES Question Weight: 12%

Explanation: Number of jobs created

Evidence: FY04 Budget Request and FY03 Investment Division Business Plan

2.2 Does the program have ambitious targets and timeframes for its long-term measures? Answer: YES Question Weight: 12%

Explanation: Over-arching GPRA and non-GPRA long-term targets are focused on job creation and economic growth, based on SBIC financings and future program management

Evidence: FY04 Budget Request and FY03 Investment Division Business Plan. Job creation in FY02 was estimated at 78,000.

Program Assessment Rating Tool (PART)

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	88%	67%	60%	

2.3 Does the program have a limited number of specific annual performance measures that can demonstrate progress toward achieving the program's long-term goals? Answer: YES Question Weight: 12%

Explanation: (1) SBIC licenses issued and cases resolved (2) SBIC financings, total and start-up company (3) Number of SBIC examinations (4) Amount of SBIC liquidation recoveries and cases resolved

Evidence: Financing data reported by SBICs. FY03 Investment Division Business Plan.

2.4 Does the program have baselines and ambitious targets for its annual measures? Answer: YES Question Weight: 12%

Explanation: Precise numerical targets have been established for each goal.

Evidence: Targets are tracked both inside the Investment Division and at the Agency-wide level on performance scorecards/spreadsheets.

2.5 Do all partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) commit to and work toward the annual and/or long-term goals of the program? Answer: YES Question Weight: 12%

Explanation: Mandatory reporting by SBICs on their financing activities. All other annual/long-term program goals are within the duties and responsibilities of Investment Division management and staff.

Evidence: Each SBIC files electronic reports on its financial position and all financing activity. Goals articulated to staff through regular review/adjustment of business plan. SBIC receivership cases are performance-based.

2.6 Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support program improvements and evaluate effectiveness and relevance to the problem, interest, or need? Answer: NO Question Weight: 12%

Explanation: Two issue-specific reviews conducted by the Inspector General (FY 2000 and 2002). The last GAO study was published September 2000. No funds currently budgeted for a comprehensive third-party review or audit of the program.

Evidence: Continued oversight by IG and GAO is expected, but may be narrowly focused or incomplete. The Investment Division welcomes an independent evaluation of the program's effectiveness and need. Absent the resources for such an independent study, the Investment Division is using available data from both SBIC reporting and industry publications to better assess program performance.

2.7 Are Budget requests explicitly tied to accomplishment of the annual and long-term performance goals, and are the resource needs presented in a complete and transparent manner in the program's budget? Answer: YES Question Weight: 12%

Explanation: SBA uses a "performance scorecard" to track and evaluate performance. Budget requests must tie to performance goals and requested resources must identify objectives and how funds are needed to realize those objectives.

Evidence: Please refer to SBA performance scorecard and budget submissions.

Program Assessment Rating Tool (PART)

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	88%	67%	60%	

2.8 Has the program taken meaningful steps to correct its strategic planning deficiencies? Answer: YES Question Weight: 12%

Explanation: FY03 Investment Division Business Plan approved on 12/10/02 and adjusted on 03/24/03. Plan specifically relates to President's Management Agenda and SBA Strategic Plan.

Evidence: Investment Division had no "business plan" prior to its creation last year. Performance objectives are being constantly reviewed to ensure they are realistic and producing the results we want.

3.1 Does the agency regularly collect timely and credible performance information, including information from key program partners, and use it to manage the program and improve performance? Answer: NO Question Weight: 11%

Explanation: Every SBIC must report electronically a quarterly report on their financial status (audited annually). All financings must be reported within 30 days of occurrence. Summary information is reported weekly to program managers. However, it is not clear that the Investment Division and OCFO regularly share information to maintain the most accurate records and use them in a way to inform program performance. Both offices are working to improve this deficiency. In addition, SBA is transforming its SBIC program employees into portfolio managers to measure, monitor, and mitigate risk more effectively.

Evidence: Weekly program statistical output derived from program data base.

3.2 Are Federal managers and program partners (including grantees, sub-grantees, contractors, cost-sharing partners, and other government partners) held accountable for cost, schedule and performance results? Answer: YES Question Weight: 11%

Explanation: Individual performance plans are tied to program measures. Every employee within the program is held accountable as part of their PMAS or Personal Business Commitment Plan. Exam contractor and receivership agent payment directly tied to performance.

Evidence: Individual performance plans (PMAS/PBC), exam contract.

3.3 Are funds (Federal and partners') obligated in a timely manner and spent for the intended purpose? Answer: YES Question Weight: 11%

Explanation: Funding requests receive two levels of review and certified as to use. Once approved, the program has an administrative system in place to obligate the funds in a timely fashion as a commitment. This commitment is subsequently drawn for financings. Each draw request requires a specific documentation to the use of funds. Use of funds audited annually by the program examiners.

Evidence: Documentation supporting requests and reports on file and exam reports also on file. Reports from Agency's Loan Accounting System to reflect obligations

Program Assessment Rating Tool (PART)

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	88%	67%	60%	

3.4 Does the program have procedures (e.g. competitive sourcing/cost comparisons, IT improvements, appropriate incentives) to measure and achieve efficiencies and cost effectiveness in program execution? Answer: NO Question Weight: 11%

Explanation: Currently, SBA has no FAIR Act plan articulating the agency's plan to streamline functions and increase efficiencies in all program areas, including SBIC. Exam function in SBIC program will undergo FAIR Act review in the fourth quarter of FY03 and will comply with Agency direction in this matter.

Evidence: Exam contract, FAIR Act review in fourth quarter.

3.5 Does the program collaborate and coordinate effectively with related programs? Answer: YES Question Weight: 11%

Explanation: Program is unique in government. However, it works closely with industry partners, such as the National Association of Small Business Investment Companies (NASBIC), SBIC, NAIC and government agencies to identify meaningful collaboration and avoid duplication of effort.

Evidence: Recent design and beta-test of new portfolio risk assessment model is based on industry advice and feedback. More transparent communication of program data, analysis and procedures is underway.

3.6 Does the program use strong financial management practices? Answer: YES Question Weight: 11%

Explanation: No material internal control weaknesses found.

Evidence: Internal Agency annual budget re-estimates, and program reviews. Annual financial reviews conducted by an outside contractor on the financial management of the Agency.

3.7 Has the program taken meaningful steps to address its management deficiencies? Answer: YES Question Weight: 11%

Explanation: Program uses business plan and performance plans to monitor management performance and identify potential weaknesses.

Evidence: If weaknesses identified, action plan for immediate correction is approved and implemented. Program meets requirements of Federal Credit Reform Act of 1990. SBA has taken meaningful administrative steps to improve program management. SBA will submit legislative proposals to the Small Business Committees during fourth quarter of FY 03 to make structural improvements by minimizing risk exposure, generating profits that are more proportional to the agency's investment, and providing incentives for SBICs to return capital faster to SBA.

3.CR1 Is the program managed on an ongoing basis to assure credit quality remains sound, collections and disbursements are timely, and reporting requirements are fulfilled? Answer: YES Question Weight: 11%

Explanation: Annual financial reviews of all SBICs (more frequent if needed), more than one level of review for disbursements, audited financial statements, annual exams and site visits.

Evidence: Audited Form 468- financial statements from SBICs, Form 1031. Financial and examination reports used to check credit quality.

Program Assessment Rating Tool (PART)

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	88%	67%	60%	

- 3.CR2 Do the program's credit models adequately provide reliable, consistent, accurate and transparent estimates of costs and the risk to the Government?** Answer: NO Question Weight: 11%
- Explanation: The SBIC Participating Securities program is not designed as a typical credit program per se and thus risk cannot be evaluated based on typical loan monitoring techniques alone. However, the current credit model does not accurately capture all of the business "rules" or transactions, there are differences in financial data between the SBA's OCFO and Investment Division (currently being addressed), technical assumptions need to be revised, and the current methodology does not capture fluctuations in the economy early enough to more accurately assess program performance.
- Evidence: In an effort to further quantify potential risk (and reward) to taxpayers, the Investment Division, in coordination with CFO and other offices, has created annual financial statements for the program, using items that were mapped from program data. These annual financials will enhance the accuracy and transparency of the costs and risks of the program to the government. The agency has committed to developing an improved subsidy model for the FY 06 budget.
- 4.1 Has the program demonstrated adequate progress in achieving its long-term performance goals?** Answer: SMALL EXTENT Question Weight: 20%
- Explanation: Program did not meet all performance goals in FY 02, but this is due to the program's market-driven focus: A lower job creation number reflects the fact that, while SBICs are making a proportionately higher number of actual financings, the amount of dollars involved has declined along with the rest of the venture capital market.
- Evidence: Failure to meet performance goals is also due to SBA setting expectations that do not reflect the reality of the declining venture capital market. For instance, SBICs only took advantage of about \$2 billion of the available \$7 billion for SBIC investments in FY 02. The agency failed to adjust its performance expectations in accordance with the reality of the market for FY 03.
- 4.2 Does the program (including program partners) achieve its annual performance goals?** Answer: LARGE EXTENT Question Weight: 20%
- Explanation: The program is on target to achieve all of this year's goals, except for the number of licenses approved.
- Evidence: Reporting information filed by SBICs proves that the financings this year are on track to exceed GPRA targets. Number of SBIC licenses approved is not a GPRA goal and is dependent on external factors such as funds being able to raise matching private capital. The focus in SBIC licensing has also been on resolving sub-standard cases -- an important contribution to protecting taxpayers against risk.
- 4.3 Does the program demonstrate improved efficiencies or cost effectiveness in achieving program goals each year?** Answer: YES Question Weight: 20%
- Explanation: Actual operating budget is less than prior year, yet key program and management initiatives have made the Investment Division a more streamlined, efficient and effective business operation -- and by extension a more significant force in creating jobs and economic growth.
- Evidence: Licensing operations have been improved, leading to a higher degree of customer service, a more fact-based approach to due diligence, and greater coordination and teamwork. Once the backlog is addressed, these conscious efforts will result in faster processing by approximately 30%. Oversight operations have been improved, moving more resources toward risk management and standardizing SBIC portfolio reviews. Financial statements have been created for the program: Profit & Loss, Balance Sheet, and Cash Drivers, as well as an SBIC Consolidated Net Income Statement.

Program Assessment Rating Tool (PART)

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:
Type(s): Credit

Section Scores				Overall Rating
1	2	3	4	Adequate
60%	88%	67%	60%	

4.4 Does the performance of this program compare favorably to other programs, including government, private, etc., with similar purpose and goals? Answer: YES Question Weight: 20%

Explanation: There is no similar government program. With respect to the private venture capital industry, although the SBIC program currently has a declining cash position, it is outperforming the total venture industry. Moreover, it shows a fund performance picture (measured by profitable funds) that is better than the industry average for both equity and debenture funds.

Evidence: FY02 reported financings are down marginally compared to private vc industry and FY03 figures are rebounding from prior year levels.

4.5 Do independent evaluations of sufficient scope and quality indicate that the program is effective and achieving results? Answer: NO Question Weight: 20%

Explanation: Based on input from many sources -- Congress, the Executive branch, private industry, past Advisory Council reports, GAO, IG, and others -- the Investment Division has acted on a host of recommendations to improve program effectiveness and achieve measurable results. However, SBA has no recent independent evaluations demonstrating that the SBIC program supplants rather than supplements private venture capital investments.

Evidence: Please refer to FY03 Investment Division Business Plan for specific management improvements. Please also refer to draft FY02 Annual Report of the SBIC Program.

PART Performance Measurements

Program: Small Business Investment Company
Agency: Small Business Administration
Bureau:

Measure: Number of License issued
Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001		51	
2002		41	
2003	50		
2004	55		

Measure: Number of financings to start up companies
Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001		1,719	
2002	1,800	1,178	
2003	1,500		
2004	1,700		

Measure: Number of financings
Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001	3,500	4,277	
2002	3,700	4,004	
2003	4,400		

PART Performance Measurements

Program: Small Business Investment Company

Agency: Small Business Administration

Bureau:

Measure: Number of financings

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2004	4,500		

Measure: Number of financings to established firms

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001		2,558	
2002		2,826	
2003	2,900		
2004	2,800		

Measure: Number of jobs created/retained

Additional Information:

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001		127,000	
2002		78,000	
2003	91,400		
2004	125,700		

PART Performance Measurements

Program: Small Business Investment Company

Agency: Small Business Administration

Bureau:

Measure: Number of exams issued

**Additional
Information:**

<u>Year</u>	<u>Target</u>	<u>Actual</u>	Measure Term: Annual
2001		298	
2002		326	
2003	350		
2004	400		