FY 2007 SBA E-Government Act Report

I. Provide a brief overview of your agency's implementation of the Act including a description of an internal agency-specific E-Government initiative.

a. Describe how the initiative is transforming agency operations.

Office of Capital Access

The Office of Capital Access's (OCA) E-Tran initiative is a Small Business Administration (SBA) loan guaranty origination solution. By leveraging best-practice Internet technology to reduce the turnaround time on loan guaranty requests, E-Tran provides the Agency with quality, timely data to support the management and oversight of its portfolio. E-Tran is one component of an overall strategy to provide increased efficiency and decreased costs in the loan guaranty origination process. As the Agency moves to expand the use of E-Tran to all of the Office of Financial Assistance's (OFA) loan programs, there will be an impact on loan operational processes. With full implementation of E-Tran, the Agency will be able to increase efficiency, decrease cost, and direct resources to areas requiring manual intervention (marketing/outreach and oversight).

Office of Disaster Assistance

The SBA's Office of Disaster Assistance (ODA) has undertaken a disaster credit management modernization initiative to improve the efficiency, quality, and timeliness of disaster loan processing. The primary, ongoing E-Gov initiative of the ODA is the implementation of the Disaster Credit Management System (DCMS). This effort enables the ODA to efficiently streamline functions associated with its disaster loan process and disaster management process by creating electronic loan and disaster records.

The use of electronic records for disaster management, loan processing, and disbursement activities was planned for a one-year implementation phase beginning November 2004 through FY05. However, several large hurricanes, including Katrina, Rita, and Wilma, caused extensive damages throughout the Gulf Coast before the end of the rollout period, resulting in an acceleration of the system implementation.

Recognizing the need to plan for the long-term impacts of DCMS, the ODA has undergone a widespread organizational transformation through the improvements in technology. The ODA has consolidated organizational functions to a more streamlined delineation of responsibilities in place of the historical geographic boundaries, thereby reducing redundant and overlapping efforts. The underlying technology of DCMS provided key support in the transformation to these more efficient organizational units.

The ODA has embarked upon a rigorous series of process improvement campaigns fully utilizing the newer DCMS technology. These continuing campaigns are delivering numerous rapid improvement projects and delivering increased functionality and automation to the ODA stakeholders.

Office of Government Contracting and Business Development

For FY08 the SBA's Office of Government Contracting and Business Development (GC/BD) will have completed the upgrade of the HUBZone Certification System. This will lead to the processing of 2,200 online applications, the execution of 680 program examinations, and the online recertification of 2,200 certified HUBZone small business concerns in FY08. This increased workload (from prior budget years) will be accomplished, with no significant increase in the current (FY06) authorized staffing level, by expanding and upgrading components to this modular architecture. This GC/BD initiative provides for the continued development, deployment, upgrade, and maintenance of a HUBZone System. This system encompasses all substantive business processes of the HUBZone Program, including: an Internet application for program certification; determination of program eligibility based on electronic decision logic; recertification of firms; decertification of firms no longer meeting eligibility criteria; processing of program review data; adjudication of protests and appeals; generation of program evaluation data; and provision of executive information system capabilities. This initiative enables the Agency to minimize long-term compensation and benefits expenses through modest short-term investments in technology.

b. **Explain how your agency maintains an ongoing dialogue with interested parties to find innovative ways to use information technology for the initiative.**

Office of Capital Access

The OFA is responsible for the leadership of the E-Tran initiative. The OCA maintains ongoing communications with our lending community, software vendors, and IT professionals to incorporate new functionality into the application. This includes discussing ways to incorporate E-Tran into other facets of the government lending processes.

Currently, the Agency communicates with interested parties via the web, list servers, notices, and national meetings. As the community of interested parties grows, additional requirements will be suggested, including the possible expanded use of the Agency's IT solution.

The OCA aims to be able to expand the use of IT (E-Tran Servicing/Liquidation, fee payment, and reporting) to improve processes, increase efficiency for the lending community/Agency, and decrease cost.

Office of Disaster Assistance

The ODA regularly provides status reports and performs presentations of its technical solutions to a wide range of audiences. The groups include other Agency program offices, steering committees, change control boards, user groups, members of the ODA organization, and other governmental agencies. These communications permit open

discussion and exploration of innovative technological solutions based on the experiences of others.

The ODA staff participates in government and industry-wide forums to keep abreast of emerging technical solutions. These opportunities offer leading edge solutions for emerging technology. Unique issues involving specific industry partners have been resolved during E-Gov and program management summits.

DCMS Program Management participates in open forums for new and emerging IT initiatives. Membership in the Project Management Institute (PMI) provides dialogue and literature on current trends in the field. The Program Manager is a certified project manger through PMI. The management also participates as speaker on various IT forums held by other partners such as GSA and certain vendors.

Office of Government Contracting and Business Development

GC/BD currently manages two major initiatives: the HUBZone System and the 8(a)/Small Business Development (SDB) Internet Application Form.

HUBZone System: The Agency and its resource partners provide access assistance in submitting applications for program certification for small businesses that do not have access to the Internet and wish to participate in the HUBZone Program.

8(a)/SDB Internet Application Form: This application form is currently being redesigned. A paper application will continue to be available for small businesses that do not have access to the Internet and wish to participate in the 8(a) Business Development and/or be certified as small disadvantaged businesses.

c. **Identify external partners (e.g., Federal, State or local agencies, industry) who collaborate on the initiative.**

Office of Capital Access

While the OCA has not partnered with other Agencies on this initiative, other Agencies have contacted the SBA in hopes of using the E-Tran application as a model. The SBA has communicated with public and private organizations in the development of this IT solution. From this communication, the OCA has incorporated best practices in the origination of government guaranteed loans.

Currently, the E-Tran application is considered an Industry Best Practice. Public and private organizations exhibiting best practices in XML programmed file transfers, describe the process as having the potential to alleviate many of the interoperability problems associated with the exchange of documents and data. Freddie Mac and Fannie Mae implemented their version of E-Tran processing in March 2000.

Office of Disaster Assistance

The Office of the Chief Information Officer (OCIO), the Office of the Chief Financial Officer (OCFO), and the Office of Capital Access (OCA) are the primary Agency partners collaborating on DCMS. ODA also collaborates with the Small Business Development Centers (SBDC), the Federal Emergency Management Agency (FEMA), various State Economic Development programs, and the Internal Revenue Service (IRS) for various enhancements and data sharing.

The ODA also works closely with the Division of Procurement and Grants Management (DPGM) to obtain appropriate contracted resources and with the Office of Inspector General (OIG) for compliance with security features and audits.

Office of Government Contracting and Business Development

The Program Office works closely with Department of Defense (DOD) to ensure that our system communicates effectively with the Central Contractor Registration (CCR) system. This system linkage is critical to optimal use of the HUBZone Program by contracting officers when conducting required market research to identify prospective contractors and establish HUBZone set-asides.

d. **Identify improved performance (e.g., outcome measures) by tracking performance measures supporting agency objectives and strategic goals.**

Office of Capital Access

The E-Tran application provides the Agency with quality, timely data to support the management and oversight of its portfolio. The application has stored data and loan program validation requirements. This ensures that the Agency receives quality data on its borrowers and that the loan complies with statutory requirements.

Through this technology, the OCA is better positioned to track performance measures. With the improved data quality, the OCA can analyze a portfolio to ensure Agency objectives are met and risk is mitigated.

Office of Disaster Assistance

The ODA strategic goals currently support key Agency objectives. Performance is tracked against the responsiveness of the program for timely processing of loan applications, disbursement of approved loan funds, and other core metrics. However, the goals are based upon "typical disaster activity," described as a relatively normal year in terms of activity which has generally averaged roughly 100,000 loan applications, resulting in 40,000 loan approvals for $1 billion.

However, in the first three years of using DCMS, the ODA has experienced highly unusual and non-typical volume of activity. The ODA received 481,025 applications between

November 2004 and September 2007 resulting in 186,418 loan approvals for $12.0 billion, exceeding the previous annual averages.

The tracking of strategic goals with this record activity is not a reasonable assessment of performance given the inability to compare the volume of activity against any previous period of time. Such factors as high activity due to significant disaster events are described as constraints within the ODA strategic plan.

Office of Government Contracting and Business Development

The HUBZone System contributes significantly to organizational improvements in specific outcome-oriented terms. As it currently exists, the system has enabled an approximate average of four certification staff to certify approximately 2,000 firms per year, yielding a per staff productivity of approximately 500 applications per year. In addition, the system will enable a small staff to annually process approximately 700 program examinations, 3,000 re-certifications, and 60–120 protests and appeals. The system will be expanded to assist HUBZone firms to access and market to the Federal contracting agencies. Success will be measured for each of these benefits in terms of production per staff, quality of decisions rendered, and timeliness of action.

e. **Quantify the cost savings and cost avoidance achieved through implementing the initiative (e.g., reducing or eliminating other investments in information technology).**

Office of Capital Access

For FY07 the cost/time savings, 70% of 7(a) loans, approximately 70,000 loans, will be processed electronically via one of the OCA's E-Tran solutions. Bank of America, one of the SBA's most active lenders, reports that with the help of E-Tran the bank is able to close smaller, more routine loans within five days of the customer's request, previously considered an unattainable goal. Prior to E-Tran implementation, this borrower-to-lender-to-SBA process could take up to ten days. Lenders using E-Tran report being able to provide financing to small business entrepreneurs 36-48 hours sooner than the paper-based method of loan guaranty processing. The OCA would need a comprehensive study to accurately project the total five-year cost-savings of E-Tran. However, the OCA's lending partners anecdotally suggest E-Tran enables substantial cost/time savings.

Approximately 1,500 loan processors, representing 500 banks, have signed on to electronically originate loans via E-Tran. With the help of the SBA's district office personnel, the OCA is aggressively marketing E-Tran to the remaining SBAExpress and PLP lenders who are not currently taking advantage of the program. By the end of FY07 the OCA aims to have 90% of all 7(a) lending processed electronically via E-Tran. Additionally, the OCA will be piloting an E-Tran solution for 504 loan processing this fiscal year.

Office of Disaster Assistance

The DCMS has been in use for approximately two years and has only been in full use across the organization for roughly one year. During this latest one-year period, the ODA experienced the largest volume of loan application, processing, approval, and disbursement activity in the history of the program. This response is still ongoing and the quantification of realized benefits is premature at this time.

In the planning stages of the project, the ODA performed a cost/benefit analysis within the Business Case for DCMS and determined new technology for disaster loans would affect savings in costs in some of the greatest expense categories. The analysis was based upon:

- Costs calculated in constant 2001 dollars;
- Benefits based upon reductions in
    - Compensation and Benefits,
    - Overtime,
    - Travel and Per Diem,
    - Mail and courier services; and
- Cost and benefit calculations discounted to arrive at "Net Present Value"
    - Discount rate: 3.2% per year (OMB Circular No. A-94, Jan 2001 revision).

The cost savings (benefits) begin to be realized incrementally throughout the Year 2 implementation causing a reduction in Compensation and Benefits, Overtime, Travel and Per Diem for the staffed positions involved directly with the loan making function. The total cost savings are estimated to reach $92,851,000 over a nine-year life cycle as depicted below:

Benefits
(Thousands of Dollars)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Compensation & Benefits		4,808	7,211	9,615	9,615	9,615	9,615	9,615	9,615
Overtime		891	1,337	1,782	1,782	1,782	1,782	1,782	1,782
Travel & Per Diem		1,724	2,586	3,448	3,448	3,448	3,448	3,448	3,448
Mail/Courier Expenses		0	180	240	240	240	240	240	240
Status Quo Operations & Maintenance		0	298	298	298	298	298	298	298
Annual Disaster Benefits		7,423	11,611	15,383	15,383	15,383	15,383	15,383	15,383
Net Present Value Discount Rate	0.9690	0.9389	0.9098	0.8816	0.8543	0.8278	0.8021	0.7773	0.7532
Net Present Value of Benefits	0	6,969	10,564	13,562	13,141	12,734	12,339	11,956	11,586

9-year Total Benefits (NPV)	92,851[1]

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[1] *The business case for DCMS estimates the life cycle costs at $23,882,000, savings at $92,851,000 for a net benefit of $68,970,000.

Year 2 benefits are estimated at 50% of the full anticipated amount, which will be achieved in Year 4 due to the incremental implementation of the system.

Budget requests for future years will consider the cost savings of DCMS,as well as the planned and anticipated operations and maintenance costs.

Office of Government Contracting and Business Development

GC/BD estimates program costs for application processing, recertification, and program examinations for the period FY03 – FY11 to total approximately $24.3 million. With the system, the estimated cost of performance totals approximately $11.4 million, yielding a cost avoidance of $12.9 million. GC/BD estimates the system costs to total approximately $5.1 million during the same period, yielding a net benefit of $7.8 million. Therefore, for the period FY03 – FY11, GC/BD projects a discounted net benefit of $7 million and a discounted return on investment of 1.5 million. The base methodology used for this calculation is a variation of earned value management (EVM).

f.   **Explain how this initiative ensures the availability of government information and services for those without access to the Internet and for those with disabilities.**

Office of Capital Access

The SBA has maintained working with financial partners to ensure that the availability to all of the OCA programs is not diminished. This means the Agency will still accept loan applications via Fax or mail until it is determined that all financial institutions have access to the E-Tran application.

The OCA has experienced an enormous rise in E-Tran participation; however, rural and small financial institutions may be slow to adopt this technology. The OCA will continue to process government guaranteed loans via the current process to ensure that no financial institution is left behind.

Office of Disaster Assistance

All program information continues to be provided to disaster victims and other interested parties through written material. Program information is published through pamphlets and fact sheets. Information is available in general format in advance of a disaster event and is tailored for specific needs following each disaster. The ODA has a field presence for personal contact in the affected areas following major disasters, allowing for the best possible customer service.

Office of Government Contracting and Business Development

Applicants without access to the Internet are instructed to use alternate means to apply for HUBZone certification using any of the following personal computer resource centers:

their SBA District Office, the SBA Business Information Centers, the Small Business Development Centers, the Procurement Technical Assistance Centers, or any public library that provides Internet access. In addition, specialized SBA staffs in district office locations (HUBZone liaisons) are trained in how to accommodate the special needs of applicants without Internet access.

g. Explain how the project applies effective capital planning and investment control procedures.

Office of Capital Access

The OCA collaborates with the OCIO project managers to budget for and project the funds needed to maintain the system. E-Tran is bundled with the SBA's other financial systems, with respect to the capital planning process to create an economy of scale. In addition, the OCA briefs the Business Technology Investment Council (BTIC) periodically during in-process reviews.

Office of Disaster Assistance

The project is governed by the SBA IT governance programs, managed primarily by the CIO and senior executives. The SBA's BTIC[2] is chartered as the executive oversight body for the SBA's Information Technology Investment Management (ITIM) processes and transformational business processes, which constitute the Agency's Enterprise Architecture (EA)[3] projects. The goals of the Council are to ensure that the Agency's major IT and transformational business investments are driven and grounded by deliberate business needs. In addition, the BTIC ensures that the SBA's investments are compliant with the Agency's EA criteria, which reflect the SBA's mission, strategic goals and objectives, current and target IT, and Business service delivery, the cost, benefit, and risk-adjusted return of those investments. The Council presents its advice and recommendations to the Administrator.

The ODA utilizes tools for effective management of the project for cost control EVM, risk planning, scheduling, configuration management, and project documentation.

Office of Government Contracting and Business Development

The HUBZone Program has been subject to planned development since the initiative's inception in 1998 to its status as a fully matured application system in March 1999. The

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[2] BTIC Authority is established to assist in implementing key provisions of the Clinger-Cohen Act (Information Technology Management Reform Act of 1996), Public Law 104-106, in particular, Section 5122 on Capital Planning and Investment Control (CPIC), and Section 5125 [C] [2], which charges agencies' CIO's with the duty to, *"monitor the performance of information technology programs of the agency, evaluate the performance of those programs on the basis of the applicable performance measurements and advise the head of the agency regarding whether to continue, modify or terminate a program or project.."*

[3] EA is the current term for what was described in the Clinger-Cohen Act as "Information Technology Architecture." The change in name is in support of Office and Management and Budget's (OMB) expanded philosophy to monitor the performance of all Enterprise projects and programs both Business and IT related.

development of the multi-faceted system was first the subject of a comprehensive project management plan issued by the system developer. Refinements to the original project plan were inserted as additional modules were added.

Concurrently, the system was initially evaluated via the Federal government's I-TIPS information technology review, which subsequently gave way to the annualized e-CPIC (Exhibit 300 Report). The HUBZone system has consistently cleared all OMB-required scrutiny without challenge.

Lastly, HUBZone personnel trained in project management have relied on formal EVM monthly analysis to maintain progress toward all identified development goals.

II. **Please provide the link(s) to your agency's website where the following information is located:**

a. **Your agency's Information Resource Management (IRM) Strategic Plan**

The Information Resource Management (IRM) Strategic Plan is available through the Office of the Chief Information Officer (OCIO) website, http://www.sba.gov/aboutsba/sbaprograms/OCIO/index.html. The Plan is available in PDF format through the IT Strategic Plan link, http://www.sba.gov/idc/groups/public/documents/sba_program_office/ocio_sba_002152.pdf.

b. **Final determinations, priorities, and schedules. Also include your agency's information dissemination product catalogues, directories, inventories, and any other management tools used to improve the dissemination of and access to your agency's information by the public.**

The final determinations, priorities, and schedules are available through the Office of the Chief Information Officer (OCIO) website, http://www.sba.gov/aboutsba/sbaprograms/OCIO/index.html in the Data Quality Handbook. The Handbook is available in PDF format, http://www.sba.gov/idc/groups/public/documents/sba_program_office/ocio_hp_infoquality.pdf.

Additional information regarding the SBA's programs and activities is available through the SBA Newsroom, http://www.sba.gov/news/index.html.

c. **Your agency's FOIA handbook, the link to your agency's primary FOIA website, and the website link where frequent requests for records are made available to the public.**

The SBA's FOIA handbook information is available on the primary FOIA website, http://www.sba.gov/aboutsba/sbaprograms/foia/index.html. Frequent requests for records

are available in the Online Library Reading Room,
http://www.sba.gov/services/lawsandregulations/lawlibrary/serv_laws_records.html.

d. A list of your agency's public websites disseminating research and development (R&D) information to the public, describing for each whether the website provides the public information about federally funded R&D activities and/or provides results of Federal research.

The SBA does not receive funding for, and does not participate in, R&D activities. Therefore, the SBA does not have a website dedicated to disseminate or describe such activities or results. However, the SBA's Office of Economic Research website, http://www.sba.gov/advo/research/, provides economic research and statistics associated with small businesses.

In addition, the SBA's Office of Technology administers the Small Business Innovation Research (SBIR) Program and the Small Business Technology Transfer (STTR) Program. The Office of Technology's website, http://www.sba.gov/aboutsba/sbaprograms/sbir/index.html, provides relevant research regarding information technology for small businesses. One specific resource, Technology Resource Network (TECH-Net), http://tech-net.sba.gov/index.cfm, provides a research database available to the public. TECH-Net is authorized through FY08. Proceedings have been initiated to reauthorize and possibly expand TECH-Net.

e. An inventory describing formal agency agreements (e.g. contracts, memorandum of understanding) with external entities (e.g., partnerships with State and local governments, public libraries, industry and commercial search engines) complementing your agency's information dissemination program, briefly explaining how each agreement improves the access to and dissemination of government information to the public.

The SBA's Office of advocacy Small Business Law Library website, http://www.sba.gov/advo/laws/law_lib.html, provides the memorandums of understanding and formal agreements available to the public. Not all of the agreements are available for public view.

f. An inventory that describes your agency's NARA-approved records schedule(s) or the link to the publicly-posted records schedule(s), and brief explanation of your agency's progress to implement NARA Bulletin 2006-02. For the brief explanation please report the number of systems for which a record schedule was submitted to NARA in FY 2007 and the number of systems still requiring records schedules.

The SBA's NARA-approved records schedules for paper records are available through the Standard Operating Procedures section of the SBA's Library and Resources website, http://www.sba.gov/tools/resourcelibrary/sops/index.html. The Records Management Program, SOP 00 41 (2), provides the schedules in both word document and PDF formats.

The SBA's NARA-approved records schedules for electronic systems are not available to the public at the time of this report.

In FY 2007, the SBA submitted a records schedule for one system, Controlled Correspondence Tracking System, which NARA has approved. Also during FY 2007, NARA approved records schedules previously submitted by SBA for two systems: Success Stories and Electronic Lending System. Currently we are aware of five systems which still require records schedules: Disaster Credit Management System (DCMS), Asset Sales, ScoreCard, Master Online System for Trend Evaluation and Research (MONSTER), and Commercial Marketing Representative Information System (CMRIS).