U.S. Small Business Administration

Fiscal Year 2009 Congressional Submission
and
Fiscal Year 2007 Annual Performance Report

Performance Budget–Performance Report

U.S. Small Business Administration

SBA

Your Small Business Resource

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Executive Summary

Overview

The mission of the Small Business Administration is to promote small business development and entrepreneurship through business financing, government contracting, and technical assistance. The SBA works with other federal agencies to reduce the regulatory and paperwork burdens on small businesses; and it serves as the federal government's long term lender to homeowners, renters, and businesses affected by disasters.

The importance of small business to the country is clear: there have been more than eight million new American jobs created in just over four years, more than all the other industrialized nations combined. Small businesses have generated 60 to 80 percent of net new jobs over the last decade. Entrepreneurs enable an economy driven by innovation and regeneration, which keeps the country competitive and growing. Small business can also be a powerful enabler of community transformation and a bridge to ownership and opportunity for Americans of all backgrounds.

The SBA has a strong track record of fiscal responsibility. The Agency's current leadership team has continued this commitment to budgetary restraint while aggressively pursuing a Reform Agenda to improve the effectiveness of SBA programs. The Reform Agenda is grounded in the belief that the Agency can improve the effectiveness and impact of its programs and activities markedly by employing important management principles. These principles seek to ensure that the Agency is driven by clear outcomes, is focused on serving its customers effectively, enables its employees and operates an accountable organization in compliance with laws and regulations. The Agency also has a renewed focus on ensuring that its products and services are accessible to entrepreneurs in the nation's most underserved markets — those in low to moderate income areas, HUBZones, and Empowerment Zone/Enterprise Communities. This budget request highlights SBA's progress to date and describes the Agency's plans for achieving the vision of the new management team in FY 2009.

The principles of SBA's Reform Agenda have already resulted in a dramatic improvement in the Disaster loan program. The Agency has completed a fundamental re-engineering of its disaster loan processing operation that has dramatically shortened response times, improved quality of service and increased borrower support. Processing backlogs were eliminated, and feedback on the new approach has been universally positive. The Agency's current major initiative for the Disaster loan program is the completion of an electronic loan application in the summer of 2008. Disaster preparedness has also been a major focus area for the SBA. The Agency completed a Disaster Recovery Plan that provides a blueprint to ensure effective Agency-wide operations in the event of another catastrophic event like the Gulf Coast hurricanes of 2005. In addition, the Agency is establishing an Executive Office of Disaster Strategic Planning and Operations to ensure the smooth continuance of disaster operations, including: direct lending to businesses, homeowners, and renters; contracting assistance to small businesses and federal agencies; and technical assistance to help small businesses address challenges that may arise from disasters.

The SBA has brought the same principles of its Reform Agenda to administering its business guaranty programs. The Agency has re-engineered the loan servicing process to improve customer service and reduce operational redundancy. Building on its success in consolidating 7(a) loan liquidation functions from almost 70 district offices to a single location, the SBA has completed a consolidation of the 7(a) loan origination, 504 loan liquidation and disaster loan liquidation operations. These changes will help ensure that the loan portfolio is managed more consistently and efficiently. One result so far has been that loan approvals now average less than three days.

With a guaranty and direct loan portfolio of $85 billion, the SBA continues to focus on its critical role as a steward of taxpayer dollars. The Agency has continued to expand and utilize its rigorous, state-of-the-art risk management program. By using industry data and technology, it reviews lender and loan performance with automated, quantitative risk-based methods to identify problems. This approach has improved oversight during a period of strong growth in the loan portfolio.

Highlights of the Budget Request

SBA's total budget request for FY 2009 is $657 million in new Budget Authority. This is a 15 percent increase over the FY 2008 appropriation. Once adjusted for the Disaster loan program (for which there was no appropriation in FY 2008) and congressional initiatives funded in FY 2008, the FY 2009 request is 3 percent less than SBA's FY 2008 enacted level. From the standpoint of the Agency's operating budget, this request represents a six percent increase above FY 2008.

The resources requested will support a total of $28 billion in small business financing, which represents a 37 percent increase over business lending for FY 2007, through the 7(a), 504, SBIC debentures, and Microloan programs. For its 7(a) program, the SBA requests $17.5 billion in lending authority, a 30 percent increase over the FY 2007 lending level. The Agency also requests $7.5 billion in lending authority for the 504 program, a 19 percent increase over the loan level in FY 2007. Finally, $3 billion in authority is requested for the SBIC Debenture program.

In addition, this budget will support the following critical activities:

- A disaster loan volume of $1.061 billion in direct lending (the Agency's 10-year average based upon FY 1997–2006 "normalized" activity, adjusted for inflation);
- Targeting a total of $85 billion in prime federal contracting dollars to be awarded to small businesses in FY 2009;
- Investment in the Agency's human capital through continuation of the successful training program, "SBA University," mentoring programs, succession planning and proactive recruitment of highly qualified staff;
- Continuation of the modernization of the Agency's loan management and accounting system, including the implementation of the origination, servicing, liquidation, litigation and guaranty purchase functions for one of the major loan programs and its integration with the Financial Management System; and
- Strengthening and upgrading the Agency's information technology infrastructure to provide an effective, robust, secure and high availability information systems environment to support the Agency's business decisions and operations.

SBA's budget request will support 2,123 FTEs from the Salaries and Expenses budget, which is a steady staffing level planned to be reached by the end of FY 2008. During FY 2007 the Agency added 125 critical positions. Key additional staff members were added in the loan processing and servicing areas and certain understaffed field offices. Planned additions in FY 2008 include procurement center representatives.

Major Accomplishments in FY 2007

Program Results

FY 2007 was another year of significant accomplishment for the SBA. A total of 103,000 new 7(a) and 504 loans were funded – the most in the Agency's history. They represent $19.8 billion in new lending to America's small businesses. These numbers represent a benefit to the public in that these small businesses were able to get started, or to expand and grow, through access to capital that likely would not have been available without SBA's involvement.

SBA's Office of Disaster Assistance continued working with the victims of hurricanes Katrina, Wilma, and Rita throughout FY 2007. The program funded almost $1.7 billion of disaster loans during the year. Of those, about $820 million were for new loan approvals, and much of the balance was for activity related to the three Gulf Coast hurricanes of 2005 including loan increases and other changes.

The SBA supports the Administration in meeting its statutory commitment to provide a fair share of federal contracting dollars to small businesses. The Agency administers a small business goal-setting program across all federal agencies to assist in the achievement of this government-wide goal. During FY 2007 the SBA worked with federal agencies to improve the accuracy and reliability of contracting data by identifying database miscoding and anomalies. In FY 2006 (the most recent fiscal year for which data is available), federal agencies reported that a total of $78 billion federal prime contract dollars went to small businesses. Contracts to service-disabled veterans increased by 50 percent over FY 2005, from $2 billion to $3 billion; contracts to women-owned businesses increased by $1 billion; small disadvantaged businesses increased by $2 billion; contracts to 8(a) companies rose by $700 million; and contracts to HUBZone companies were up $1 billion.

In FY 2007 almost 1.1 million small businesses and entrepreneurs utilized the expertise of SBA's resource partners: the Small Business Development Centers, the Women's Business Centers, and SCORE. The SBA leverages its resource partner network for training and counseling, business plan development, marketing strategies, implementing new technologies, accessing capital, winning government contracts and many other undertakings vital to the success of a small business throughout its lifecycle. During FY 2007 more than 240,000 small businesses took advantage of SBA's free, online business courses offered through the Small Business Training Network (www.sba.gov/training). This year the Agency introduced an interactive Small Business Readiness Assessment tool to help individuals prepare for entrepreneurship. More than 90,000 users have already benefited since its inception in August.

Program Evaluation Results

The SBA contracted with the Urban Institute to assess its small business lending programs. It analyzed the 7(a) loan guaranty program, the Certified Development Company 504 loan program, the Small Business Investment Company debentures program and the Microloan program to help the SBA assess past performance and test methodologies for setting meaningful targets for future accomplishments.

The studies found that the SBA backed almost 19 percent of all commercial small business lending for loans with terms greater than one year over the period analyzed, 2001-2004. The Urban Institute found that SBA programs are more effective than conventional lenders in reaching minorities, women and start-ups, and that SBA loans are a key financing tool for those creditworthy small businesses overlooked by the commercial lending market. The findings support the conclusion that SBA's programs are, in fact, supporting small businesses that cannot obtain "credit elsewhere." Among the specific findings were:

- 7(a) and 504 guarantied loans are, on average, made to small businesses with fewer employees and lower annual sales revenue than conventional small business loans.
- 7(a) and 504 guarantied loans have longer average maturity terms than conventional loans.
- For variable rate loans, SBA's guarantied loan borrowers pay a higher average interest rate than conventional borrowers, indicating that they were not able to find financing at a lower rate elsewhere.
- 7(a) and 504 guarantied loans were more likely to be made to women- or minority-owned businesses and start-ups than conventional small business loans.
- Average sales and employment increased over time for SBA-financed businesses. For example, small businesses receiving 7(a) and 504 loans showed increases in employment of 31 and 35 percent respectively three years after receiving SBA financing, as well as 42 and 44 percent increases to sales.

The analysis shows that there is little overlap between SBA and conventional lending. It appears that commercial lenders use SBA guaranties to support borrowers who are creditworthy but have not received financing by lenders because they can not meet conventional underwriting standards. The seven Urban Institute studies are available at http://www.urban.org/projects/sba/.

Management Results

FY 2007 was a landmark year for the SBA in the area of financial management. The Agency received an unqualified independent audit opinion with no material weaknesses – the first time since FY 2000. This result reflects the improvements the Agency has made in the quality of its financial processes, data integrity and financial statements, and signifies a major success for the SBA's Reform Agenda of ensuring good stewardship of the government's resources. The Agency also continued to garner value from the internal control requirements of OMB Circular A-123, which first became effective for the FY 2006 reporting cycle. A primary objective this past year was engaging staff to understand the requirements and leverage the opportunities associated with internal control. By the end of FY 2007, the SBA had made improvements in all nine major management challenges identified by the Inspector General.

Three SBA programs were evaluated through the Office of Management and Budget's Program Assessment Rating Tool this year: 7(a) and 504 loans and the Small Business Investment Company Program. All three programs were rated "moderately effective."

On September 30, 2007 the SBA released its revised Strategic Plan for FY 2008 – FY 2013. This document is structured according to this new Strategic Plan.

Ensuring Financial and Program Results Through a Well-Trained Workforce

The SBA believes that a strong internal control environment requires a well trained staff. In surveys and self assessments, SBA staff has indicated a need for continued development. In FY 2007, the Agency developed a major development initiative called SBA University. Over 1,300 SBA employees received hands-on classroom-style training in core job competencies. Attendees rated the training very highly: almost 90 percent who completed the evaluation rated it as "very good" or "excellent." The topics were aligned by individual work areas and included material on operations, rules and processes, regulations and compliance, and new initiatives. The resounding success of this effort will help improve program results as well as ensure that relevant staff members understand internal control and follow required procedures. Furthermore, the Agency also provided training to its entire senior management team in a week-long course on change management, improving efficiency and leading with results.

Vision for the Agency's Future

SBA's vision for FY 2009 is to build on the important progress currently under way in three primary areas:

- Underserved markets,
- Disaster assistance, and
- A Reform Agenda to improve the effectiveness of the Agency in meeting the needs of America's entrepreneurs.

Underserved Markets

SBA products and services reach an ever-increasing number of entrepreneurs across the United States, enabling capital access, government contracting, and technical assistance across a wide variety of industries and communities. An Agency strategic initiative is to accelerate entrepreneurial success through focused delivery of SBA products and services to underserved communities, as defined by established federal census tract designations based on factors such as income level, poverty rates, and unemployment level. Studies have shown the importance of small business in transforming distressed markets. This strategy is based on the premise that supporting small business formation and growth in underserved markets will energize the local economy, create jobs and bring investment to drive a sustainable economic base. The overall initiative will consist of a combination of program level and local level activities designed to serve major underserved segments in both inner-city and rural environments, and extend Agency support through each stage of entrepreneurial growth. These activities fall into three broad categories:

1. *Improvement of entrepreneurial literacy and technical assistance in underserved communities*. This effort will focus on leveraging the Agency's existing resource partners with community organizations working with targeted underserved populations to deliver on-site counseling to further develop entrepreneurial and business literacy.

   This element of the overall initiative will also be a contributing piece of the anticipated White House initiative on improving national financial literacy, and the SBA will scale this effort through public-private partnerships with faith-based and community organizations (e.g., Operation HOPE), economic development organizations (e.g., U.S. Hispanic Chamber of Commerce) and SBA resource partners (e.g., SCORE).

2. *Improved access to capital in underserved geographies through improved lending processes and loan products*. The SBA has modified some of its programs and services to better reach underserved communities. This effort includes both the Rural Lender Advantage initiative and the updated Community*Express* program. Rural Lender Advantage supports community lenders by making the lending process more streamlined and easier to administer for small banks with limited administrative staff and capacity. Community*Express* is being targeted to both borrowers and lenders, and modified to serve underserved geographies (e.g., low-income, underdeveloped), as opposed to its current focus on demographic groups (e.g., minorities, women). In addition, collaborating with lenders through outreach initiatives is critical to enhancing access to capital.

3. *Training grants to support SBA Emerging 200 Initiative*. In October 2007, Administrator Preston announced an innovative new program designed to help stem the negative job growth experienced in several inner-city regions around the country. The *SBA Emerging 200* initiative provides advanced technical assistance focused on business growth to at least 200 emerging inner city companies across 10 cities. The SBA would provide training grant(s) (totaling $250,000 a year) to organizations that will deliver a combination of capital access, business planning, government contracting and mentorship assistance to emerging companies from locally underserved areas. All companies located in the affected inner city areas, with a demonstrated track record of initial growth, will be eligible for training. The end goal is sustained job creation by focusing on programs that support companies with the highest potential for growth in the most economically distressed communities, and continuing to nurture these companies with SBA programs and services once they graduate from the initial training.

In addition, in FY 2007 the Agency launched the Patriot Express loan Initiative. This streamlined loan product with enhanced guaranty and interest rates is designed to help veterans, reservists, National Guard members and their families start or expand a small business. The program represents SBA's largest military community outreach in decades. Within five months of its launch, this initiative produced more than $68 million in loans.

The Agency's budget request also includes a zero subsidy Microloan program that will support underserved markets. Small business loans under $35,000 provide a critical level of capital to certain sectors in the economy, many of which are in underserved communities. To a large extent, the regular 7(a) program and the Community*Express* pilot reach many members of these communities. In FY 2007, 46 percent of all 7(a) loans approved were made at the microloan funding level ($35,000 or less). However, additional businesses in target markets are reached through the Agency's targeted microlending program.

The SBA Microloan program as currently structured is costly to the taxpayer relative to the amount of capital it lends. In FY 2007 it cost the government more than 85 cents for each dollar loaned to a Microloan intermediary. This high cost limits the number of intermediaries which can be supported under the program, ultimately limiting the impact of the program itself. Therefore, the Agency proposes a zero subsidy Microloan program. By raising the very preferential rate at which intermediaries borrow from as low as 2 percent below the five-year Treasury rate to 1.3 percent above the FY 2009 five-year Treasury rate, the Agency can eliminate the subsidy cost of this program and greatly expand funding for Microloan intermediaries. Intermediaries will continue to receive a better than market rate of interest on loans, and the SBA will be able to offer loans to virtually any eligible intermediary.

The SBA also proposes to eliminate the direct Microloan technical assistance funding. Instead, the Agency would seek assistance for training and counseling from its technical assistance resource partners, including the Small Business Development Centers, SCORE, and Women's Business Centers located throughout the country, its district offices and other local providers. This will save almost $15 million in microloan technical assistance in FY 2009.

Disaster Assistance

With over 99 percent of loan funds disbursed from the 2005 Gulf Coast hurricanes, the SBA continues to engage in multiple process improvement initiatives designed to respond more rapidly in assisting small businesses and homeowners seeking financial assistance after a disaster.

During FY 2007, the Office of Disaster Assistance engaged in a comprehensive re-engineering of the processes, tools and policies that directly impact disaster victims' experience with the SBA and the ability of SBA loan processing employees to provide customer-focused service. The Accelerated Disaster Response Initiative focuses on improving the disaster victim's end-to-end experience from disaster loan application, through approval and closing, to final disbursement of funds. The driving principles are speed of response, customer support and quality. These improvements, spanning across five key success factors, are being addressed by eight cross-functional re-engineering teams operating with the mandate to design, test and implement solutions as quickly as possible. The re-engineering team has launched a total of 164 Action Projects and completed a total of 140 Action Projects.

The SBA instituted a communications plan called Initiative 5 in which the regional and district offices work in conjunction with the Office of Disaster Assistance to help disseminate disaster information throughout the declared disaster areas. To better accomplish this, the Agency prepared a disaster tool kit to be used by regional and district offices. The regional and district offices are instrumental in providing valuable community outreach efforts throughout their local areas.

With respect to technology, the SBA will complete the electronic loan application by the summer of FY 2008. The purpose is to capture loan application data electronically in a customer-friendly manner so that it can be filed first online or in person, second by phone or, as a last resort, by mail in order to get accurate and complete information needed to minimize unnecessary handling and processing errors and enable loan decisions to be made faster. The electronic loan application, combined with upgrades on the Disaster Credit Management System, position the SBA to meet its FY 2008 and FY 2009 outcome and performance goals more quickly while using fewer resources.

The SBA has also issued a Disaster Recovery Plan that provides an outline to meet future challenges depending on the magnitude of the disaster (levels I – IV). The plan encompasses a disaster recovery framework that includes the disaster assistance process, operational support, roles and responsibilities, business process re-engineering, forecasting and modeling, surging to accommodate needs, simulations, a communications plan and ongoing initiatives.

Finally, to ensure that the SBA is well positioned to manage the full lifecycle of a disaster loan, the Agency has centralized all disaster loan liquidation activities for the entire country into the Santa Ana Loan Liquidation Center. This management approach will yield greater standardization and consistency with respect to policy interpretation and operational practices, among other things.

SBA's Reform Agenda

Through the Agency's Reform Agenda, the SBA is driving operational improvements by becoming an organization that is:

- More customer-focused;
- Enabling employees and improving SBA's work environment;
- Ensuring stewardship of the government's resources through accountability, efficiency and transparency; and
- Outcomes driven.

Becoming More Customer-Focused

There is a renewed focus across the SBA to drive improvements in customer service and simplify Agency programs to make them more accessible to the public, small businesses and resource partners.

The SBA executes its mission through a nationwide customer-oriented network of:

- SBA district offices in every state;
- Small Business Development Centers in all 50 states and U.S. territories, with more than 950 locations across the country;
- SCORE chapters in over 800 locations;
- A national network of community-based Women's Business Centers to primarily help women start and run successful businesses;
- Eight disaster loan and business servicing centers;
- U.S. Export Assistance Centers located in major metropolitan areas throughout the U.S.; and
- A powerful web presence providing helpful business information and online training.

Customer service will improve in FY 2009 through increased SBA efforts to develop its personnel in order to strengthen the Agency's execution of its programs. America's small businesses deserve to have efficient and effective delivery of SBA services. Training efforts are described below (see Enabling Employees and Improving SBA's Work Environment).

To improve access to capital for small business, the SBA has developed a series of initiatives aimed at making its programs easier for lenders to use. The Agency improved its internal processes to streamline operations and provide more consistency in execution. These changes had a special emphasis on assisting underserved markets and veteran communities. In an effort to enhance customer service, the SBA re-engineered processes in guaranty purchasing centers, focusing on strategies to improve throughput in the centers, enhance workflow, redesign processes and standardize procedures. Performance measures and scorecard metrics are being established to promote accountability and transparency. A customer help function is being incorporated into the operation to provide better service and communication. In addition, a service outreach function has been created to work directly with larger lenders and with smaller lenders in partnership with the district offices to continually improve the quality of their interactions with the service centers and thus shorten cycle times.

The SBA is also undertaking a modernization effort of its standard operating procedures for all of its lending functions. The Agency is beginning with a new edition of the procedures which govern lender activities, specifically written for lenders, and will be the first version tailored for the electronic age. The new version will be web-based and designed with advanced search capabilities commonly found in sophisticated web sites.

The SBA recognizes the need to better assist small businesses to compete for government contracts. The staffing ceiling for procurement center representatives was increased from 57 to 60 to ensure that small businesses are awarded their fair share of government procurement.

The SBA has also developed a Quick Market Search tool, an Internet engine linked to the Central Contractor Registration system. This tool will assist the acquisition community in identifying vendor pools based on North American Industry Classification System codes and socioeconomic procurement preference status (i.e. woman-owned, service-disabled veteran-owned, small disadvantaged business, and HUBZone business).

The Agency created a Procurement Scorecard which measures how successful federal departments and agencies are in meeting their small business contracting goals. This public scorecard will provide improved measurement and transparency to better allow small businesses to evaluate how the contracting offices are fulfilling the government's procurement obligations.

The SBA continues to upgrade the Entrepreneurial Development Management Information System, used by partners to capture and analyze program impacts. The higher-quality information allows the Office of Entrepreneurial Development to better manage its programs to increase effectiveness and efficiency.

The Business Gateway portal continues to improve and expand upon its proven formula of single source information for businesses hungry for quick and easy access to government-wide compliance, regulatory and policy information.

The SBA is expanding its online presence to meet the evolving demands of its customer base by improving and broadening its web-based delivery capabilities and by investing in and supporting the expansion of the web-based delivery capabilities of its resource partners. In FY 2007 the SBA introduced the Small Business Primer: Strategies for Success, a free, online training course to assist individuals who are considering entrepreneurship or are in its early stages. This has become the Agency's most popular online course. Most SBA counseling and training activities are now available online. The SBA will continue to exploit new technologies to provide the best possible knowledge solutions for its small business customers, including interactive collaboration and tools for information sharing and exchange.

In addition, the Agency is working to expand the customer-focus of its resource partners. In particular, SCORE will increase capacity and efficiency by developing a national call center and workshop registration center. Today, many SCORE chapters do not deliver services during ~~a~~ traditional work week of five eight-hour work days due to the availability of volunteers and the required administrative duties. The call center will remove the routine administrative burden of telephone answering and workshop registration from the volunteers. It will provide a customized answering service for SCORE chapters and will initially be able to register clients for local workshops using an online system. This call center model will enable SCORE volunteers to dedicate more of their time to providing additional client services at the chapter level.

Enabling Employees and Improving SBA's Work Environment

Employees are essential to the success of any service organization. Employee surveys in both 2004 and 2006 indicated morale and job satisfaction at the SBA were lower than at other federal agencies. Under the auspices of the President's Management Agenda for human capital, the

Agency has undertaken many steps to address these issues. SBA's human capital initiatives are particularly critical over the next few years because by 2009 34 percent of the Agency's workforce will be eligible to retire. As a service and oversight agency, SBA's employees are its most critical resource. Steps must be taken now to ensure the Agency's effectiveness can be sustained.

An indicator of SBA's recent success in developing its human capital is the progress evident in the results of the 2007 employee survey administered in 2007 by the Office of Personnel Management. On 28 of 37 questions, employees gave the Agency its highest scores since the federal government began surveying employees in 2002. Three general areas of improved satisfaction were training and development; trust in senior leadership; and internal communications. Improvement in training is due largely to the success of SBA University, conducted for the first time this year for 1,300 mostly field staff. In order to build upon that success, and to respond to survey results that showed that employees have a continuing desire for skills development, in FY 2008 the Agency plans to train headquarters staff at SBA U. In FY 2009, the Agency will continue SBA U and will provide district office and servicing center staff with updated training. The budget request includes $1.15 million for this centralized training.

Much of the training at SBA U was provided by Agency staff. This cross-training certainly helped improve SBA's rating on internal communications. In addition, the SBA rotated field staff to headquarters and Washington staff to the field to further improve an understanding of the relative roles of these two groups. The Agency plans to continue to build on this initiative.

The budget request includes $200,000 for the Office of Business Operations to satisfy the requirements set forth in OMB policy for developing and managing the acquisition workforce. Under this directive, affected workforce members must meet mandatory and periodic discretionary training requirements.

Included in the budget request is an additional $130,000 for a government contracting/business development training initiative. The training initiative will involve district office field liaisons and Government Contracting Area Office staff and focus on program administration and delivery with special emphasis on strategies to increase prime and subcontract awards to HUBZone firms. The anticipated outcome of these conferences is to expand and increase understanding of the program and, more importantly, to begin to build a public/private sector network that will promote and support the HUBZone program within local communities.

The budget request includes an increase for the Office of General Counsel of $150,000 for training. The office has conducted an internal assessment of its operations. This review took into account an in-house survey, discussions with field personnel including regional administrators and district directors, and consideration of the comments and recommendations of the Administrator's Field Advisory Committee. This review suggested that a coordinated training program for the legal staff is a necessity. If the Office of General Counsel is to meet or exceed its strategic goals and long term objectives, it is essential that an attorney training event take place in FY 2009.

Ensuring Stewardship of the Government's Resources through Accountability, Efficiency, and Transparency

The SBA recognizes that government agencies need to become more efficient even while shouldering increased responsibility. Through careful analysis of its programs and operations, the Agency has demonstrated its ability to expand its services to America's small businesses while reducing total expenditures.

Nevertheless, the SBA must maintain its sound stewardship of government resources and cannot reduce its staffing or spending further without jeopardizing the operations, oversight and risk management functions essential to managing its expanding loan portfolio. During the period since FY 2001, when its budget declined by more than 30 percent, the Agency's portfolio of direct and guarantied loans increased by more than 50 percent.

By the end of FY 2007 the total outstanding principal on SBA loans totaled $85 billion. The Agency has taken important steps to improve its portfolio management practices and identified additional steps necessary to ensure prudent management.

Two primary principles govern SBA's loan portfolio management practices — operational excellence and risk management. The size of the Agency's loan portfolio mandates that it be prudently managed to ensure that small businesses are served and that the taxpayer is protected from losses. Actions the SBA has already initiated in the area of operational excellence include the following:

> *Centralizing operations* — In 2007 the SBA completed the centralization of all remaining 7(a) loan origination, and 504 and disaster loan liquidation activities, resulting in streamlined financial assistance functions. This change represents a basic paradigm shift for the SBA. With the exception of specific litigation actions on SBA-serviced loans (e.g., a local court appearance), the Agency no longer does loan making, servicing, liquidation or guaranty purchase activity at district offices. The SBA believes that this eliminates a basic conflict of interest that district offices faced over the years — reaching out to lenders to ask them to participate in the loan guaranty programs and having to review their performance on compliance with the requirements of the guaranty loan programs. Other benefits of this centralization include cost reductions resulting from specialization of activity by SBA staff, and greater consistency of policy interpretation and operational practices.
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> *Operational assessments and Business Process Re-Engineering* — The SBA is initiating operational reviews and, to the extent appropriate, business process re-engineering activities of its loan operations centers to identify opportunities for streamlining and process improvements.
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> *Accelerating the liquidation process* — New regulations governing 7(a) and 504 liquidation will streamline the SBA's liquidation process. The regulations require lenders to liquidate loans before submitting them to the SBA to honor the guaranty. The new regulations also position the Agency to resume an asset sale program for defaulted assets. The Agency plans to use the Federal Deposit Insurance Corporation as its asset sales program's marketing and sales arm.

The SBA also places increased importance on risk management as part of the Agency's operational focus. In FY 2007 the Agency formally implemented risk ratings as a major evaluation factor in assessing SBA lenders through the publication of the Risk Rating Notice in the Federal Register. The SBA's Office of Credit Risk Management has a state-of-the-art loan and lender monitoring system that incorporates credit scoring metrics for portfolio management. The credit scores, combined with SBA lenders' current and historical performance, allows the Agency to assign risk ratings to lenders. Such ratings provide both an assessment and a monitoring tool for the most active SBA lenders and are the primary basis by which lower volume lenders are evaluated.

In addition, the Office of Credit Risk Management improved SBA's lender portal to allow lenders to have access to eight quarters of lender risk ratings and performance metrics, including net cash recoveries and losses. This information makes it clear how lenders are rated and how their rating compares with their peers. The portal enables lenders to monitor their own portfolio performance and proactively address negative performance trends, reducing the need for SBA action and potentially reducing loan program costs.

Thanks in part to its newly clarified authority to collect fees for review examinations from 7(a) lenders, the SBA increased its on-site lender reviews and examinations from 55 reviews in 2006 to 80 reviews in 2007. With the fee authority in place, the Agency expects to substantially increase the number of lenders reviewed and thereby reduce overall SBA portfolio risk. In FY 2009, the

SBA will again increase the number of on-site lender reviews performed with the objective of reviewing all large and mid-size lenders and Certified Development Companies on at least a bi-annual basis.

The SBA is also expanding its monitoring and analysis of the disaster loan portfolio. This objective will be accomplished through the development of a system similar to the Agency's current 7(a) and 504 loan/lender monitoring system. The Agency has begun the process to contract for this service, with full implementation planned before the end of FY 2009.

By far the Agency's largest grant program is the Small Business Development Center program. In FY 2008 SBA is piloting a new approach which requires biennial financial reviews be conducted using a multi-tiered risk-based approach. Individually, SBDCs are scored using a risk index to determine the level of risk associated with each SBDC. According to the associated level of risk for an SBDC, one of several financial review options is deployed. The new process will allow the SBA to more efficiently use its resources, while proportionally applying federal oversight of the SBDC grant recipient based on the risk index score.

During this past year, the Agency created a Performance Management Office to focus on internal operations and establish an Agency-wide performance management framework to better align Agency mission, funding and priorities. That office has developed enhanced monthly performance management reports to closely track Agency operations and priorities on a monthly basis.

The Agency's entire business loan operation runs on a Cobol-based system developed in-house. Parts of this system are more than 50 years old. The system is operated on an expensive mainframe that is dependent on obsolete technology and cannot take advantage of technological advances. The modernization of this system is a major Agency-wide undertaking that began in FY 2006, to be completed by 2013. The Agency has finalized the business vision, developed the business case, developed the project management plan and drafted the acquisition strategy. It is currently following the seven steps to performance-based acquisition methodology to acquire the services of the solution provider/system integrator. For FY 2009 the SBA is requesting $7.65 million in regular salaries and expenses funding for this initiative (to be complemented by a similar amount in disaster funding) for: project planning, project monitoring and control, requirements analysis, technical design, COTS licenses/custom development, integration with the Financial Management System, data conversion, training, security, travel, hosting, application management, and risk management for the implementation of the full lifecycle of one of its major loan programs. This is a multiyear, multimillion dollar acquisition project. Considering the nature and complexity of the project and underlying uncertainties of the acquisition process, it is requested that the funds appropriated for the project in FY 2009 be available for two years.

The SBA has made a legislative proposal to strengthen and ensure stability in its secondary market program. SBA's Prompt Payment Guarantee enhances liquidity and financing terms by facilitating a secondary market for SBA guarantied loans. An ongoing fee of less than six basis points would be authorized for new secondary market securities, in line with rates charged by similar federal programs, and will enable the program to operate without cost to the taxpayer or structural changes and set the program maturity ratio at 70 percent permanently. Without this small fee, the FY 2009 maturity ratio will be 75.5 percent. For FY 2009, the fee to achieve a 70 percent maturity ratio would be two basis points.

Outcomes Driven

To fulfill its mission, it is critical that the SBA understands how to drive outcomes aligned with that mission. The Agency is proud of its work on improving program performance through budget and performance integration which has allowed it to maintain the President's Management Agenda's highest "green" rating in both *status* and *progress* since FY 2004.

The SBA has put heavy emphasis on clearly defining the outcomes that it is targeting and ensuring that its programs, processes and policies are aligned in achieving them. Results of the Urban Institute studies are summarized in the FY 2007 accomplishments section of this Executive Summary. These studies will help the Agency in adjusting its programs to improve their reach and value to America's entrepreneurs. They will also be used to establish an initial baseline for evaluating the outcomes achieved through SBA lending.

A recent study by the Cleveland Federal Reserve also noted that there was a positive and significant correlation between the average annual level of employment in a local market and the level of SBA-guarantied lending in that local market, with the intensity of the correlation relatively larger in low-income or underserved markets.[1] The Agency is continuing to analyze penetration of its lending products into various place-based and people-based groups to better understand their impact.

The Office of Entrepreneurial Development has been examining its program outcomes as well, particularly in the Small Business Development Centers program. In FY 2007, new performance measurements for the SBDC program were implemented which are considered drivers or leading indicators for economic impact and outcomes. Implementation of these measures recognizes the importance of small business creation and sustainability. In this way the SBDC program has effectively ensured economic impact as the final criterion for the program, contributing to the greater economic climate as reflected in the number of jobs created, revenue generated, and state and federal tax dollars contributed to the overall economy.

At the same time, the Office of Entrepreneurial Development recognized the importance of external measurement and client validation of its services. To that end, the office has implemented an ongoing longitudinal study of both the value and impact of its services. To date the analysis indicates that businesses which received management assistance from SBA resource partners (SBDCs, SCORE, and WBCs):

- Gave high ratings to the usefulness of that assistance;
- Appear to have a higher survival rate than those analyzed in other national studies (e.g., the PSED Kauffman Study); and

In FY 2007, the Agency completed a major update of its Strategic Plan. This plan reflects the new SBA leadership team's vision and describes the direction that the Agency will take as it moves ahead to expand opportunities for the nation's small businesses and to assist victims of federally-declared disasters. Through this development, the Agency worked with all program offices to simplify its performance indicators by limiting reporting to key indicators, particularly those that are outcomes or that drive outcomes.

[1] Cleveland Federal Reserve*, Does Government Intervention in the Small-Firm Credit Market Help Economic Performance?* Craig, Jackson, Thomson, 2007

Understanding the Budget Tables

Table 1 - Summary of New Budget Authority

This table shows the Gross and Net amounts of new funding appropriated by Congress for FY 2007 and FY 2008 and requested for FY 2009. New funding is different from total funding in that it does not include funds carried over from year to year and other sources of funding, such as fees and reimbursable expenses.

- *Gross New Budget Authority* is the amount appropriated by Congress prior to rescissions.
- *Salaries and Expenses, Business Loan Program, Disaster Loan Program, Inspector General,* and *Surety Bond Guarantee* are the five appropriation accounts for SBA.
- *504 Negative Subsidy Receipts* are estimated collections on the FY 2009 negative (0.07%) subsidy rate.
- *Rescission of Unobligated Balances* refers to sums appropriated in prior years that were still available for obligation at the end of FY 2007, but were returned to Treasury.
- This table can be cross-referenced with Table 2 as discussed below.

Table 2 - Sources of Funds: Summary By Source

This table shows the *total* resources that the Agency had at its disposal in FY 2007, enacted for FY 2008, and requested for FY 2009 to cover program and administrative costs. The data is summarized by the source of funds. An explanation of these sources follows:

- *Gross New Budget Authority* equals the amount of new funding appropriated by Congress for FY 2007 and FY 2008 and requested for FY 2009. (This is the same as *the Total, Gross New Budget Authority* amount shown in Table 1, with the exception of FY 2009 where there are 504 Negative Subsidy Receipts.)
- *Carryover from Prior Year* refers to multiyear funds that were appropriated in a prior fiscal year, but were not spent and are available during the current fiscal year.
- *Carryover into Next Year* refers to multiyear funds that were not spent in the current fiscal year and can be carried forward to the next fiscal year.
- *Transfer to FEMA* is the interagency transaction related to Gulf hurricane disaster funding.
- *Other Fee Income* refers to collections from the public for services provided and for which legislative authority permits collecting fees, e.g. certain licensing and examinations.
- *Reimbursable Income* is funding received from other Federal agencies for services performed by SBA.
- *Subsidy Receipts* are estimated collections on the FY 2009 negative (0.07%) subsidy rate.
- *Recoveries* are the result of loans cancellations of prior year obligations for which unexpired subsidy budget authority is made available in the current year.
- *Rescissions on Unobligated Balances* reflects any unexpired funds that had been appropriated in prior years and have been taken back by Congress through the appropriations process.

To understand how this table relates to the other tables, first note that it contains the same data that is presented in Table 3, but from the perspective of *Sources Of Funds* rather than the appropriation account. Second, it is also a summary of the detail presented in Tables 12 and 13.

Table 3 - Sources of Funds: Summary by Appropriation Account

This table shows the total resources that the Agency had or projects to have at its disposal for program and administrative operations. The resources are presented by the name of the appropriation account, e.g. Salaries and Expenses, rather than the type or source of funds, e.g. New Budget Authority, Carryover, Fee Income, or Recoveries (as in Table 2). Total amounts in this table tie to Table 2.

Table 4 - Sources of Funds: Agency Operating Budget

This table shows the detail for the sources of funding for the Agency Operating Budget, as follows:

- *Salaries and Expenses Appropriation* is the amount appropriated by Congress prior to rescissions. These amounts are also shown on Table 1.
- Less: *Non-Credit Programs* - These are the programs that receive separate line item funding in the appropriation each year. See the detail for Non-Credit Programs on Table 7.
- Less: *Congressional Initiatives* – These are constituent interest grants authorized by Congress for administration by SBA.
- Plus: *Transfer from Business Loans* – The entire amount appropriated for administering the business loan program, e.g. 7a, 504, etc. is transferred and combined with Salaries and Expenses funding. See the Salaries and Expenses and Business Loans sections of Table 12.
- Plus: *Transfer from Disaster Loans* – The appropriation specifies the amount to be transferred from the Disaster Assistance program to Salaries and Expenses to cover administrative overhead costs. See the Salaries and Expenses and Disaster Assistance sections of Table 12.
- Plus: *Net Carryover of Funds* – This is the net amount of unexpired funds carried over from the prior fiscal year less the amount estimated to remain unexpired and carried over into the next fiscal year. See the Salaries and Expenses portion of Table 12.
- Plus: *Fee Income* - refers to authorized collections from the public for services provided, e.g. certain licensing and examinations. See the Salaries and Expenses portion of Table 12.

Tables 5 – 7 - Uses of Funds: Salaries and Expenses; Uses of Funds: Agency-wide Costs; Uses of Funds: Non-Credit Programs and Reimbursable Expenses

The top part of Table 5 shows the major uses of the Salaries and Expenses budgetary resources. The following explains the major categories:

- *Office Operating Budgets* (See detail on the bottom half of the page.) These are the funds that program and administrative offices directly manage for daily operations, e.g., travel, supplies, and contracted services.
- *Agency-wide Costs* (See Table 6). These are costs such as rent and telecommunications, which are managed centrally by the Agency.
- *Compensation and Benefits* (See Table 6). All Compensation and Benefits for the Salaries and Expenses Account are managed centrally. The Full-Time Equivalents (FTE) supported by Compensation and Benefits appear in Table 11 (not including Disaster, Inspector General, and Reimbursables.
- *Non-Credit Programs* (See Table 7). These programs have received separate funding in the Salaries and Expenses account in the past. In an effort to better manage the agency's resources, avoid duplication of administrative systems, and allow more flexibility in managing its resources, the SBA is requesting that some of the current non-credit programs be merged into office operating budgets.
- *Congressional Initiatives* (See Table 7). These are constituent interest grants authorized by Congress for administration by SBA.

- *Reimbursable Expenses* (See Table 7). These are programs for which SBA receives reimbursable budget authority from other federal government agencies.

The bottom part of Table 5 shows the detail of Office Operating Budgets (from the top part of the chart) by major program office, e.g. Capital Access, Entrepreneurial Development.

Table 8 - Summary of Changes: Agency Operating Budget

This table is a reconciliation of the amounts needed for the Salaries and Expenses operating budget. The amounts shown for the S&E operating budget are the same as shown in Tables 4 and 5. The amount requested for FY 2009 is reconciled to the amount enacted for FY 2008. The Explanation of Change shows the major reasons for the requested increase or decrease in funding resources.

Table 9 - Summary of Credit Programs Revolving Fund

The table summarizes all credit programs (plus the Surety Bond Guarantee Program, a revolving fund). Credit program activity is displayed by total program level, subsidy amount, and subsidy rate for each fiscal year. The data on this table does not cross reference to Table 10. For example: the amount shown for the Surety Bond Guarantee Program on Table 9 is SBA's share of the liability for guaranteeing performance bonds for small businesses. The amount shown for the Surety Bond Program in Table 10 is the salaries, benefits, various fixed costs, and overhead for administering the Surety Bond Guarantee Program in Table 9.

Table 10 - Total Cost by Program and Activity

This table displays the full cost for administering each of SBA's major programs and services. This includes direct costs from the operating budget, plus compensation and benefits, Agency-wide costs (such as rent and telecommunications), and indirect costs such as agency overhead (e.g., financial management). This information varies from Table 5, which shows the direct operating budget costs for major program offices. It also differs from Table 7, which shows the total amount for grants, but excludes administrative direct, indirect, and overhead costs.

The costs presented in Table 10 are used in the Performance Tables that are included in the Performance Budget. Table 10 does not include subsidy budget authority for business and disaster loan programs or the appropriation for Surety Bond Guarantees.

Table 11 - Full Time Equivalent Employees

This table shows the number of Full Time Equivalent employees by fiscal year and major program activity. FTE is different from positions or headcount in that it reflects the number of employee hours worked during the fiscal year.

Table 12 - Sources of Funds: Appropriation Detail

This table shows the detail for Tables 2 and 3 (Sources of Funds summaries). The Disaster Assistance and Business Loans programs accounts include additional detail regarding the administrative and loan program components. The Business Loan administrative account and a portion of the Disaster administrative account are transferred to and combined with the Salaries and Expenses account to cover the administrative operating expenses of those programs.

Table 13 - Sources of Funds: Detail for Business Loan Programs

This table shows the funding source detail for each of SBA's business loan programs.

Budget Tables

Table 1
FY 2009 Congressional Budget Submission
SUMMARY OF NEW BUDGET AUTHORITY
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Gross New Budget Authority				
Salaries and Expenses	$ 327,592	$ 413,574	$ 328,159	$ (85,415)
Business Loan Program				
Administration	124,862	135,414	138,480	3,066
Loan Subsidy	1,283	2,000	0	(2,000)
Disaster Loan Program				
Administration	114,931	0	160,068	160,068
Loan Subsidy	0	0	14,301	14,301
Inspector General	13,835	15,000	15,500	500
Surety Bond Guarantee	2,824	3,000	2,000	(1,000)
Subtotal, Gross New Budget Authority	$ 585,327	$ 568,988	$ 658,508	$ 89,520
504 Negative Subsidy Receipts	$ 0	$ 0	$ (1,372)	$ (1,372)
Rescission of Unobligated Balances	$ (13,546)	$ 0	$ 0	$ 0
Total, Net New Budget Authority	$ 571,781	$ 568,988	$ 657,136	$ 88,148

Table 2
FY 2009 Congressional Budget Submission
SOURCES OF FUNDS: SUMMARY BY SOURCE
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Summary, Total SBA				
Gross New Budget Authority	$ 585,327	$ 568,988	$ 658,508	$ 89,520
Carryover from Prior Year	722,816	520,161	166,352	(353,809)
Carryover into Next Year	(520,161)	(166,352)	(31,353)	134,999
Transfer to FEMA	(150,000)	0	0	0
Other Fee Income	4,757	11,851	12,402	551
Reimbursable Income	9,315	6,022	4,537	(1,485)
Subsidy Receipts	0	0	(1,372)	(1,372)
Recoveries	415,111	1,000	10,000	9,000
Rescission on Unobligated Balances	(13,546)	0	0	0
Total	$ 1,053,619	$ 941,670	$ 819,074	$ (122,596)

Table 3
FY 2009 Congressional Budget Submission
SOURCES OF FUNDS: SUMMARY BY APPROPRIATION ACCOUNT
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Summary, By Appropriation Account				
Salaries and Expenses	$ 475,456	$ 576,042	$ 492,578	$ (83,464)
Business Loan Program	1,951	2,154	(1,372)	(3,526)
Disaster Assistance Administration	267,138	186,798	151,068	(35,730)
Disaster Loan Program	289,972	155,800	158,300	2,500
Inspector General	16,278	17,876	16,500	(1,376)
Surety Bond Guarantee Program	2,824	3,000	2,000	(1,000)
Total	$ 1,053,619	$ 941,670	$ 819,074	$ (122,596)

Table 4
FY 2009 Congressional Budget Submission
SOURCES OF FUNDS: AGENCY OPERATING BUDGET[1]
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Resources Available for the Agency Operating Budget				
Salaries and Expenses Appropriation	$ 327,592	$ 413,574	$ 328,159	$ (85,415)
Less: Non-Credit Programs	(127,397)	(140,946)	(106,426)	34,520
Congressional initiatives	0	(69,451)	0	69,451
Plus:				
Transfer from Business Loans	124,951	135,554	138,480	2,926
Transfer from Disaster Loans	18,000	0	9,000	9,000
Net Carryover of Funds	(8,984)	9,063	0	(9,063)
Fee Income	4,757	11,851	12,402	551
Total, Agency Operating Budget	$ 338,919	$ 359,645	$ 381,615	$ 21,970

[1]The amounts shown do not include Disaster Assistance, Inspector General, and Reimbursable Expenses.

Table 5
FY 2009 Congressional Budget Submission
USES OF FUNDS: SALARIES & EXPENSES
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Salaries & Expenses Budget				
Office Operating Budgets	$ 78,871	74,146	$ 82,345	$ 8,199
Agencywide Costs	42,377	46,831	48,875	2,044
Compensation & Benefits	217,671	238,668	250,395	11,727
Subtotal, Agency Operating Budget	338,919	359,645	381,615	21,970
Non-Credit Programs	$ 127,397	$ 140,946	$ 106,426	$ (34,520)
Congresssional Initiatives	0	69,451	0	(69,451)
Reimbursable Expenses	9,140	6,000	4,537	(1,463)
Total	$ 475,456	576,042	$ 492,578	$ (83,464)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Office Operating Budget Detail				
Executive Direction	$ 11,814	10,624	$ 16,128	$ 5,504
Capital Access	16,487	19,491	18,619	(872)
Gov Contr/Business Development	1,908	1,961	4,472	2,511
Entrepreneurial Development	1,366	1,073	1,153	80
Management and Administration	11,809	11,634	9,913	(1,721)
Chief Information Officer	30,765	24,807	27,050	2,243
Regional and District Offices	4,722	4,556	5,010	454
Total	$ 78,871	74,146	$ 82,345	$ 8,199

Table 6
FY 2009 Congressional Budget Submission
USES OF FUNDS: AGENCYWIDE COSTS
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Express Mail	$ 450	$ 475	$ 480	$ 5
Judgment Fund	369	750	750	0
Office Security	1,569	1,723	2,160	437
Performance Awards	1,863	2,238	2,354	116
Postage	361	575	580	5
Reasonable Accommodations	21	40	40	0
Relocation	725	750	750	0
Rent	30,854	32,413	34,164	1,751
Telecommunications	3,065	4,340	4,423	83
Transit Subsidy	915	995	1,020	25
Unemployment Compensation	1,066	1,062	388	(674)
Workers Compensation	1,119	1,470	1,766	296
Total	$ 42,377	$ 46,831	$ 48,875	$ 2,044
Compensation & Benefits	$ 217,671	$ 238,668	$ 250,395	$ 11,727

Table 7
FY 2009 Congressional Budget Submission
USES OF FUNDS
NON-CREDIT PROGRAMS and REIMBURSABLE EXPENSES
(Dollars in Thousands)

		Reference Page No. [1]	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Non-Credit Programs						
7(j) Technical Assistance Program	[2]	54	$ 1,481	$ 2,300	$ 0	$ (2,300)
Drug-Free Workplace		52	758	990	990	0
HUBZones Program	[3]	63	1,931	2,100	0	(2,100)
Microloan Technical Assistance	[4]	41	12,800	15,000	0	(15,000)
National Women's Business Council			712	743	743	0
Native American Outreach	[5]	55	884	1,000	0	(1,000)
New Markets Venture Capital		47	6	0	0	0
PRIME Technical Assistance	[6]		1,835	3,000	0	(3,000)
SBDC Grants		48	88,973	97,120	87,120	(10,000)
SCORE		51	4,936	4,950	4,950	0
Veterans Business Development		56	741	743	743	0
Women's Business Centers Grants		49	12,340	13,000	11,880	(1,120)
Total, Non-Credit Programs			$ 127,397	$ 140,946	$ 106,426	$ (34,520)
Congressional Initiatives			$ 0	$ 69,451	$ 0	$ (69,451)
Reimbursable Expenses						
Small Disadvantaged Businesses		62	$ 1,054	$ 1,100	$ 1,250	$ 150
Business Gateway		78	7,821	4,800	3,187	(1,613)
Rural Business Investment Program			22	100	100	0
Other	[7]		243	0	0	0
Total, Reimbursable Expenses			$ 9,140	$ 6,000	$ 4,537	$ (1,463)

Notes:

[1]/ See this page number in the document for a description of the program.
[2]/ 7(j) Technical Assistance: Included in the GCBD operating budget (Table 5): FY 2009 = $1.53M.
[3]/ HUBZone: Included in the GCBD operating budget (Table 5): FY 2009 = $906K plus $1,168K for C&B.
[4]/ Microloan Technical Assistance will be provided by Entrepreneurial Development resource partners SBDC, SCORE, and WBC.
[5]/ Native American Outreach: Included in the Executive Direction operating budget (Table 5): FY 2009 = $730K plus $257 for C&B.
[6]/ PRIME Technical Assistance: Requested termination of program in FY 2009.
[7]/ Includes Reimbursable Expenses for lender oversight for one time expenses.

Table 8
FY 2009 Congressional Budget Submission
SUMMARY OF CHANGES - Agency Operating Budget
(Dollars in Thousands)

Salaries and Expenses Operating Budget		
FY 2008 Enacted	$	359,645
FY 2009 Request		381,615
Change - Increase/(Decrease)	$	21,970

Explanation of Change:		
1. Mandatory salary and other adjustments:		
Pay COLA	$	8,991
Increase in Agencywide costs		2,044
2. Additional funding for increased FTE's:	$	2,736
Includes FTE for HUBZones and Native American Outreach		
3. Funding for FY 2008 line items included in FY 2009 Office Operating Budgets:		
HUBZones Program	$	906
7(j) Technical Assistance Program		1,532
Native American Outreach		730
4. Additional program adjustments:		
Loan Modernization and Accounting System	$	5,298
Training conference for Government Contracting/ Business Development staff		130
Training conference for Office of General Counsel staff		150
Underserved market initiative for Entrepreneurial Development		250
Increase in the Office of Chief Information Officer for eGov contributions and basic IT operations		2,243
Completion of National Guaranty Purchase Center campaign in FY 2008		(1,890)
Security investments in FY 2008 budget		(1,150)
Total Change - Increase/(Decrease)	$	21,970

Table 9
FY 2009 Congressional Budget Submission
SUMMARY OF CREDIT PROGRAMS & REVOLVING FUND
(Dollars in Millions)

		Program Level			Subsidy Amount			Subsidy Rate		
		FY 2007 Actual	**FY 2008 Enacted**	**FY 2009 Request**	**FY 2007 Actual**	**FY 2008 Enacted**	**FY 2009 Request**	**FY 2007 Actual**	**FY 2008 Enacted**	**FY 2009 Request**
Guaranteed Loans										
Section 7(a) Guaranty		$ 13,517	$ 17,500	$ 17,500	$ 0.0	$ 0.0	$ 0.0	0.00%	0.00%	0.00%
Section 504 CDC Guaranty	1/	6,282	7,500	7,500	0.0	0.0	(1.4)	0.00%	0.00%	(0.07)%
SBIC - Debentures		707	3,000	3,000	0.0	0.0	0.0	0.00%	0.00%	0.00%
Total		$ 20,506	$ 28,000	$ 28,000	$ 0.0	$ 0.0	$ (1.4)			
Direct Loans										
Microloan Direct Program		$ 19	$ 21	$ 25	$ 2.0	$ 2.2	$ 0.0	10.21%	10.12%	0.00%
Total Business Loans		$ 20,525	$ 28,021	$ 28,025	$ 2.0	$ 2.2	$ (1.4)			
Secondary Market Guarantees		$ 3,678	$ 12,000	$ 12,000	$ 0.0	$ 0.0	$ 0.0	0.00%	0.00%	0.00%
Disaster Assistance	2/	$ 1,663	$ 959	$ 1,061	$ 290.0	$ 155.8	$ 158.3	17.73%	16.27%	14.92%
Surety Bond Gurantee Program	3/	$ 547	$ 1,000	$ 1,000	$ 2.8	$ 3.0	$ 2.0			

1/ Negative Subsidy applies to disbursements only.
2/ FY 2007 activity includes an adjustment for $157 M in loans ($23 M in subsidy) originally approved in FY 2006.
3/ The funds requested for Surety Bonds and dislplayed under Subsidy Amount are for Contingent Liability funding for SBA's share of a Revolving Fund.

Table 10
FY 2009 Congressional Budget Submission
TOTAL COST BY PROGRAM AND ACTIVITY
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Request	FY 2009 Request
Capital Access Programs			
International Trade Program	$ 5,258	$ 5,988	$ 6,430
New Market Venture Capital	210	242	251
Prime Technical Assistance	1,863	3,028	0
Surety Bond Program	6,926	7,553	8,094
Subtotal	$ 14,257	$ 16,811	$ 14,775
7(a) Loans			
Loan Making	$ 41,822	$ 43,942	$ 48,027
Loan Servicing	5,674	6,235	6,963
Loan Liquidation	15,146	18,945	17,193
Lender Oversight	8,745	13,761	14,775
Subtotal	$ 71,387	$ 82,883	$ 86,958
504 Loans			
Loan Making	$ 16,028	$ 16,521	$ 18,041
Loan Servicing	2,590	2,911	3,229
Loan Liquidation	1,687	1,855	2,111
Lender Oversight	4,610	4,433	4,477
Subtotal	$ 24,915	$ 25,720	$ 27,858
Microloans			
Loan Making - Microloans	$ 1,775	$ 1,867	$ 1,996
Loan Servicing - Microloans	312	303	313
Loan Liquidation - Microloans	157	153	158
Microloan Technical Assistance	13,098	15,433	0
Subtotal	$ 15,342	$ 17,756	$ 2,467
SBIC Loans			
Loan Making	$ 4,382	$ 5,195	$ 5,377
Loan Servicing	8,459	10,040	10,387
Loan Liquidation	2,908	3,452	3,571
Subtotal	$ 15,749	$ 18,687	$ 19,335
GCBD Programs			
7(j) Program	$ 3,340	$ 4,670	$ 3,756
8(a) Program	41,191	44,550	48,320
HUBZone Program	6,767	7,499	8,150
Prime Contract Program	19,842	22,854	23,683
Business Matchmaking	3,840	4,319	4,513
Small Disadvantaged Business	1,235	1,294	1,459
Subcontracting Program	2,985	3,451	3,588
Subtotal	$ 79,200	$ 88,637	$ 93,469
Entrepreneurial Development Programs			
Drug Free Workplace	$ 849	$ 1,086	$ 1,098
SCORE	9,799	10,030	10,222
Small Business Development Centers	101,241	110,468	101,600
Small Business Training Network	410	504	571
Women's Business Ownership	20,432	21,848	21,601
Subtotal	$ 132,731	$ 143,936	$ 135,092

Table 10
FY 2009 Congressional Budget Submission
TOTAL COST BY PROGRAM AND ACTIVITY
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Request	FY 2009 Request
Executive Direction			
Advocacy	$ 9,858	$ 11,023	$ 11,963
Native American Outreach	1,415	1,637	1,685
National Women's Business Council	940	1,019	1,060
Ombudsman	1,257	1,404	1,527
Veteran's Business Development	4,181	4,750	5,463
Subtotal	$ 17,651	$ 19,833	$ 21,698
Regional & District Office Programs			
Field Offices - Counseling	$ 6,194	$ 6,812	$ 7,261
Field Offices - Training	8,529	9,373	9,979
Field Offices - Assessment & Information	17,436	19,223	20,468
Subtotal	$ 32,159	$ 35,408	$ 37,708
Total - Regular Funds	$ 403,391	$ 449,671	$ 439,360
Disaster Assistance			
Loan Making - Disaster	$ 294,324	$ 193,210	$ 151,815
Loan Servicing - Disaster	29,529	37,772	39,961
Subtotal	$ 323,853	$ 230,982	$ 191,776
Other			
Inspector General	$ 20,907	$ 23,001	$ 22,883
Congressional Grants	0	69,451	0
Rural Business Investment Program	61	145	145
Business Gateway	10,660	7,466	5,982
Subtotal	$ 31,628	$ 100,063	$ 29,010
Total Obligations	$ 758,872	$ 780,716	$ 660,146
Overhead *(already included in the above cost estimates)*			
General Planning and Management	$ 43,056	$ 46,098	$ 48,242
Information Technology Management	33,635	27,869	29,358
Procurement and Contracting Services	15,340	14,878	13,610
Improved Financial Performance	11,871	15,187	20,340
Budget and Performance Integration	2,493	2,694	2,664
Competitive Sourcing	196	229	236
E-Government	3,550	4,431	5,645
Human Capital Management	1,288	1,550	1,579
Improper Payments	13	14	14
Total	$ 111,442	$ 112,950	$ 121,688

Table 11
FY 2009 Congressional Budget Submission
FULL TIME EQUIVALENT EMPLOYEES

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Regular Funds	2,009	2,095	2,119	24
Disaster Loan Making	2,218	975	750	(225)
Disaster Loan Servicing	98	135	171	36
Line Item Initiatives	13	13	4	(9)
Reimbursable Funds	8	9	11	2
Inspector General	103	104	106	2
Total	4,449	3,331	3,161	(170)

Table 12
FY 2009 Congressional Budget Submission
SOURCES OF FUNDS: APPROPRIATION DETAIL
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
Salaries and Expenses				
New Budget Authority	$ 327,592	$ 413,574	$ 328,159	$ (85,415)
Carryover from prior year	5,326	14,310	5,247	(9,063)
Carryover into next fiscal year	(14,310)	(5,247)	(5,247)	0
Transfer from Business Loans	124,951	135,554	138,480	2,926
Transfer from Disaster Loans	18,000	0	9,000	9,000
Reimbursable Expenses	9,140	6,000	4,537	(1,463)
Estimated Fee Income	4,757	11,851	12,402	551
Unobligated Balances at Year End	0	0	0	0
Total Budget Authority	$ 475,456	$ 576,042	$ 492,578	$ (83,464)
Business Loans				
Administrative Expenses				
New Budget Authority	$ 124,862	$ 135,414	$ 138,480	$ 3,066
Carryover from prior fiscal year	0	0	0	0
Carryover into next fiscal year	0	0	0	0
Transfer to Other Accounts	(124,862)	(135,414)	(138,480)	(3,066)
Unobligated Balances at Year End	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0
Loan Subsidies				
New Budget Authority	$ 1,283	$ 2,000	$ 0	$ (2,000)
Subsidy Reciepts	0	0	(1,372)	(1,372)
Carryover from prior fiscal year	5,816	369	75	(294)
Carryover into next fiscal year	(369)	(75)	(75)	0
Transfer to Other Accounts	(89)	(140)	0	140
Recoveries	341	0	0	0
Rescission on Unobligated Balances	(5,031)	0	0	0
Total Budget Authority	$ 1,951	$ 2,154	$ (1,372)	$ (3,526)
Disaster Assistance				
Administrative Expenses				
New Budget Authority	$ 114,931	$ 0	$ 160,068	$ 160,068
Carryover from prior fiscal year	72,813	195,548	8,750	(186,798)
Carryover into next fiscal year	(195,548)	(8,750)	(7,750)	1,000
Transfer from Disaster Loans	270,319	0	0	0
Recoveries	12,300	0	0	0
Transfer to Inspector General	(1,485)	0	(1,000)	(1,000)
Transfer to Salaries & Expenses	0	0	(9,000)	(9,000)
Rescission on Unobligated Balances	(6,192)	0	0	0
Total Budget Authority	$ 267,138	$ 186,798	$ 151,068	$ (35,730)

Table 12
FY 2009 Congressional Budget Submission
SOURCES OF FUNDS: APPROPRIATION DETAIL
(Dollars in Thousands)

	FY 2007 Actual	**FY 2008 Enacted**	**FY 2009 Request**	**FY 2009 Inc/(Dec)**
Direct Loans Program				
New Budget Authority	$ 0	$ 0	$ 14,301	$ 14,301
Carryover from prior fiscal year	633,294	304,622	149,822	(154,800)
Carryover into next fiscal year	(304,622)	(149,822)	(15,823)	133,999
Transfer to FEMA	(150,000)	0	0	0
Transfer to Inspector General	(500)	0	0	0
Transfer to Salaries & Expenses	(18,000)	0	0	0
Transfer to Disaster Administration	(270,319)	0	0	0
Recoveries from prior years 1/	402,442	1,000	10,000	9,000
Rescission on Unobligated Balances	(2,323)	0	0	0
Total Budget Authority	$ 289,972	$ 155,800	$ 158,300	$ 2,500
Inspector General				
New Budget Authority	$ 13,835	$ 15,000	$ 15,500	$ 500
Carryover from prior fiscal year	5,567	5,312	2,458	(2,854)
Carryover into next fiscal year	(5,312)	(2,458)	(2,458)	0
Transfer from Disaster	1,985	0	1,000	1,000
Recoveries	28	0	0	0
Reimbursable Expenses	175	22	0	(22)
Unobligated Balances at Year End	0	0	0	0
Total Budget Authority	$ 16,278	$ 17,876	$ 16,500	$ (1,376)
Surety Bond Guarantee Program				
New Budget Authority	$ 2,824	$ 3,000	$ 2,000	$ (1,000)
Carryover from prior fiscal year	0	0	0	0
Carryover into next fiscal year	0	0	0	0
Unobligated Balances at Year End	0	0	0	0
Total Budget Authority	$ 2,824	$ 3,000	$ 2,000	$ (1,000)
Total Financing Available	$ 1,053,619	$ 941,670	$ 819,074	$ (122,596)

1/ FY 2008 amount is net of the beginning of the year accounting adjustment.

Table 13
FY 2009 Congressional Budget Submission
SOURCES OF FUNDS: DETAIL
BUSINESS LOAN PROGRAMS
(Dollars in Thousands)

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request	FY 2009 Inc/(Dec)
BUSINESS LOANS SUMMARY				
New Budget Authority	$ 126,145	$ 137,414	$ 138,480	$ 1,066
Subsidy Reciepts	0	0	(1,372)	(1,372)
Carryover from prior fiscal year	5,816	369	75	(294)
Carryover into next fiscal year	(369)	(75)	(75)	0
Transfer to/from Other Accounts	(124,951)	(135,554)	(138,480)	(2,926)
Recoveries	341	0	0	0
Rescission of Unobligated Balances	(5,031)	0	0	0
Total Budget Authority	$ 1,951	$ 2,154	$ (1,372)	$ (3,526)
Administrative Expenses				
New Budget Authority	$ 124,862	$ 135,414	$ 138,480	$ 3,066
Transfer to/from Other Accounts	(124,862)	(135,414)	(138,480)	(3,066)
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0
7(a) General Business-STAR Program				
New Budget Authority	$ 0	$ 0	$ 0	$ 0
Carryover from prior fiscal year	5,059	75	75	0
Carryover into next fiscal year	(75)	(75)	(75)	0
Transfer to/from Other Accounts	0	0	0	0
Recoveries	47	0	0	0
Rescission of Unobligated Balances	(5,031)	0	0	0
Total Budget Authority	$ 0	$ 0	$ 0	$ 0
504 CDC Guaranty				
New Budget Authority	$ 0	$ 0	$ 0	$ 0
Subsidy Reciepts	0	0	(1,372)	(1,372)
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	$ 0	$ 0	$ (1,372)	$ (1,372)
Microloans - Direct				
New Budget Authority	$ 1,283	$ 2,000	$ 0	$ (2,000)
Carryover from prior fiscal year	757	294	0	(294)
Carryover into next fiscal year	(294)	0	0	0
Transfer to/from Other Accounts	(89)	(140)	0	140
Recoveries	294	0	0	0
Rescission of Unobligated Balances	0	0	0	0
Total Budget Authority	$ 1,951	$ 2,154	$ 0	$ (2,154)

FY 2009 Performance Plan and FY 2007 Annual Performance Report

This FY 2009 Performance Plan lays out the activities that the SBA will undertake as it moves forward to expand opportunities for the nation's small businesses and to assist victims of federally-declared disasters. The goals, objectives and strategies outlined in this plan are guided by four core values:

- *Outcomes Driven* — The SBA will clearly define the outcomes it is targeting and ensure that its programs, processes and policies are aligned in achieving them.

- *Customer Focused* — The Agency serves people and will be responsive to their needs, both in the services it provides and in how they are delivered.

- *Employee Enabled* — SBA employees extend the hand of service to Americans every day, and the Agency must ensure they have the tools, the training and the support to be effective.

- *Accountable, Efficient and Transparent* — The SBA has a bedrock obligation to the taxpayer to manage efficiently, invest capital prudently and be open and honest about its results.

The four strategic goals outlined in this plan are not significantly different from those of recent SBA planning cycles. The Agency's core objectives of effectively supporting the nation's entrepreneurs and providing assistance to victims of disaster remain unchanged. However, the means for achieving goals reflect the lessons learned through experiences in serving customers across the nation and from listening to, and working with, Agency employees at all organizational levels. SBA's four strategic goals are:

> ***Strategic Goal One* — Expand America's ownership society, particularly in underserved markets**
>
> ***Strategic Goal Two* — Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster**
>
> ***Strategic Goal Three* — Improve the economic environment for small business**
>
> ***Strategic Goal Four* — Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls**

The SBA continues to focus on the impact of its programs and its effectiveness in managing operations. The Agency is driving improvements in customer service and simplifying its programs to make them more accessible and more useful to small business owners.

Changes from last year's budget performance data — The SBA has made some changes in the reporting of performance data that requires caution when examining multi-year information, or "comparability." Comparability is defined here as "a measure of the confidence with which one data set or method can be compared to another." When performance definitions are significantly changed from one period to another, one loses the ability to make meaningful conclusions from trend data. In FY 2007, the SBA made two significant changes from prior years' budget performance data: (1) "underserved markets" was redefined, and (2) the SBA no longer distinguishes businesses by categorizing them as start-ups or existing businesses. Both of these changes are reflected in SBA's new Strategic Plan (FY 2008 – FY 2013) which was re-written in FY

2007 to better articulate the new Administrator's vision for the SBA. The two changes are detailed below:

1. *Redefined the underserved markets* — In prior years, underserved markets were characterized as Special Competitive Opportunity Gaps. SCOGs were defined as segments of the population that lacked access to capital. These segments consisted of African Americans, American Indians or Alaska Natives, Hispanics, Asian Americans, women, veterans and individuals who reside in rural or low-income areas. In FY 2007, underserved markets was redefined as *all small businesses in low to moderate income areas, HUBZones, and Empowerment Zone/Enterprise Communities.*

2. *No longer tracking whether businesses are start-up or existing businesses* — The concept of dividing every program into established and start-up has been discontinued. The SBA now combines the two (start-ups and existing businesses) and reports only the total.

Prior year numbers in all tables (where applicable) have been retroactively adjusted to comply with the new definitions. Caution should be used when comparing last year's FY 2008 Congressional Submission with the FY 2009 Congressional Submission. The FY 2008 Congressional Submission data reflects last year's definitions.

One more change was made last year that should be noted. This change is mostly cosmetic with the purpose of aligning the goals to SBA's mission. Strategic Goal 1 is now the core programs. Strategic Goal 2 is now Disaster Assistance. Strategic Goal 3 now represents the Agency's regulatory assistance voice for small businesses; and Strategic Goal 4 still tracks progress towards management and organizational excellence. Strategic Goal 4, for the purpose of clarity, has been modified.

OMB Pilot Performance and Accountability Report –– The OMB established a pilot program in FY 2007 in which agencies had an option to produce an alternative to the consolidated Performance and Accountability Report. The SBA volunteered to participate in this pilot process and has combined the FY 2007 Annual Performance Report with the FY 2009 Congressional Submission. The following format changes were made:

- Performance tables display two additional columns — "FY 2007 Goal" and "FY 2007 Variance;"
- Where a performance variance is over or under 10 percent of the goal, an explanation for the variance is included below the table;
- A table is included that shows all performance measures and states the data quality of the program's indicators (high, medium or low);
- The FY 2007 narrative is changed to accommodate the APR's focus on the just-ended fiscal year; and
- Discontinued indicators are included as an appendix.

Strategic Goal One – Expand America's ownership society, particularly in underserved markets

Small businesses represent an essential mechanism by which individuals enter the economic and social mainstream of American society. The needs of a small business change as the entity goes through the various stages of its lifecycle - from a possibility to a vibrant, successful business. Strategic Goal One represents SBA's commitment to helping small businesses overcome the competitive opportunity gaps often faced by entrepreneurs. The SBA empowers individual entrepreneurs to take advantage of the opportunities the market offers by providing knowledge, skills and technical assistance; access to loans and equity; and contracting opportunities either directly or through its partners. While SBA programs benefit all small business entrepreneurs, the Agency places particular emphasis on groups that own and control little productive capital and have limited access to markets.

Strategic Goal One has three Long-Term Objectives:

LTO 1.1 — Improve access to SBA programs and services by small business to drive business formation, job growth, and economic activity.

LTO 1.2 — Support entrepreneurship in markets with higher poverty and unemployment, and in the military community.

LTO 1.3 — Ensure stewardship and accountability over taxpayer dollars through prudent financial portfolio management and oversight.

Financial Assistance — Having access to capital when needed, and under the right conditions, is vital to the success of a small business. This need changes as a business goes through the various stages in its lifecycle. The financial vulnerability of a small business may make SBA financial assistance a vital component at any given time. The SBA has structured its programs to fill the financial gap as determined by differing financial markets and the various stages of a small business's lifecycle. The SBA provides loans through its 7(a) loan, 504 loan, and Microloan programs, as well as equity and mezzanine financings through its SBIC program. The Agency has placed its focus on providing financing assistance that is effective and at the lowest possible cost to the taxpayer.

Management and Technical Assistance — One of the roles of the SBA is to help small businesses avoid negative outcomes, including business failure and bankruptcy. Businesses fail for many reasons and, although it is the reason most often cited, inadequate financing (i.e., insufficient cash flow or initial start-up capital), is only one of those reasons. Businesses also fail because of inadequate short- and long-term planning, inadequate market research, ineffective marketing, incomplete or deficient strategy or vision, and inadequacies in the management team, among other reasons. SBA's management and technical assistance programs address these potential pitfalls. It helps small businesses get off to a good start, and increases their chance of becoming established, employment-generating businesses, and it helps existing businesses prosper and grow.

One of the Agency's main objectives is to continue to improve the quality of the management and technical assistance data collected so that it can better measure the services that it provides and the outcomes resulting from those services, and so it can better target its assistance to address the needs of its small business clients. Having complete, consistent and accurate data is the first requirement for measuring the effectiveness and efficiency of SBA assistance.

Contracting Assistance — The SBA offers already established businesses opportunities to sell products and services to the federal government. Purchases by military and civilian agencies amount to more than $340 billion a year and include everything from complex space vehicles to janitorial services and cancer research. The federal government buys just about every category of commodity and service available.

Two of the main contracting assistance programs are 8(a) and HUBZone. The HUBZone program, a contracting assistance program whose primary objective is job creation and increasing capital investment in distressed communities, was designed from its inception as an electronic-based program. This design maximizes its use of resources. The 8(a) program is a business development program that offers a broad scope of assistance to socially and economically disadvantaged firms. The Surety Bond Guarantee program also assists small businesses in obtaining required bonding in the construction, supply and service sectors by guaranteeing between 70 and 90 percent of the value of the bond issued to the small business by a surety company.

Financial Assistance

A recent study shows that the small business share of the GDP in the 16 major industries in 2004 ranged from 18 percent of the information sector to 85 percent of other services. Over the seven year period studied, the small business share of GDP held steady at around 50 percent. [8] The report may be found at http://www.sba.gov/advo/research/rs299tot.pdf. In addition, start-up businesses help a state's economy grow. Another recent study commissioned by SBA's Office of Advocacy demonstrated that "the most fruitful policy option available to state governments is to establish and maintain a fertile environment for new establishment formations."[9]

The process by which the SBA provides small businesses with opportunities for securing credit can be broken down into three major areas — processing, servicing, and liquidation. Processing includes reviewing and approving loan applications and providing lenders that use SBA's delegated loan programs with an SBA loan number; servicing activities include loan collections and modifications; and liquidation is characterized by activities related to guaranty purchasing and the forced sales of collateral to pay off loan balances.

7(a) Loan Program

Through its 7(a) loan program, the SBA enhances the access to capital for small businesses. Improving access to capital often improves the chances that a small business can create or maintain employment, increase revenue and survive. The 7(a) loan program is the Agency's primary business loan program to assist small businesses to obtain financing when they do not qualify for conventional credit. It is particularly valuable to those underserved businesses that have traditionally had trouble accessing the conventional credit market. Its flexibility enables small businesses to obtain financing of up to $2 million for various business uses, with a loan maturity of up to 10 years for working capital and 25 years for real estate. The program has seen growth over the past years, including FY 2007, despite the rising interest rate environment. This growth trend is thanks in part to delivery systems such as SBA*Express* and Community*Express*.

[8] Katherine Kobe of Economic Consulting Services, LLC, *The Small Business Share of GDP, 1998-2004* (April 2007).
[9] Donald Bruce, John Deskins, Brian Hill, and Jonathan Rork, *Small Business and State Growth: An Econometric Investigation* (February 2007).

7(a) Loan Program

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Loans Funded (#)	Output	72,179	88,845	90,483	94,128	92,553	-2%	99,494	104,469
Small Businesses Assisted (#)	Output	68,895	83,102	80,303	88,207	84,666	-4%	91,016	95,567
Underserved Markets - Loans Funded (#)	Output	N/A	N/A	N/A	Baseline	33,388	-	36,727	38,563
Underserved Markets - Small Businesses Assisted (#)	Output	N/A	N/A	N/A	Baseline	30,529	-	33,581	35,261
Cost of Loans Funded ($)	Efficiency	$ 2,256	$ 559	$ 461	$ -	$ 452	-	$ 442	$ 460
Cost of Small Businesses Assisted ($)	Efficiency	$ 2,743	$ 881	$ 903	$ -	$ 843	-	$ 911	$ 910

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 188,995**	**$ 73,238**	**$ 72,485**		**$ 71,387**		**$ 82,883**	**$ 86,958**
Loan Making ($000)	$ 162,812	$ 49,672	$ 41,741		$ 41,822		$ 43,942	$ 48,027
Loan Servicing ($000)	$ 13,436	$ 16,362	$ 17,190		$ 5,674		$ 6,235	$ 6,963
Loan Liquidation ($000)	$ 12,747	$ 7,205	$ 13,554		$ 15,146		$ 18,945	$ 17,193
Lender Oversight ($000)	N/A	N/A	N/A		$ 8,745		$ 13,761	$ 14,775

FY 2007 Accomplishments

In FY 2007, SBA activities supported the objectives of focusing on outcomes and customer needs, and promoting accountability and transparency. To these ends, the Agency developed a series of initiatives aimed at making its programs easier for lenders to use. This included centralizing functions and streamlining processes that have the potential for cost reductions, enhanced consistency of policy interpretation and uniformity of operational practices.

Through the 7(a) loan program and its delegated loan delivery methods, the SBA assisted entrepreneurs that have typically had a more difficult time accessing credit due to the relatively higher cost of making smaller loans and the relatively higher risk associated with start-up businesses. The Agency reduced the cost of participating in SBA programs by making them more efficient (SBA*Express*, lower fees), thereby encouraging more lenders to make greater use of its programs to assist start-up small business owners and small business borrowers needing smaller loans.

Initiatives undertaken by the SBA in FY 2007 include:

> *Centralization efforts* — In FY 2007, the SBA completed the centralization of all remaining 7(a) loan processing activities, resulting in streamlined financial assistance functions. With very limited exception, the Agency no longer does loan making, servicing, liquidation or guaranty purchase activity at district offices. This eliminates a basic conflict of interest that district offices faced over the years — reaching out to lenders to ask them to participate in the loan guaranty programs, while having to review their performance and compliance with the requirements of the guaranty loan programs. Other benefits of centralization include cost reductions resulting from specialization of activity by SBA staff, and greater consistency of policy interpretation and operational practices.

> *Re-engineering of processes in guaranty purchasing centers* — In an effort to enhance customer service, the SBA began to re-engineer processes in the National Guaranty Purchase

Center. The goal is to improve throughput in the centers, enhance workflow, redesign processes and standardize procedures. It culminated in the announcement in September 2007 of a campaign to restore the loan guaranty as the heart of SBA's Brand Promise. To that end, the Agency pledged a 45-day turnaround on all new guaranty requests received in a complete and reviewable fashion. To accomplish this required an improvement in the quality and standardization of the guaranty packages that lenders were submitting. Therefore, the Agency began requiring banks to submit their guaranty request in a standardized form. Performance measures and scorecard metrics were established to ensure delivery on this pledge and to promote accountability and transparency. A customer help function was also incorporated into the operation to provide better service and communication. In addition, a service outreach function was created to work directly with large and small lenders in partnership with district offices to continually improve the quality of their interactions with the service centers and thus shorten cycle times.

Patriot Express — As part of the effort to meet veterans' needs, the Patriot Express loan initiative was launched. The Patriot Express loan, patterned after the Agency's successful SBA*Express* loan product but with a higher guaranty, is designed to support the military community. It is available to veterans, active duty military participating in the Transition Assistance program, national guardsmen, reservists and spouses of the members of the military community.

Marketing effort — A marketing database of 7,000 commercial lenders containing data from bank call reports, credit risk information and SBA production was created. A segmentation of the top 250 small business lenders was completed, and a template to assess the potential of all current and potential SBA lenders was developed. A marketing/service profile for the largest customers was developed to use as a focal point for marketing calls. A similar profile of the remaining banks was provided to district offices to use in marketing to local community banks. The marketing template identifies program usage as well as opportunities for increasing SBA lending activities, particularly in underserved areas.

Publication of final regulations — The SBA published final regulations governing the liquidation and purchase of 7(a) loans. The regulations require lenders to liquidate before submitting loans for purchase. The regulations also streamline the process for selecting loans for inclusion in asset sales.

Other Efforts — The SBA continued to focus on providing loan guaranties to small businesses in underserved markets. This initiative is being addressed in part by redesigning current products to small businesses in low to moderate income areas, HUBZones, Enterprise Zones and Empowerment Communities.

The SBA began development of Rural Lender Advantage. This new tool is a simplified process to access a 7(a) loan guaranty that can be used by a community lender. It will be particularly useful for rural lenders that have occasional need for the program. The goals of Rural Lender Advantage are to ease the use of the 7(a) program, expand SBA's presence with lenders, and provide SBA district offices with a new marketing tool.

The SBA also piloted E-tran servicing, permitting lenders to handle basic servicing actions from their offices. It has been especially helpful in permitting lenders to cancel their own loans. By delegating this task directly to the lenders, the SBA has been able to free up resources for other initiatives important to the Agency.

FY 2008 - FY 2009 Planned Performance

The SBA plans to increase 7(a) loan volume by increasing marketing and training for lending partners. These efforts will emphasize start-up business loans, larger loans that support job growth and more loans that assist those small business applicants in underserved markets.

The newly centralized 7(a) loan processing will be streamlined. With improvements from streamlining and improvements in communication with lenders, the SBA expects a further expansion of loan activity in FY 2008 – FY 2009.

In addition to the re-engineering being conducted in the National Guarantee Purchase Center, the SBA plans to expand this effort to its loan servicing operations and, eventually, to the loan processing centers. By eliminating non-value added activities, the SBA will be able to focus resources on those areas representing the most risk to the Agency, improve customer service and make decisions and drive performance metrics in a transparent manner. Work initiated in FY 2007 to implement performance management metrics and scorecards in the National Guarantee Purchase Center will be completed and implemented in all lending centers providing key management controls and tools for enhancing accountability.

The Standard Operating Procedures Modernization initiative will result in updated SOPs for all lending functions. The first effort is a major revision of SOP 50 10, loan processing. This will be the first edition of SOP 50 10 that is written specifically for lenders. The new version will be web-based and designed with advanced search capabilities commonly found in the most sophisticated web sites.

As mentioned, the SBA is establishing the Rural Lender Advantage initiative to improve access to SBA products for community lenders and increase their ability to assist underserved customers. The Agency expects to test this program in FY 2008 and make any changes during the first year. In late FY 2008 or FY 2009, the SBA will implement a final version of Rural Lender Advantage that will include enhancements developed during the pilot phase.

504 Loan Program

The 504 loan program serves small businesses requiring “brick and mortar” financing. A typical 504 loan project includes a loan secured from a private sector lender with a senior lien, and a loan secured from a Certified Development Company in a second position. Thanks to particular features of this program, such as a statutorily-mandated job creation component, a community development goal, or a public policy goal achievement component, the program helps the SBA facilitate job creation and meet the Agency’s mission to maintain and strengthen the nation’s economy by enabling the establishment and viability of small businesses. As with the 7(a) loan program, the 504 loan program receives much support from SBA field offices which promote the program and train lenders and small businesses on the program’s features.

504 Loan Program

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance(1)	FY 2008 Goal	FY 2009 Goal
Small Business Loans Funded (#)	Output	7,694	8,974	9,720	8,251	10,405	26%	11,185	11,745
Small Businesses Assisted (#) (2)	Output	6,329	7,629	7,569	8,162	9,708	19%	10,436	10,958
Underserved Markets - Small Business Loans Funded (#)	Output	N/A	N/A	N/A	Baseline	3,695	-	4,065	4,268
Underserved Markets - Small Businesses Assisted (#)	Output	N/A	N/A	N/A	Baseline	3,449	-	3,794	3,983
Cost of Small Business Loans Funded ($)	Efficiency	$ 3,726	$ 1,581	$ 1,651	$ 1,820	$ 1,540	-15%	$ 1,477	$ 1,536
Cost of Small Businesses Assisted ($)	Efficiency	$ 5,394	$ 2,859	$ 2,830	$ 2,905	$ 2,566	-12%	$ 2,465	$ 2,542

(1) Beginning in FY 2008, the SBA sets a single goal which combines start-ups and existing small businesses. FY 2007 actual results are based on total small businesses while the FY 2007 goal and results for subsequent years were based on solely on existing small businesses. When recalculated using only existing small businesses the variances would be 7%, 1%, 0% and -4% respectively.

(2) FYs 2004, 2005 and 2006 totals for these indicators only include the data for existing businesses. Start-up business were not included. Starting in FY 2007, all Small Businesses Assisted are included.

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 34,139**	**$ 21,812**	**$ 21,424**		**$ 24,915**		**$ 25,720**	**$ 27,858**
Loan Making ($000)	$ 28,668	$ 14,190	$ 16,046		$ 16,028		$ 16,521	$ 18,041
Loan Servicing ($000)	$ 3,764	$ 5,452	$ 3,636		$ 2,590		$ 2,911	$ 3,229
Loan Liquidation ($000)	$ 1,706	$ 2,170	$ 1,742		$ 1,687		$ 1,855	$ 2,111
Lender Oversight ($000)	N/A	N/A	N/A		$ 4,610		$ 4,433	$ 4,477

FY 2007 Accomplishments

Through the 504 loan program, the Agency provides long term fixed rate capital to eligible small businesses. The fixed rate on the SBA-guarantied portion of the financing gives the borrower payment predictability throughout the life of the loan. This helps the borrower plan cash flow needs. The SBA has increased the ease of use of the 504 program through the following enhancements:

Centralization of Functions — The SBA fully centralized 504 loan processing functions which, when combined with a recently-implemented streamlined closing process, provide a better response time and improved service to an increased number of Certified Development Companies. The overall goal is to make more financing available to small businesses.

The Agency also centralized 504 loan liquidation activities for the entire country at two strategic existing locations. It moved 504 liquidation activities from the district offices to the Little Rock and Fresno servicing centers. Local litigation will continue to be handled at the district level, but the supervising of liquidation activity was moved to the servicing centers. This action was taken in conjunction with a major overhaul of the liquidation regulations. These regulations give CDCs the opportunity to expand their liquidation activities. In addition, centralizing the liquidation function in two locations provides greater consistency of policy interpretation and operational practices.

Publication of Final Regulations — As noted in the 7(a) accomplishments, the SBA published final regulations governing the liquidation of loans. The regulations allow CDCs to liquidate loans on SBA's behalf after meeting certain defined criteria.

FY 2008 – FY 2009 Planned Performance

For FY 2008 – FY 2009, the SBA will continue to work on the implementation of the new liquidation regulations. The Agency is approving CDCs to become Authorized CDC Liquidators. CDCs request this special status from the SBA. Once designated, the CDC can conduct a liquidation of their loans. By permitting CDCs to conduct liquidation, the SBA provides for a quicker liquidation of the collateral and a quicker resolution of the loan.

It is expected that more CDCs will apply for Authorized CDC Liquidator status and that entrepreneurs will begin to offer liquidation services to CDCs. The Agency will be monitoring the implementation of the regulations and will determine if additional training is needed by the CDCs for SBA liquidation staff. The SBA also plans to assess its approval and monitoring processes for the 504 loan program and the CDCs that deliver the program. Approvals and other actions can be made in a timelier manner, requiring fewer resources by streamlining these processes and eliminating non-value added steps.

In FY 2008 - FY 2009, the SBA expects to expand E-tran, its direct electronic lender interface with SBA that is widely used in the 7(a) program, into the 504 program. It is reviewing the potential for use of E-tran in both processing and servicing. The Agency expects that E-tran servicing will be particularly useful for the CDCs as there are frequently several minor changes to a 504 loan record just prior to loan closing.

Microloan Program

Through the Microloan program, the SBA provides very small loans to start-up and newly-established small businesses and not-for-profit childcare centers needing small scale financing and technical assistance for start-up or expansion. Under this program, the Agency makes direct loans to nonprofit community based lenders (intermediaries), which in turn make loans to eligible borrowers in amounts up to $35,000. The microloans made by the intermediaries are not guaranteed by the Agency.

Microloan

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Outcome	2,399	2,436	2,395	N/A (1)	2,427	-	2,500	2,500
Loans Funded (#)	Output	2,399	2,436	2,395	N/A (1)	2,427	-	2,500	2,500
Cost Per Small Business Assisted ($)	Efficiency	$ 10,351	$ 7,590	$ 6,626	N/A (1)	$7,126	-	$ 7,964	$ 987
Cost Per Loan Funded ($) (2)	Efficiency	$ 3,501	$ 1,584	$ 1,269	N/A (1)	$1,536	-	$ 1,608	$ 798

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Resources ($000)	**$ 24,831**	**$ 18,489**	**$ 15,870**		**$ 17,294**		**$ 19,910**	**$ 2,467**
Total Loan Making	$ 8,399	$ 3,859	$ 3,040		$ 3,727		$ 4,021	$ 1,996
Administrative Loan Making ($000)	$ 6,216	$ 1,855	$ 1,702		$ 1,775		$ 1,867	$ 1,996
Loan Subsidy ($000)	$ 2,183	$ 2,004	$ 1,338		$ 1,952		$ 2,154	$ -
Loan Servicing ($000)	$ 366	$ 387	$ 20		$ 312		$ 303	$ 313
Loan Liquidation ($000)	$ 125	$ 115	$ -		$ 157		$ 153	$ 158
Technical Assistance ($000)	$ 15,941	$ 14,128	$ 12,810		$ 13,098		$ 15,433	$ -

(1) Funding was not requested for FY 2007, and goals were not established.

(2) Does not include the cost of Technical Assistance

FY 2007 Accomplishments

In FY 2007, the SBA continued to strengthen and expedite the processing of over 2,400 microloans, over 50 percent of which went to minorities and almost 50 percent went to women. In FY 2008, the SBA expects to publish updated policies and procedures for the program and to enhance the microloan reporting system.

FY 2008 – FY 2009 Planned Performance

The SBA will develop an analysis of the Microloan program workflow to determine if re-engineering will streamline processes and reduce required resources to administer the program. The re-engineering effort will assess possible efficiencies available through new operating and administrative procedures.

The SBA Microloan program as currently structured is costly to the taxpayer relative to the amount of capital it lends. In FY 2007 it cost the government more than 85 cents for each dollar loaned to a Microloan intermediary. This high cost limits the number of intermediaries which can be supported under the program, ultimately limiting the impact of the program itself. Therefore, the Agency proposes a zero subsidy Microloan program. By raising the very preferential rate at which intermediaries borrow from as low as 2 percent below the five-year Treasury rate to 1.3 percent above the FY 2009 five-year Treasury rate, the Agency can eliminate the subsidy cost of this program and greatly expand funding for Microloan intermediaries. Intermediaries will continue to receive a better than market rate of interest on loans, and the SBA will be able to offer loans to virtually any eligible intermediary.

Small Business Investment Company Program

By increasing availability of venture capital to small businesses, the SBA is able to assist entrepreneurs during a critical phase of a company's establishment. Small Business Investment Companies made investments in small businesses that had exceeded the personal resources of the founder or the capacities of angel funds, but were often too small to merit the attention of the larger venture funds. In addition, unlike angel funds available in the market, SBICs provided strategic guidance to small businesses.

Due to deficiencies in the structure of the participating securities program and the downturn in the stock market in 2001, the program experienced significant losses; it was not reauthorized past FY 2004. In order to help minimize the losses on the participating securities program and to ensure the debentures program remains financially sound, in FY 2006 the SBA increased financial monitoring in operations and licensing. As a result, in FY 2007 the Agency achieved the lowest percentage of capital-impaired participating securities SBICs since FY 2000.

SBIC

Key Performance Indicators	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Outcome	2,409	2,298	2,121	1,967	2,057	5%	1,770	1,328
Underserved Markets - Small Businesses Assisted (#)	Outcome	N/A	N/A	N/A	Baseline	721	-	555	398
Cost Per Small Business Assisted ($) (1)	Efficiency	$ 5,600	$ 6,908	$ 7,152	$ -	$ 7,656	-	$ 10,558	$ 14,559

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 13,490**	**$ 15,874**	**$ 15,169**		**$ 15,749**		**$ 18,687**	**$ 19,335**
Loan Making ($000)	N/A	N/A	$ 3,648		$ 4,382		$ 5,195	$ 5,377
Loan Servicing ($000)	N/A	N/A	$ 8,385		$ 8,459		$ 10,040	$ 10,387
Loan Liquidation ($000)	N/A	N/A	$ 3,136		$ 2,908		$ 3,452	$ 3,571

(1) The formula for calculating the "Cost Per Small Business Assisted" was revised in FY 2006 to include only the cost of loan making. Previously, this measure was calculated using "Total Administrative Resources."

FY 2007 Accomplishments

The SBA exceeded its goal by financing 2,057 small businesses. In FY 2007, the SBIC program changed its definition for underserved markets to be more consistent with the overall Agency definition by encompassing low and moderate income areas. The SBA believes that underserved markets are better designated by geography. In FY 2007, the SBIC program provided financing to 721 small businesses in underserved markets.

Also during FY 2007, the SBA made a committed effort to better communicate the benefits of the debenture program to potential fund managers and investors. Much of this effort was directed to emerging managers, particularly women and those located in underserved markets. Staff attended and/or presented at a number of events focused on this subset of the venture community. The SBA will evaluate the effectiveness of the effort so as to better guide the Agency in subsequent years.

Consistent with the Administrator's goals to become more outcome- and customer-focused, accountable and transparent, there has been a significant move to improve the guidance, oversight and performance of the Investment Division. Specifically, the division has been focused on the management of the risk associated with the program and better serving its customers. Oversight and liquidation efforts are focused on examination and valuation activities, enhancing data for management evaluation and decisions, and management of the liquidation portfolio including marketing. Metrics for customer service have instituted changes for the program to make it more attractive to fund managers with the hope of increasing demand for the program. Preliminary indications are that these changes are on track to be successful as demand has recently been increasing as measured by new applications.

FY 2008 – FY 2009 Planned Performance

For FY 2008 – FY 2009, the SBA will focus on appropriate management of program risk, customer service and enhancing the attractiveness of the program to emerging managers. With respect to program risk, the Agency will continue to implement the liquidation strategy, issue remaining program guidance and conduct investment valuations and examinations of SBICs. With respect to customer service, the Agency will continue to measure performance in this area and seek regulatory changes to increase the attractiveness of the program.

International Trade Program

Ninety-seven percent of U.S. exporters are small businesses, according to U.S. Department of Commerce data. The SBA estimates that in 2007 these businesses will account for over $400 billion in exports, equivalent to 28 percent of all U.S. exports. SBA's Office of International Trade takes two approaches to enhancing the participation of small businesses in international trade. The first is a field-based export promotion and finance network of senior international trade specialists working in U.S. Export Assistance Centers. The second is policy-oriented collaboration with the government's international affairs agencies to advance U.S. international commercial, economic and diplomatic objectives.

Lenders are often hesitant to provide loans for export transactions because of the inherent degree of uncertainty and complicated characteristics of international trade. The SBA addresses these challenges by providing small businesses and lenders with training and technical assistance in order facilitate access to capital. The Agency's network of export specialists at 16 U.S. Export Assistance Centers works closely with businesses and banks to deliver trade promotion and finance services.

The SBA also helps represent and advance U.S. interests with international organizations concerned with small business development and supports trade capacity building efforts as part of U.S. international trade agreements. SBA's Office of International Trade also engages small business agencies in other countries to facilitate opportunities for small business linkages and exports.

International Trade

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Loans Funded (#)	Output	2,136	2,638	3,082	2,732	2,767	1%	2,975	3,123
Small Businesses Assisted (#)	Outcome	2,064	2,484	2,851	2,606	2,513	-4%	2,702	2,837
Underserved Markets Assisted (#)	Outcome	N/A	N/A	N/A	Baseline	1,007	-	1,108	1,164
Cost Per Loan Funded ($)	Efficiency	$ 2,550	$ 2,047	$ 1,396	$ 1,396	$ 1,900	-	$ 2,013	$ 2,059
Cost Per Small Business Assisted ($)	Efficiency	$ 2,639	$ 2,174	$ 1,510	$ 1,510	$ 2,092	-	$ 2,216	$ 2,266

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 5,447**	**$ 5,400**	**$ 4,304**		**$ 5,258**		**$ 5,988**	**$ 6,430**

<u>FY 2007 Accomplishments</u>

<u>*Export Promotion and Finance*</u> — The SBA provided 2,968 gross loan guaranties to support small business exporters; trained 3,067 lenders; counseled 2,719 lenders; trained 5,959 small businesses; and counseled 4,058 small businesses. The successful realignment of U.S. Export Assistance Center staff throughout the country, implementation of the centralized loan processing system, and collaboration with Export-Import Bank significantly contributed to the successful outreach and export finance efforts for small businesses.

Gross loan guaranties totaled $800 million in international trade financing to small business exporters. This supported approximately $1.9 billion in export sales. The increase in revenues and taxes helps local and state economies, while the revenues from exports help to offset the U.S. trade deficit.

International Commercial, Economic and Diplomatic Agenda — The SBA enjoyed unprecedented success in supporting the government's international commercial, economic and diplomatic agenda in 2007. SBA's Deputy Administrator and director of the Office of International Trade traveled to Ghana to represent the U.S. at the Africa Growth and Opportunity Act conference with 37 African countries, highlighting the role of small business in trade and economic development. SBA's senior international economist delivered speeches on technology and economic growth at the Asia-Pacific Economic Cooperation's Innovation Center and a Commerce Department-sponsored seminar on intellectual property rights.

SBA staff contributed to the work of the Commission for Assistance to a Free Cuba and to planning the small business track of the first Americas Competitiveness Forum, hosted by the Department of Commerce. The Agency also completed a consultation for the State Department in Peru on small business and economic reform.

FY 2008 – FY 2009 Planned Performance

Export Promotion and Finance — The SBA will continue to collaborate with the Trade Promotion Coordinating Committee agencies, state and local resources, Agency-sponsored resource partners and stakeholders in trade promotion and finance, and national and community banks to ensure that small business exporters receive support to be competitive in the world economy.

The Agency will train lenders and small businesses to heighten awareness of its programs and services and work to ensure that small business exporters have access to training through SBA's resource partners. Performance metrics to track production, outputs and outcomes, and additional training for SBA staff will be implemented to ensure success.

The Agency initiated a Preferred Lender Program Export Working Capital Program. Once approved, these lenders will effectively have their preferred lender status expanded to include the Export Working Capital Working Program loan product. An increase in preferred lender-status lenders is expected to increase loan volume in this premier core loan product.

Export Express is a key loan program which facilitates access to capital to experienced exporters as well as to those who are new to export markets.

SBA will work with resource partners to conduct small business international trade symposiums throughout the U.S. They will focus on stimulating interest and enthusiasm for international trade and recent trade agreements. They will also inform small businesses of programs and services that can help facilitate their effective participation in trade.

International Commercial, Economic and Diplomatic Agenda — The SBA will continue to contribute to the President's Export Council and as a core member of the Trade Promotion Coordinating Committee. The Agency will focus strategic alliance initiatives on countries with which the U.S. has negotiated free trade agreements, and/or other countries determined priority markets by the U.S. Government, possibly including participation in a President's Export Council trade mission to India or Korea.

The SBA will support Presidential initiatives such as the Summit of the Americas by continuing to advance the summit deliverable, Small and Medium Enterprises Congress of the Americas on International Trade. The Agency will also support U.S. engagement with African nations. It plans to arrange for training and to participate in the trade and investment framework agreements, lead-ups to full trade agreements between the U.S. and countries in Africa.

Credit Risk Management

The SBA works to maximize the efficiency of its lending programs by effectively managing program credit risk, monitoring lender performance, and enforcing lending program requirements. The Agency conducts a continuous risk based, off-site analysis of lending partners through the Loan/Lender Monitoring System, a state-of-the-art portfolio monitoring system that incorporates credit scoring metrics for portfolio management purposes. In February 2006, this system was recognized as a promising practice in federal credit management.

With the implementation of the Loan/Lender Monitoring System and redesign of the on-site review process, oversight functions are focused on those 7(a) lenders and Certified Development Companies that pose the most risk to the SBA. In addition to overseeing lenders, the SBA provides policy, portfolio and program analysis. In order to fully implement these capabilities, the office with primary credit risk management and lender oversight responsibilities was reorganized. As a result of the reorganization, the office formerly known as the Office of Lender Oversight became the Office of Credit Risk Management. The new office was divided into three teams: large lender oversight, small lender oversight, and program and policy analysis. The differentiation of lender oversight by lender size reflects the different forms of oversight needed for large lenders versus small lenders.

The Office of Credit Risk Management also assesses the quality of the overall SBA loan portfolio. The program's efforts not only help protect the interests of the American taxpayer, but also help lending partners better understand how best to fulfill the requirements of the lending programs in a way that is mutually beneficial to lenders and the SBA. SBA lending partners are crucial to the overall success of these programs.

FY 2007 Accomplishments

As part of a continuous effort to become a more accountable, efficient, and transparent agency, in FY 2007 the SBA took several significant steps in managing credit risk of its programs and the Agency's portfolio:

Implementation of Risk Ratings — The Agency formally implemented risk ratings as a major evaluation factor in assessing SBA lenders, through the publication of the Risk Rating Notice in the Federal Register. Risk ratings are used in part to assess the level of risk a lender's SBA loan portfolio presents to the Agency and are the primary basis by which lower-volume lenders are evaluated.

Enhancements to Lender Portal — The Lender Portal was improved to allow lenders to have access to eight quarters of lender risk ratings and performance metrics. This change enabled them to address data quality and performance issues in order to improve their risk ratings and better manage their small business lending activities.

Other Initiatives — The SBA created the Program and Policy Analysis team within the Office of Credit Risk Management to expand the overall portfolio and trend analysis functions performed by the office.

Other Accomplishments — Thanks in part to its newly clarified authority to collect fees from 7(a) lenders for these reviews, the SBA increased its on-site lender reviews and examinations from 50 reviews in FY 2006 to 80 reviews in FY 2007. With the fee authority in place, the Agency expects to substantially increase the number of lenders reviewed and thereby reduce overall SBA portfolio risk.

In addition, the Lender Review SOP was implemented to provide guidance on the review process to SBA employees and lender partners.

FY 2008 - FY 2009 Planned Performance

Increase Number of Reviews — The SBA will continue expanding upon its goal of ensuring stewardship and accountability over taxpayer dollars through financial portfolio management and prudent oversight. The Agency will achieve this goal in two ways. First, it will substantially increase the number of on-site lender reviews performed with the objective of reviewing all large and mid-size lenders and Community Development Companies on at least a bi-annual basis. By increasing the level of reviews, the SBA will ensure that those lenders and CDCs whose portfolios comprise more than 80 percent of the Agency's guarantied dollars outstanding are accountable for managing their portfolios in a prudent manner, thus reducing the SBA's overall credit risk. Second, the Agency will continue monitoring its smaller lenders and CDCs through its off-site monitoring process. All of this oversight will be performed at minimal cost to the SBA, since most of the on-site and off-site review costs will be paid through review and examination fees paid by the lenders..

Enhance Program Management by Issuing Guidance and Conducting Analysis — The SBA also plans to issue guidance with regard to the use of loan agents by lenders to originate SBA guarantied loans. In addition, as the Loan/Lender Monitoring System continues to be leveraged for oversight and portfolio management purposes, more involved data analysis for performance trends will be conducted. The results of these analyses will be used for more effective management of SBA loan portfolios as well as to assist in identifying irregularities that may be an indication of inappropriate lending activities. Eventually, this portfolio analysis data may assist in the development of SBA's credit subsidy analysis.

Finally, the SBA plans to increase its analytical oversight of the disaster loan portfolio. This objective will be accomplished through the development of a system similar to the current Loan/Lender Monitoring System upon which the current 7(a) and 504 portfolio analysis is based.

New Markets Venture Capital Program

The New Markets Venture Capital program combines equity investing and hands-on technical assistance to foster new business growth and job creation in low-income areas. Businesses in these areas have traditionally lacked access to equity capital, and the program is helping to address this need. Through its unique combination of equity capital and no-cost technical assistance, New Markets Venture Capital companies offer entrepreneurs in low-income areas an enhanced opportunity to succeed.

Selected by the SBA through a competitive process, eligible companies are privately owned and managed for-profit entities with a unique perspective regarding the geographic areas in which they invest. They use their own private capital plus debentures obtained at favorable rates with SBA guaranties for investing. They also provide technical assistance to the enterprises in which they invest or intend to invest, using private resources matched by the SBA in the form of Operational Assistance grants.

The New Markets Venture Capital program is a small pilot program. The SBA will assess the future potential of this program as investment results become clearer.

Management and Technical Assistance

Each year over 1.2 million small businesses and entrepreneurs utilize the expertise of SBA's resource partners — Small Business Development Centers, Women's Business Centers, SCORE, and the online Small Business Training Network — to establish or grow their businesses. This assistance includes support for business plan development, marketing strategies, implementing new technologies, accessing capital, client needs assessments, winning government contracts and many other undertakings vital to the success of a small business throughout its lifecycle.

In FY 2008 and FY 2009 the SBA, through its Office of Entrepreneurial Development, will continue a customer-focused approach to improving the effectiveness and efficiency of its management and technical assistance at all stages of the small business cycle, and referring qualified small businesses to SBA lending and contracting programs. Following are details for SBDCs, WBCs, SCORE, and SBTN; the primary programs that make up the SBA management and technical assistance programs.

Small Business Development Center Program

As the SBA's largest non-financing program, Small Business Development Centers meet the counseling and training needs of more than 650,000 business clients annually. SBDCs deliver management and technical assistance to small businesses using an extensive business education network comprised of 63 Lead Centers that manage more than 950 service center delivery points throughout the U.S. and its territories, including the District of Columbia, Guam, Puerto Rico, American Samoa and the U.S. Virgin Islands. SBDCs focus on providing counseling and training in the development of business plans, manufacturing assistance, financial packages, procurement contracts and international trade assistance. Special emphasis areas include international trade, technology transfer, manufacturing assistance, disaster recovery assistance and market research.

Small Business Development Centers exist from a unique mix of SBA funding combined with state and private sector resources. By providing grant funding across the country for the SBDC program, the SBA fosters economic growth of small businesses. These small businesses in turn foster local and regional economic development through business revenues generated and job creation and retention

SBDC

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Long-term Clients Counseled (#)	Output	N/A	N/A	N/A	Baseline	44,242	-	45,026	55,000
Capital Infusion ($ Billion)	Outcome	N/A	N/A	N/A	Baseline	3.4	-	2.5	2.5
Small Businesses Created (#)	Outcome	N/A	N/A	N/A	Baseline	7,331	-	13,145	13,145
Cost Per Small Business Created ($)	Efficiency	N/A	N/A	N/A	Baseline	$ 13,810	-	$ 8,404	$ 7,729
Cost Per Long-term Client Counseled ($)	Efficiency	N/A	N/A	N/A	Baseline	$ 2,288	-	$ 2,453	$ 1,847

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual			FY 2009 Request
Total Administrative Resources ($000)	**$ 103,541**	**$ 105,593**	**$ 103,007**		**$ 101,241**		**$ 110,468**	**$ 101,600**

FY 2007 Accomplishments

In FY 2007, new performance measurements for the SBDC program were implemented which are considered drivers and/or leading indicators for economic impact. Baseline performance targets were developed locally by SBDCs and SBA district offices. Implementation of these new measures puts the emphasis on small business creation and sustainability. In this way, the SBDC program has effectively ensured economic impact as the final criterion for the program, contributing to the greater economic climate as reflected in the number of jobs created, revenue generated and state and federal tax dollars contributed to the overall economy. SBDCs are measured on providing long term, in-depth counseling to SBDC clients, and the new business starts and capital infusion resulting from the counseling services. In addition, the SBA created two new efficiency measures, Cost Per Small Business Created and Cost Per Long-Term Client Counseled (see table above).

Also in FY 2007, the SBA began an assessment and reworking of its SBDC financial examination process. This led to a long-term plan that streamlined the audit process and put a risk-based system in place for review scheduling that would ensure ongoing statutory compliance.

FY 2008 - FY 2009 Planned Performance

FY 2007 was the baseline year for new goals centered on economic impact. Early indicators are that the change in goaling helped stem the tide of increased numbers of training events and helped to shift emphasis to long-term counseling, improving the economic impact of the program. Unless other external factors adversely affect this trend, for FY 2008 and beyond, it is anticipated that these economic impact numbers should rise as a result of this goal correction.

FY 2008 will also see continued enhancement of online/web-based tools and services for SBDCs. The SBA will work with the Association of Small Business Development Centers and its E-tools committee, building on the online service delivery forum held in 2007, to foster continued collaboration among SBDC networks to reduce duplication and focus on utilization of online service delivery to underserved markets where traditional service delivery may be less than adequate. Likewise, FY 2008 will see the implementation of the newly-created quality standards for programmatic reviews and financial examinations. These criteria include those related to site selection, review cycles, scheduling and logistics, geographical coverage, entrance and exit briefings, on-site protocols and timeframes for submissions of follow-up documentation and final reports.

For FY 2009, the SBA will place continued emphasis on increasing online delivery of services across the SBDC network as a method of increasing client access to services and information. Participation in the National Technology Summit and demonstrations at the Association of SBDCs conferences will serve to spotlight this effort. In addition, SBDC networks will be encouraged to increase collaboration with local ethnic groups, immigrant organizations and other stakeholders, supporting economic growth of low-and moderate-income communities, rural and underserved populations.

The SBA will also continue to encourage SBDCs to attain the status of a Small Business Technology Development Center in recognition of the expanded management assistance needs of technology-based and high-growth small businesses and their catalyst role in energizing America's economy and its place in the global economy. FY 2009 will also be the first year of sufficient program data using the new program performance measurements, particularly the data on the number of long-term counseling clients (5 hours or more), for there to be an adequate assessment of its value as a leading indicator of greater economic impact for the program.

Women's Business Center Program

The mission of the Women's Business Center program is to provide business counseling and training services to women entrepreneurs. The SBA's strategy to maximize services to this target population is to strategically add new service centers while retaining the most experienced and productive centers. The WBC program also targets socially and economically disadvantaged women to help them become economically self sufficient, develop business skills, and explore entrepreneurship as an income producing activity for their families.

The WBC program provides initial grants for a five-year period and has historically provided sustainability grants for a second five-year period, after which, based on legislation signed into law on May 25, 2007, those grantees (as well as any that have successfully graduated from sustainability) are eligible to apply for three-year renewable grants.

Women's Business Center grants are continued or new grants are awarded based on their ability to demonstrate achievement of goals, sound grant management practices (both financial and programmatic), sound financial management systems, and the ability to demonstrate alignment of their host organization's mission with the mission of the Office of Women's Business Ownership as well as their market strength in the WBC Program target areas.

WBC

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Output	122,712	144,316	129,373	130,809	146,828	12%	134,733	135,000
Jobs Created/ Retained (#)	Outcome	7,921	9,442	6,879	6,879	N/A (1)	-	6,879	7,085
Small Businesses Created (#)	Outcome	N/A	N/A	N/A	Baseline	N/A (1)	-	TBD	TBD
Cost Per Small Business Assisted ($)	Efficiency	$ 177	$ 163	$ 170	$ -	$ 139	-	$ 162	$ 160
Cost Per Job Created/ Retained ($)	Efficiency	$ 2,736	$ 2,495	$ 3,203	$ -	N/A (1)	-	$ 3,176	$ 3,049

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 21,670**	**$ 23,555**	**$ 22,033**		**$ 20,432**		**$ 21,848**	**$ 21,601**

(1) Data will be available in February 2008.

Variance Explanation: Branches exceeded expectations in assisting small business. Impact on SBA is positive and a better effort has been made to more properly goal this indicator for Fys 2008 & 2009.

FY 2007 Accomplishments

In FY 2007, grants were awarded to six non-profit organizations to start new Women's Business Centers and one new sustainability center. One WBC dropped out of the program, leaving 95 centers for FY 2008. Twenty-six former graduates of the program will be eligible to return to the program.

FY 2008 – FY 2009 Planned Performance

The renewable WBC grant legislation which was passed in 2007 impacts the Office of Women's Business Ownership by increasing the number of centers eligible to apply for WBC grants in FY 2008 by twenty-six centers. It also increases the human resource needs in the Office of Women's Business Ownership to service these centers.

The Office of Women's Business Ownership relies on district office personnel to provide local oversight and support to the WBCs.

In FY 2008 the portfolio of WBCs will consist of 52 initial grant centers and 43 sustainability grant centers for a total of 95 WBCs, and a potential for 20 previously graduated centers to apply for renewable grants.

In FY 2008 it is projected that almost 7,000 jobs will be created and more than 3,100 new businesses will be started as a result of the services provided by the Women's Business Centers. It is anticipated that the WBCs will provide training and counseling to approximately 135,000 clients in FY 2008 and 135,000 in FY 2009.

Plans In FY 2008 call for a re-engineering of the grant-making process and the program's grantee payment process. Implementing these new innovations will require additional funding for technology solutions to automate pay requests, including online review and payment recommendations. The SBA will enter into an interagency agreement with the Department of Health and Human Services to manage the online capabilities of this new system, which will require modest additional funding as well.

Business and Community Initiatives/SCORE

The Office of Business and Community Initiatives manages the national SCORE program and is the outreach office for the Office of Entrepreneurial Development.

SCORE mobilizes the experience and expertise of thousands of volunteers that assist entrepreneurs and emerging small businesses participating in America's ownership society. Distinct in the federal government as the only volunteer business advisor and mentoring program, SCORE adapts its structure and services to meet the needs of small businesses in changing economic conditions.

SCORE

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Output	468,152	403,724	308,710	325,389	336,411	3%	325,389	362,094
Small Businesses Created (#)	Outcome	N/A	N/A	N/A	Baseline	19,732	-	TBD	TBD
Cost Per Small Business Assisted ($)	Efficiency	$ 37	$ 46	$ 55	$ -	$ 29	-	$ 31	$ 28

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 17,209**	**$ 18,507**	**$ 16,932**		**$ 9,799**		**$ 10,030**	**$ 10,222**

FY 2007 Accomplishments

SCORE won the Interactive Media Award for its re-launched website, www.score.org, which had more than one million unique visitors in FY 2007. It also launched the new *Tech Center on Data Security* and dedicated online resources for entrepreneurial communities consisting of minorities, women, veterans and manufacturers. SCORE developed and introduced 29 online training workshops and achieved a 5 percent increase in its goal of total clients counseled and trained during FY 2007.

The Office of Business and Community Initiatives also oversees the Office of Entrepreneurial Development's Economic Impact Study. The SBA conducted the fourth and fifth years of this longitudinal impact study to assess the continued impact of resource partner services. This study examines three key indicators of success: (1) client value-added measures which measure the client's perception of the service provided; (2) managerial and marketing operations/ implementation measuring the extent the client implemented changes to their managerial and marketing operations; and (3) economic impact measuring the change in the client's business revenue and employment based on the face-to-face counseling received, and new business starts.

FY 2008 – FY 2009 Planned Performance

In FY 2009, SCORE is planning to implement critical infrastructure upgrades and capacity-building activities that are imperative for the organization to remain responsive to the increased client demand and to provide focused services to underserved markets. Also, the SBA added a new PART efficiency (program cost per volunteer hour contributed) which will measure the immense value gained from volunteer hours.

Efficiency and Capacity Building through Technology Infrastructure

SCORE will increase capacity and efficiency by developing a national call center and workshop registration center. The call center will remove the routine administrative task of telephone answering and workshop registration from the volunteers. It will provide a customized answering service for SCORE chapters and will initially be able to register clients for local workshops using an online system. This call center model will enable SCORE volunteers to dedicate more of their time to provide additional client services at the chapter level.

Outreach and Program Delivery to Underserved Communities

SCORE will invest in additional outreach to both “people based” and “place based” underserved markets by developing a counseling model using Voice over Internet Protocol to reach rural and other markets where SCORE does not have or cannot afford a physical presence. Counseling via Internet-based video conferencing is expected to become a standard within SCORE's product portfolio.

With level FY 2009 funding SCORE will continue to sustain FY 2008 productivity. This projected growth would include an increase between FY 2007 and FY 2010 and include a nine percent increase to women clients (from 46 percent to 55 percent) and a 13 percent increase to Hispanic clients (from seven percent to 20 percent).

On behalf of the Office of Entrepreneurial Development, the Office of Business and Community Initiatives will lead an inner city initiative, a component of the Agency’s underserved initiative, to provide training, mentoring and business opportunity positioning uniquely tailored to high growth potential inner city small businesses.

Finally, the Office of Business and Community Initiatives will also be directing a strategic re-launch of the online library of business publications. Online library users currently download over 2 million documents annually, proving the demand for training material remains high. The office is working to update portions of the library that are most popular with users while also introducing new topics that are in sync with the changing needs of today’s small businesses. Business training experts such as university faculty are partnering with the SBA to update online library publications, and the Agency is also exploring new technologies to further grow this valuable resource

Drug Free Workplace Program

The Drug Free Workplace Program requires the SBA to award grants to eligible intermediaries to provide financial and technical assistance to small businesses seeking to establish Drug Free Workplace Programs. The grantees are also expected to educate working parents on how to keep their children drug free. As part of the program, the SBA also awards contracts to Small Business Development Centers to provide information and assistance to small businesses with respect to establishing Drug Free Workplace Programs.

DFWP grantees are expected to educate 1,450 small businesses on maintaining their programs. It is anticipated that 165 programs will be implemented in FY 2009.

DFWP

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance (1)	FY 2008 Goal	FY 2009 Goal
Small Businesses Educated (#)	Output	19,400	5,150	531	1,400	2,731	95%	1,450	1,450
Programs Implemented (#)	Output	1,075	1,029	62	160	453	183%	165	165
Cost Per Small Business Educated ($)	Efficiency	$ 53	$ 201	$ 2,194	$ -	$ 311	-	$ 749	$ 757

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 1,025**	**$ 1,033**	**$ 1,165**		**$ 849**		**$ 1,086**	**$ 1,098**

(1) Variance Explanations: Goaling for DFWP is very difficult. Each grantee uses its own approach for educating small businesses in the subject matter. One grantee may chose to lecture at conferences that can reach hundreds of employers at a time. Another grantee may approach businesses one at a time, face-to-face. There is a positive impact on the SBA for exceeding this goal in that the SBA is getting its message accross to more people that expected. The SBA will continue to try to goal more accurately for this measure.

FY 2007 Accomplishments

There are presently seven grantees in the program. Two grantees left the program in FY 2007. The SBA is currently collecting electronic data submissions from its intermediaries on the Drug Free Workplace Program.

FY 2008 – FY 2009 Planned Performance

The Agency expects a slight decrease of the performance level with the seven grantees.

Small Business Training Network

The Small Business Training Network is a virtual campus for small businesses. It offers 23 free online courses. More than 4,450 clients each week register for courses. In addition, Small Business Training Network online courses, which are available to all resource partners and district offices, significantly improve how, when and where SBA customers are served. Targeted courses provide the ability to create and deliver meaningful training plans that support small businesses in underserved markets and address very specific client needs.

The Small Business Training Network serves more small business clients more efficiently for less than other programs. Per client training costs for SBTN are less than one dollar.

FY 2007 Accomplishments

The SBA exceeded its performance goals for the number of clients registering for SBTN courses. In FY 2007, 232,209 clients enrolled in and benefited from SBTN online training. Six new courses were added to the catalog of offerings, and multiple other offerings were improved. In addition, two online, interactive assessment tools were introduced to help clients evaluate their training needs and direct them to appropriate online course offerings. Approximately 1,000 clients each day complete the assessment tools. Further, SBTN also custom built new online training modules to support two Agency program areas: Disaster Assistance, and 8(a) Business Development.

FY 2008 - FY 2009 Planned Performance

The Small Business Training Network supports other program areas by building specific training modules that support targeted needs. This is an area of planned growth. SBTN anticipates building 10 new online courses, several new targeted assessment tools and a tracking system for clients.

7(j) Program

The SBA is authorized, under Section 7(j) of the Small Business Act, to enter into grants, cooperative agreements or contracts with public or private organizations that can deliver management or technical assistance to individuals and enterprises eligible for assistance under the Act. This assistance is delivered through the 7(j) Management and Technical Assistance program to 8(a) certified firms, small disadvantaged businesses, businesses operating in areas of high unemployment or low-income or firms owned by low-income individuals.

Under the 7(j) program grants, cooperative agreements or contracts are awarded to qualified service providers who have the capability to provide business development assistance to eligible clients. Program funding is not available to finance a business, purchase a business or use as expansion capital for an existing business.

Assistance under the 7(j) program may be given for projects that respond to needs outlined in a solicitation announcement or for an unsolicited proposal that could provide valuable business development assistance for 8(a) and other socially and economically disadvantaged small businesses. Assistance may include accounting and marketing services, feasibility studies, marketing/presentation analyses and advertising expertise, loan packaging, proposal/bid preparation, industry specific technical assistance, and other specialized management, training and technical services. Additionally, an executive education program is offered for owners and senior officers of 8(a) firms to take part in intensive week-long training sessions.

7(j)

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance (1)	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Output	5,776	2,107	2,317	2,200	2,486	13%	2,244	2,289
Cost Per Small Business Assisted ($)	Efficiency	$ 801	$ 1,479	$ 988	$ -	$ 1,344	-	$ 2,081	$ 1,641

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 4,626**	**$ 3,116**	**$ 2,289**		**$ 3,340**		**$ 4,670**	**$ 3,756**

(1) Variance Explanation. An aggressive outreach effort by field offices and the Office of Business Development caused the SBA to exceed its FY 2007 goal. The positive impact is that more businesses gained access to SBA programs and federal contracting opportunities.

FY 2007 Accomplishments

The SBA continues to ensure that 8(a) firms receive quality business development and technical assistance training. More than 1,100 firms have received basic and advanced CEO training and cost and price analysis training. The assistance was provided through face-to-face trainings. Web-based seminars and DVDs were provided to those firms that could not attend the in-person trainings.

FY 2008 – FY 2009 Planned Performance

During FY 2008 and FY 2009, the SBA will continue to provide technical assistance to 8(a) firms and other 7(j) eligible firms utilizing 7(j) funding. Also, as part of the individual business development plan, the 8(a) Business Development Assessment Tool will provide an assessment of program participants' management and technical assistance needs and recommended training. The SBA will provide some of the management and technical assistance training with 7(j) funding.

During FY 2008 and FY 2009, the SBA will ensure that 7(j) funds are used to provide targeted training to 8(a) firms in both the developmental and transitional stages of the program. As has been the case for several years, 7(j) training has been conducted by contractors at locations throughout the country to ensure that the training is available to as many program participants as practicable. During FY 2008 and FY 2009, the SBA anticipates training a total of 4,500 firms.

During FY 2008 and FY 2009, the district offices will continue to poll the 8(a) companies in their portfolios to assess the type of training needed. The Agency will engage a contractor to provide the highest priority training. During FY 2008 and FY 2009, the SBA will also have a contractor develop DVDs of business development trainings that will be distributed to 8(a) firms and other 7(j) eligible businesses through SBA district offices.

During FY 2008, a tracking system within the Business Development Management Information System may be used as a tool to assess the development needs of 8(a) firms and the assistance each firm receives from entrance in the program to exit from the program.

Native American Affairs

The Office of Native American Affairs is charged with providing assistance to American Indians, Alaska Natives, Native Hawaiians and the indigenous people of Guam and American Samoa. SBA loan guaranties and technical assistance services are available to members of these constituencies living in urban areas and certain rural communities. For Native Americans living in much of Indian Country, actual reservation communities where the land is held in trust by the U.S. federal government, SBA loan guaranties and technical assistance services are not available.

FY 2007 Accomplishments

Tribal Self Assessment Tool — The Office of Native American Affairs has continued to convene an Initiative Oversight Committee made up of approximately 30 individuals, mostly of Native American descent and coming from a wide geographic area. The committee is comprised of economists, lawyers, entrepreneurs, tribal leaders, corporate executives and leaders of not-for-profit organizations engaged in Indian Country. The group convenes for the purpose of providing oversight assistance to the contractor responsible for managing development of the Tribal Self Assessment Tool. The contractor is in the final phase of development and implementation. The tool has been accepted and content is being developed from numerous resource partners including federal agencies, not-for-profits, tribes and tribal organizations. Continuing initiatives include independent subcommittees to provide recommendations on implementation of the Tribal Self Assessment Tool, adoption of tribally-agreed change and transition of the tool to a foundation or not-for-profit entity.

FY 2008 – FY 2009 Planned Performance

The Office of Native American Affairs will continue outreach to Native American tribes and individual entrepreneurs living on reservations. Outreach will continue to promote tribal and entrepreneurial 8(a) certification, government contracting and recommendations regarding topics to be included in the Tribal Self Assessment Tool.

Faith-Based and Community Initiatives

Although faith-based and other community organizations have long been performing a critical service by helping people in need, these organizations have often encountered obstacles to providing federally-funded services. To facilitate the involvement of such organizations in federal programs within constitutional parameters, the President launched the Faith-Based and Community Initiative in 2001. In 2004 he issued an Executive Order creating a Center for Faith-Based and Community Initiatives at the SBA.

The Center's main goal is to develop and coordinate outreach efforts to disseminate information on SBA programs through faith-based and other community organizations, particularly in underserved and economically distressed areas. In recent years, many faith-based and other nonprofit organizations have increasingly emphasized economic and community development. By working with these organizations, the SBA and its resource partners can more effectively reach nascent entrepreneurs and small businesses to inform them of the wide range of SBA financial and technical assistance programs available.

FY 2007 Accomplishments

The SBA's Center worked closely with the White House Office for Faith-Based and Community Initiatives. It collected data on faith-based and community organizations participating in selected SBA grant programs and it, along with SBA's district offices and resource partners, participated in monthly regional conferences across the nation, which were organized by the White House.

The SBA has continued cooperating with SCORE to expand the capacity of faith-based and other community organizations. SCORE developed a workshop in conjunction with the W.K. Kellogg Foundation and Executive Coaches of Orange County, California to aid nonprofits in becoming more "business-like" in their operations, furthering their funding resources and means for sustainability and growth. SCORE has published and distributed over 10,000 resource workbooks entitled "Business Planning Tools for Non-Profit Organizations."

During FY 2007, SBA's district offices, working closely with the Office of Field Operations and the Center for Faith-Based and Community Initiatives, held 3,375 seminars and workshops with faith-based and other community organizations. These meetings and workshops, which provided information on SBA programs, were attended by 239,400 individuals.

FY 2008-FY 2009 Planned Performance

In FY 2008 and FY 2009, the SBA intends to intensify and accelerate its district office outreach efforts, working closely with Agency resource partners to discern and institutionalize best practices for collaboration and partnership with grassroots faith-based and secular nonprofit organizations. This activity will focus on reaching underserved populations in both inner-city and rural communities.

Veterans Business Development

Through its Office of Veterans Business Development, the SBA strives to enhance and significantly increase successful small business ownership and success of veterans by outreach and direct assistance to veterans, service-disabled veterans, Reserve and National Guard members, and active duty personnel through SBA district office-based veterans business development officers, OVBD-developed materials and web sites, and the Veterans Business Outreach Centers.

FY 2007 Accomplishments

In FY 2007, the SBA continued the veterans' email assistance initiative, which was an overwhelming success, as evidenced by extensive positive feedback from veterans seeking entrepreneurial and financial assistance, guidance and direction. In June 2007, the Agency rolled-out the Patriot Express Pilot loan initiative.

The SBA completed distribution of veterans business development resource materials to the state offices of the National Committee for Employer Support of the Guard and Reserve; to the Department of Defense Reserve Affairs office and family support centers; to state National Guard Adjutant Generals; to state departments of veterans affairs; to all SBA program and partner offices; and to over 100 veterans service organizations. In FY 2007, more than 75,000 copies of resource materials were distributed to these entities, as well as National Guard and Reserve units.

In addition, the SBA produced and distributed *VET News/Business Update* alerts to more than 44,000 veterans, Agency employees, and veteran's organizations as a service to provide timely, relevant information on federal contracting opportunities for veteran and service-disabled veteran business owners, in particular.

The Agency completed a cosponsorship agreement between Sam's Club and the SBA. The purpose of this agreement was to cooperatively promote five matchmaking events for veterans and service-disabled veterans, one during the fourth quarter of FY 2007 and the remaining four during FY 2008. The purpose of these events is to provide public and private businesses matchmaking opportunities for veterans and service-disabled veterans.

In other activities, the Agency-funded targeted outreach through district offices with significant populations of veterans, service-disabled veterans, Reserve and National Guard members, and active duty personnel has had definitive and material impact on SBA programmatic participation levels. In FY 2007, the SBA provided funding totaling $53,802 to 19 district offices. Through the district office outreach efforts, the SBA reached and provided assistance to more than 48,000 military service members.

The Agency is in the process of completing its customer satisfaction survey. The Veteran Business Outreach Centers program conducted its annual customer satisfaction survey for FY 2007. While results are not yet available, indications are that the same or a greater level of satisfaction will be achieved as reported in FY 2006, and that in excess of 13,600 individual veterans were assisted in FY 2007, all at a direct cost of about $55 per veteran assisted.

In addition to developing specific outreach, marketing and training materials, the SBA Office of Veterans Business Development is now the federal government point office for implementation of the Presidents Executive Order #13360. As such, plans are being developed to provide enhanced outreach, training, support, research and technical assistance to service-disabled veteran-owned small businesses and federal agencies to improve government-wide performance in this important program.

FY 2008 – FY 2009 Planned Performance

For FY 2008 – FY 2009, the SBA plans to continue making significant efforts to reach and educate veterans, service-disabled veterans, Reserve and National Guard members, and active duty personnel entrepreneurs regarding the availability of management and technical assistance, lending and contracting programs from the SBA, other government agencies and the private sector. The Agency will continue to develop and maintain information and educational packages such as the veteran's resource guides, service-disabled veteran-owned business owners procurement fact sheets, pre and post mobilization guides, fact sheets, PowerPoint presentations, and the *VETGazette* electronic newsletter.

Beginning in FY 2008, the Agency plans to organize nationwide training events to increase awareness of SBA programs and increase contracting opportunities for service-disabled veteran-owned small businesses. Additional plans and resources to implement these initiatives are being developed and evaluated. Initiatives include:

- A conference to bring together all of the Veteran Business Outreach Centers and SBA veteran business development officers to discuss, identify and formulate a coordinated and leveraged approach to educate veterans on SBA programs and efficient methods to convey assistance to the veteran community.

- Another conference to provide the first nationwide training to focus on service-disabled veteran-owned procurement.

- Enhancements to the Veterans Business Outreach Center program which include training of VBOC staff and SBA field staff in how to identify and enhance guidance, support and training for veterans, service-disabled veteran small business owners, and Reserve and National Guard members both inside and outside the federal marketplace.

- Investigation of best practices for outreach, training, e-based registration, teaming, matchmaking and web-based assistance, and investigating the performance capability of the service-disabled veteran-owned small business community to determine needs for enhancing other SBA programs to achieve the three percent federal goal.

In addition, the Office of Veterans Business Development will conduct an evaluation to ensure that its web portal provides easy access and is responsive to the needs and requirements of veteran, service-disabled veteran, Reserve and National Guard members, and active duty personnel entrepreneurs. OVBD continues to explore potential strategic alliances with private partners to reach millions of veterans, reservists, active military personnel, and already successful veteran business men and women.

Further, OVBD expects to continue to coordinate outreach and program development and delivery for veterans through the Departments of Defense, Labor and Veterans Affairs, while enhancing veterans' service organizations and state veterans' affairs offices abilities to offer access to the full range of SBA programs and services.

Contracting Assistance

The strength of the nation's economy is fortified when competitive and innovative small businesses are able to participate in the federal marketplace and provide solutions to the many challenges facing the federal government. The SBA works to increase the breadth and strength of the national industrial base and the number of jobs supported by the small business sector through programs having to do with federal contracting. The Agency assists other agencies in taking advantage of the resource represented by small business, at the same time that small businesses grow stronger by benefiting from federal contracting opportunities.

The SBA provides contracting assistance through its prime contracting and subcontracting assistance programs. Each program has a very different objective, yet their missions complement one another.

8(a) Program

The SBA 8(a) Business Development program was created to assist eligible small disadvantaged business concerns to compete in the American economy through business development. An applicant firm must: (1) be a small business; (2) be unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of the United States; and (3) demonstrate potential for success.

8(a)

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Outcome	8,900	9,458	9,600	9,500	9,536	0%	9,180	9,363
Cost Per Small Business Assisted ($)	Efficiency	$ 3,926	$ 3,319	$ 3,081	$ -	$ 4,320	-	$ 4,853	$ 5,161

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 34,945**	**$ 31,387**	**$ 29,582**		**$ 41,191**		**$ 44,550**	**$ 48,320**

FY 2007 Accomplishments

In FY 2007, the SBA launched an initiative to develop the blueprint for the 8(a) business development process that will enable the SBA to be seen as the model for providing efficient and effective assistance to help small disadvantaged business concerns compete and succeed in the American economy, and comply with statutory and regulatory requirements. The SBA awarded a contract to a vendor that will conduct a series of rapid improvement campaigns, assemble rapid improvement teams and develop management action plans.

The SBA was successful in ensuring all 8(a) annual reviews were completed. The annual review is an eligibility review that is tied to the end of the participant's program year and includes the submissions required to remain eligible in the program.

During FY 2007, the Agency developed a template for mentor-protégé agreements as well as a checklist of those items required by the prospective mentor and protégé for SBA's approval.

FY 2008 - FY 2009 Planned Performance

During FY 2008 and FY 2009, the SBA will continue to explore additional ways to increase and improve the delivery of business development assistance to 8(a) program participants. During FY 2007, the Agency developed a plan to ensure that the program identifies the business development needs of participants on an individual basis and provides assistance to meet those needs. During FY 2008 and FY 2009, the SBA will fully implement the 8(a) business development plan and provide training to ensure that all SBA business development field staff are knowledgeable about the tools that can be utilized to better service their 8(a) portfolio.

The 8(a) Business Development Plan consists of three components:

> *Development and implementation of a business development assessment tool to identify the individual business development needs of program participants* — During FY 2008 and FY 2009, the SBA will adapt its Small Business Development Center assessment tool for use by the 8(a) program. The SBDC business assessment tool is an electronic questionnaire, currently in use by the Agency's Office of Entrepreneurial Development, which allows a firm to answer a series of questions on a number of management and business skills. The firm is

asked to rate its need for management and technical assistance in the specific skill area. The 8(a) Business Development Assessment Tool will have topics ranging from general business questions to legal and insurance, business planning, financing, marketing and business operations.

A plan to have SBA resource partners and 7(j) contractors provide the assistance called for in the participant development assessment — During FY 2008 and FY 2009, the SBA will work to ensure that business development staffers are kept informed of the type of business development training available to 8(a) firms by SBA resource partners, 7(j) contractors and SBA on-line training

Development and implementation of a tracking mechanism that shows each firm's progress in obtaining the assistance needed to meet the outstanding business development needs of each company — As part of the Business Development Management Information System, which will involve an e-annual review component, during FY 2008 and FY 2009 the SBA plans to have each 8(a) firm's business development plan tracked electronically and reviewed/assessed during the firm's annual review. The e-annual review will allow the 8(a) firm to enter its annual review data on-line into the BDMIS. The e-annual review will contain a tracking mechanism for the firm's business development which will include the contents of the firm's business development plan. The e-annual review component of the system is scheduled to be deployed sometime in late FY 2008.

In FY 2008 and FY 2009, the SBA is planning to implement a new Business Development Information Management System for the 8(a) program. The innovative system will automate the certification and annual review process, thus allowing for a more timely and effective review process. The system will also have the capability to perform internal analytics, create reports, and track business development activities. The system will also be used for the Small Disadvantaged Business Program certification process.

Prime Contracting and Subcontracting Assistance Programs

The SBA works to create an environment for maximum participation in federal government prime and subcontracting by small businesses, including businesses owned and controlled by socially or economically disadvantaged individuals, women, veterans (including service-disabled veterans), and small businesses located in HUBZones. The SBA advocates on behalf of small business in the federal contracting world and administers several programs and services that assist small businesses in meeting the requirements to receive government contracts, either as prime contractors or subcontractors.

By increasing contracting opportunities for small businesses under procurement preference programs and full and open competition, the SBA encourages more firms to compete in the federal marketplace and promotes awards of federal contracting dollars to such firms. Because of these efforts more small businesses are able to compete for a share of federal contract opportunities, strengthening and diversifying the nation's industrial base, and supporting an increased number of jobs.

Prime Contracting

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Number of Federal Contract Dollars Awarded to Small Businesses ($ Billion)	Output	$ 69	$ 75	$ 78	$ 79	N/A (1)	-	$ 85	$ 90
Jobs Created/Retained (#)	Outcome	523,000	562,000	612,000	573,711	N/A (1)	-	601,209	643,293
Cost Per Job Created/Retained ($)	Efficiency	$ 44	$ 27	$ 31	$ -	N/A (1)	-	$ 38	$ 37

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 23,158**	**$ 15,384**	**$ 18,853**		**$ 19,842**		**$ 22,854**	**$ 23,683**

(1) FY 2007 actual procurement data will not be available until 3rd quarter FY 2008.

FY 2007 Accomplishments

During FY 2007, the SBA implemented a quick market search tool, an Internet engine linked to the Central Contractor Registration system, to help the acquisition community identify vendor pools under procurement preference programs.

The Agency created a Procurement Scorecard which measures how successful federal departments and agencies are in meeting their small business contracting goals. This public scorecard will provide improved measurement and transparency to better allow small businesses to evaluate how the contracting offices are fulfilling the government's procurement obligations.

FY 2008 - FY 2009 Planned Performance

In FY 2008 and FY 2009, the Agency will fully refocus its prime contracting assistance program. In late FY 2007, the SBA began a comprehensive review of its prime contracting assistance program and provided fresh policy guidance and training to its staff of procurement center representatives. The new policy and training focuses efforts on increasing contracting opportunities for firms that have not secured intended participation in the federal marketplace. Specifically, the SBA directed its PCRs to work assiduously with federal agencies to set aside requirements for competition under HUBZone and service disabled veteran-owned small business. Efforts will include increased counseling and training of buying activities in execution of these programs and intensified monitoring and oversight of accomplishments against goals. During FY 2008 the SBA plans to enter into agreements with selected agencies defining new relationships that will yield increased opportunities in the targeted procurement preference programs. During FY 2009, the Agency will expand the new operational model government-wide. The SBA is also planning to hire additional procurement center representatives in FY 2008.

During FY 2008 and 2009, the SBA will provide training to buying activities in using the quick market search tool, and in conducting more thorough and insightful market research that will yield increased opportunities under the targeted preference programs.

The SBA will more clearly segment markets for its contracting assistance programs and align its staff resources accordingly. The Agency will direct its procurement assistance efforts toward two principal markets: acquisition agencies, and small businesses seeking federal contracting opportunities. As previously noted, the Agency's PCRs will be dedicated to serving acquisition agencies. This focus will yield set-aside of more opportunities for competition among small businesses. At the same time, SBA district office staffs and resource partners will direct their efforts to serving small firms seeking federal contracting opportunities. This segmentation will build upon expertise, increase efficiency and yield broader small business vendor pools to fulfill expanded contracting opportunities.

During FY 2008, the Agency will streamline its surveillance review process for evaluation of the effectiveness of buying activities' small business programs. It will also redesign its procedures to provide for greater consistency, objectivity and clarity. During FY 2008, the SBA will conduct 30 surveillance reviews. During FY 2009, the Agency plans to conduct 36 such reviews.

In FY 2008, the Agency will plan and begin designing a system to automate key elements of its prime contracting assistance program. In developing this system, the SBA plans to leverage the shared systems of the Integrated Acquisition Environment. It will begin developing and deploying the system during FY 2009. Subsequently, the Agency will expand the system to encompass other critical elements, including processing of requests for certificates of competency, determination of compliance with small business size standards, and adjudication of protests of eligibility under service-disabled veteran owned small business and women-owned small business programs.

In FY 2008, as program manager for the Electronic Subcontracting Reporting System under the auspices of the Integrated Acquisition Environment, the SBA will design a subcontracting plan component for the system. The new component will be deployed during FY 2009 and will complete automation of all subcontracting business processes for prime contractors, acquisition agencies and the SBA.

Coincident with automation of its business processes, the SBA plans to evaluate the staffing pattern of its prime contracting assistance program with a view to increasing impact and effectiveness. During FY 2008 and FY 2009, the Agency plans to align staffing to ensure account manager responsibility for each acquisition agency that is subject to the Chief Financial Officer Act. This alignment will ensure agency-by-agency accountability for SBA's provision of assistance, conduct of oversight, and advocacy of small business interests at buying activity and national levels. It will also provide for better coordination among the Agency, the contracting officers and small business specialists.

During FY 2008 and FY 2009, the SBA will implement a process for methodical, systematic and recurrent review of all small business size standards to ensure that they remain relevant, support market demands and provide opportunities for real small business formation and growth. The process will provide for streamlined periodic adjustment of small business size standards for inflation. It will also provide for a comprehensive review of each small business sector to determine the appropriateness of specific size standards, absent the effects of inflation.

Small Disadvantaged Businesses Program

SBA's Small Disadvantaged Business program is intended to help small businesses be successful in the future. Companies just starting or in a growth stage can benefit from the wide range of services the Agency offers, such as support for government contracts, access to capital, management and technical assistance, and export assistance. The Agency's efforts help to build community-based small businesses which revitalize neighborhoods, create jobs and encourage economic growth. It uses a number of assistance intervention tools ranging from contract support to low interest loans for site acquisition, construction, and the purchase of new or upgraded equipment.

SDB

Performance Indicator		FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance (1)	FY 2008 Goal	FY 2009 Goal
Small Businesses Certified (#)	Output	856	968	734	1050	474	-55%	800	850
Cost Per Small Business Certified ($)	Efficiency	$ 5,967	$ 1,667	$ 2,414	$ -	$ 2,605	-	$ 1,618	$ 1,716

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 5,108**	**$ 1,614**	**$ 1,772**		**$ 1,235**		**$ 1,294**	**$ 1,459**

(1) Variance Explanation. The Office of Business Development processes 1,576 applications and found that 1,140 did not have sufficient information to approve. This shortfall does not impact the SBA because SDB certifications is not an SBA program. The SBA certifies businesses on behalf of other federal agencies. The SDB goal was exceeded by the Federal Government. The SBA will be deploying an electronic application in FY 2008 that will prevent insufficient information on a SDB application.

FY 2007 Accomplishments

The SBA certifies small businesses that meet specific social, economic, ownership and control eligibility criteria. Once certified, the firm is added to an on-line registry of SDB-certified firms, making them eligible for special bidding benefits. Certified firms remain in the online registry for three years. Contracting officers and large business prime contractors may search this online registry for potential suppliers. In FY 2007, the SBA approved 474 applications for Small Disadvantaged Business certification.

FY 2008 - FY 2009 Planned Performance

During FY 2007, the Agency developed a tracking tool for 8(a)/SDB applications and a reporting mechanism that allows headquarters and field staff to check on the status of specific applications, the cycle times of the application process, and determine and track overall productivity. During FY 2008 and FY 2009, the SBA will continue to improve the efficiency of this tracking tool and reporting capability.

HUBZone Program

The HUBZone contracting program is a community-based program that encourages economic development in historically underutilized business zones, HUBZones. The HUBZone program assists with the nation's job creation and increased capital investment in economically distressed areas.

The SBA measures the economic impact it is having in eligible HUBZone communities with two separate evaluations, one that is done by the Agency and one that is done by a congressionally-mandated independent reviewer. The latter report is due in FY 2008.

HUBZone

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Small Businesses Assisted (#)	Outcome	2,294	2,960	5,044	2,800	2,833	1%	3,700	3,900
Annual Value of Federal Contracts ($ Billion)	Outcome	$ 5	$ 6	$ 7	$ 8	N/A (1)	-	$ 9	$ 9
Cost Per Small Business Assisted ($)	Efficiency	$ 2,975	$ 2,625	$ 1,486	$ -	$ 2,389	-	$ 2,027	$ 2,090
Cost per Federal Contract Dollar ($)	Efficiency	$ 0.0014	$ 0.0013	$ 0.0011	$ -	N/A (1)	-	$ 0	$ 0

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 6,825**	**$ 7,769**	**$ 7,496**		**$ 6,767**		**$ 7,499**	**$ 8,150**

(1) FY 2007 actual procurement data will not be available until 3rd quarter FY 2008.

FY 2007 Accomplishments

As of July 2007 there were over 13,027 certified HUBZone firms. Collective average annual revenue was over $26 billion. The total number of employees was 215,522, of whom 138,829 lived in a HUBZone, and fixed assets were $4.6 billion.

With the award of a new contract to perform system maintenance and upgrades of the HUBZone Certification and Tracking System, the Agency has made significant progress towards consolidating systems and containing maintenance costs.

FY 2008 - FY 2009 Planned Performance

During FY 2008 and FY 2009 the SBA plans to conduct a major field training initiative (with district office field liaisons and Government Contracting Area office staff) and several targeted outreach programs. Field training will focus on program administration and delivery with specific emphasis on strategies to increase prime and sub-contact awards to HUBZone firms. Ten conferences will be held in SBA regional cities. The conferences will be directed toward state and local government officials, regional planning groups, chambers of commerce and economic development organizations, Small Business Development Centers and procurement and technical assistance centers. The anticipated outcome of these conferences is to expand and increase understanding of the program, and to begin building a public/private sector network that will promote and support the HUBZone program in local communities. An additional five conferences will be targeted to four urban communities with high unemployment and poverty levels, and to Indian Country, and will focus on HUBZone applicant recruitment.

Also, the SBA will continue to explore opportunities for continuous improvement and deployment of re-engineering initiatives to all aspects of the HUBZone operation, including systems development, business processing, administrative functions, field office coordination and customer service.

Surety Bond Guarantee Program

Under the Surety Bond Guarantee program, the SBA can guarantee bid, payment, and performance bonds for contracts up to $2 million for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. The SBA guaranty gives sureties an incentive to provide bonding for eligible contractors and thereby strengthens a contractor's ability to obtain bonding and greater access to contracting opportunities. The surety guaranty, an agreement between a surety and the SBA, provides that the SBA will assume between 70 percent and 90 percent of loss in the event the contractor defaults.

SBG

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Final Surety Bond Guaranties (#)	Output	N/A	1,680	1,706	1,664	1,617	-3%	1,800	1,890
Total Bid Bonds (#)	Output	N/A	3,998	3,508	Baseline	5,809	-	6,000	6,300
Underserved Markets - Final Surety Bond Guaranties (#)	Output	N/A	N/A	N/A	Baseline	N/A(1)	-	600	630
Cost of Final Surety Bond Guaranties ($)	Efficiency	N/A	$ 2,906	$ 4,107	$ -	$ 4,283	-	$ 4,196	$ 4,283
Cost of Total Bid Bonds ($)	Efficiency	N/A	$ 1,221	$ 1,997	Baseline	$ 1,192	-	$ 1,259	$ 1,285

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 3,818**	**$ 4,882**	**$ 7,006**		**$ 6,926**		**$ 7,553**	**$ 8,094**

(1) Data not available at this time.

Administrative resources do not include funds appropriated for the contingent liability in the revolving fund.

FY 2007 Accomplishments

In FY 2007, the SBA guaranteed a total of 5,809 bonds, which included both bid and final bonds, and which exceeded the combined goals by four percent and represented a 12 percent increase over FY 2006. As a result, $553 million in contract revenue was generated for small businesses, and approximately 5,214 jobs were created.

Several program enhancements designed to strengthen the Agency's surety industry partnership, increase program visibility and help more small businesses were completed. The e-application system was implemented, creating a more customer friendly and efficient application process in the prior approval program. This initiative included re-engineered processes, streamlined forms and an electronic stream of information.

Regulations have been published and the associated program changes were completed. The regulations changed the premium rate that preferred surety bond sureties are allowed to use, removed the prohibition against surety affiliates participating in both programs, and increased the guaranty percentage in the prior approval program for veteran-owned and service-disabled veteran-owned businesses. The changes will help increase surety company participation, resulting in more bonding opportunities for small businesses.

The reorganization of the program's field structure was completed, and new field staff members were hired. These changes will result in more consistent and efficient program delivery. In FY 2007, the SBA focused on program marketing and outreach which included visits to non-participating sureties, presentations at industry association meetings and customer relations visits to participating sureties.

Two FY 2007 initiatives were related to program oversight. The SBA issued a contract to perform three surety audits, and fee collection and past due accounts processes and procedures were reviewed and strengthened. The Office of Surety Guarantees worked with participating sureties to collect overdue fees and ensure timely payment in the future, and with the Denver Finance Center to strengthen Agency policies and procedures governing the collection and accounting of surety and small business fees remitted to the SBA.

FY 2008 – FY 2009 Planned Performance

In FY 2008 and FY 2009, the SBA will continue its focus on reaching the maximum number of small businesses, especially those located in underserved areas. The Agency has issued a contract to perform an analysis of surety operations and identify opportunities to better target and serve small businesses and sureties. The Agency will continue to market the program to non-participating sureties in an effort to expand the program as well as to better integrate it with other programs such as lending, 8(a) and HUBZone programs. Since strong working relationships are important, SBA staff will also continue to conduct customer relations visits to sureties that are active participants. Area office staffs will regularly visit surety agents to establish and maintain close working relationships so that the small business customers are effectively served. To increase program awareness and keep abreast of industry trends, headquarters and area office staffs will work closely with the Office of Field Operations and its network of regional and district offices, and also attend industry meetings, conduct seminars and participate in promotional events.

Achievement of program goals can only be accomplished with customer-focused and productive employees. Employees will be encouraged to take individual training courses, and the Agency will conduct a training conference for headquarters and field staffs.

Due to changes in the fee structure mandated by Congress in 2006, the Surety Bond Guarantee program has become more self-sufficient. Therefore, the SBA believes a request of $2 million for FY 2009 will more than fully support the program in the coming year.

Office of Field Operations

District Offices Support

SBA district office staff members foster solid, long-term relationships within their communities by providing assistance to individuals and businesses in the formation, management, financing, and/or operation of a small business concern; by identifying government contracting opportunities for small businesses; and by working with lenders to encourage and facilitate small business lending. The district office staffs promote SBA programs and services through marketing and outreach, training seminars and one-on-one counseling. District offices also provide programmatic support to and review of resource partners such as the Small Business Development Centers and Women's Business Centers.

The Small Business Act requires participants in the 8(a) program to participate in an annual review to determine whether each participant continues to meet eligibility requirements for participation in the program. District office employees are responsible for conducting these statutorily mandated annual reviews.

Office of Field Operations

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance (1)	FY 2008 Goal	FY 2009 Goal
Annual 8(a) Reviews (%)	Output	60%	77%	82%	100%	100%	0%	100%	100%
Small Businesses Assisted - Counseling and Training (#)	Outcome	329,270	409,276	315,665	300,000	348,855	16%	350,000	350,000
Cost Per Small Business Assisted ($)	Efficiency	-	$ 72	$ 49	$ -	$ 92	-	$ 101	$ 108

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ -**	**$ 29,563**	**$ 15,509**		**$ 32,159**		**$ 35,408**	**$ 37,708**

(1) Variance Explanation. SBA exceeded its technical assistance goal by 16 percent due in large part to the special emphasis on disaster preparedness. As a result of the recent natural disasters, specifically Hurricanes Katrina, Rita, and Wilma, the general business population took advantage of our training on disaster mitigation and assistance. Attendance spiked in FY 2007 but has since waned

FY 2007 Accomplishments

In FY 2007, SBA field office employees counseled and trained more than 348,000 small businesses or would-be entrepreneurs. The topics of the counseling and training were as diverse as the clients, ranging from developing business plans, complying with tax and regulatory requirements, navigating the federal contracting process and accessing capital. SBA district offices reached out to new clients through faith-based and community groups, the Urban Entrepreneur Partnership and other grass roots economic development organizations.

FY 2008 - FY 2009 Planned Performance

District office staffs will continue to monitor trends in the small business community in order to be prepared to respond to the varied needs of their communities. District office employees will partner with state and local economic development organizations to amplify the number of entrepreneurs who become aware of and avail themselves of SBA programs and services. As part of these activities, there will be three areas of specific emphasis at the district office level during this period. First, district offices will work closer with lending partners so as to increase the availability of SBA financing products. Focus will be on the Rural Lender Advantage initiative, where applicable, and the Patriot Express program for the veteran community. Second, additional outreach activities will be undertaken to increase small business participation in federal procurement, including working more closely with SBA's procurement center representatives and federal procurement partners to identify and promote federal contracting opportunities. And third, selected districts will work with local partners and stakeholders to identify inner city small businesses for participation in the Emerging 200 project to foster economic development in inner cities.

District offices will increase the use of technology to broadcast training sessions, enabling a greater number of prospective small business owners from geographically dispersed locations to participate. District offices will also focus their delivery mechanisms to be efficient and responsive to their specific small business communities. Additionally, as part of the extensive professional development currently under way, district office personnel will continue to participate in SBA University to enhance employee skills at the district level.

Strategic Goal Two – Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster

Disaster Assistance

By their nature, disasters inflict widespread destruction and distress — on families, businesses and communities. Disasters are unpredictable, but they are not unexpected. They are, unfortunately, all too frequent occurrences. To assist victims of physical disasters, the SBA operates a direct loan program and supports the servicing and collection of these loans after they have been made. The Disaster loan program is the only form of SBA assistance that is not limited to small businesses. Disaster loans help homeowners, renters, businesses of all sizes and nonprofit organizations to fund rebuilding and recovery efforts.

The SBA offers two types of disaster loans to respond to the long-term recovery needs of disaster victims: (1) physical disaster loans, which provide funds to repair or replace disaster damaged uninsured or underinsured real and personal property belonging to homeowners, renters, businesses of all sizes and nonprofit organizations; and (2) economic injury disaster loans, which provide necessary working capital to small businesses adversely impacted by the declared disaster until normal operations can be resumed.

In a Presidential disaster declaration, individuals who are homeowners or renters register first with the Federal Emergency Management Agency. FEMA refers qualified individuals to the SBA. Businesses may apply directly to the SBA for disaster assistance. SBA disaster loans have lower interest rates and longer terms than conventional lending offers. The loans are a critical source of economic stimulation in disaster-ravaged communities and help generate employment and stabilize tax bases by protecting jobs. Small businesses in particular are helped by a stronger customer base and revitalized communities. Communities that have been devastated by disasters lack the customer base necessary for small businesses to become functional again. By providing integrated assistance, the SBA increases the effectiveness of this federal assistance.

On average, the Agency makes disaster loans totaling approximately $1 billion each year and has an active portfolio of about $9 billion. The following table shows the number of applications processed and the number of loans funded for the past four years. There has been a tremendous fluctuation of loan activity in the last two years especially.

Loan Volume Over 4 Years	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual (1)
Applications Processed (#)	Output	104,518	153,072	441,631	34,401
Loans Funded (#)	Output	22,264	41,651	137,803	13,716
Cost per Loan Application Processed	Efficiency	$ 1,750	$ 2,574	$ 4,005	$ 16,985
Cost per Loan Funded	Efficiency	$ 8,216	$ 9,459	$ 12,835	$ 42,600

(1) The Increase to the cost per loan application processed and cost per loan funded in FY 2007 can be attributed to servicing and disbursing loans previously approved in FY 2006.

The following table shows that, for the most part, the SBA meets or exceeds its goals, which focus on the restoration of property and assisting businesses to return to operations as quickly as possible.

Disaster Assistance

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance (1)	FY 2008 Goal	FY 2009 Goal
Number of Small Businesses Sustaining Economic Injury That Remain Operational 6 Months After Final Disbursement (%)	Outcome	95%	93%	77%	95%	80%	-16%	80%	77%
Number of Small Businesses Sustaining Physical Damage Restored Within 6 Months After Final Disbursement (%)	Outcome	74%	72%	74%	65%	62%	-5%	70%	60%
Number of Homeowners Restoring Their Homes Within 6 Months of Final Disbursement (%)	Outcome	77%	75%	61%	81%	58%	-28%	85%	77%
Number of Renters Restored Within 6 Months After Final Disbursement (%)	Outcome	85%	70%	65%	86%	68%	-21%	90%	84%
Customer Satisfaction Rate (%)	Outcome	67%	66%	57%	72%	66%	-8%	72%	71%
Disasters Having Field Presence Within 3 Days (%)	Output	100%	100%	100%	95%	100%	5%	95%	95%
Loans With Initial Disbursements Within 5 Days of Loan Closing (%)	Output	99%	97%	55%	95%	94%	-1%	95%	95%
Time to Process 85% of Home Applications (Days)	Output	11	25	74	12	7	42%	10	14
Time to Process 85% of Business Physical Applications (Days)	Output	14	35	66	17	11	35%	16	18
Time to Process 85% of EIDL Applications (Days)	Output	13	24	29	17	12	29%	16	18

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Resources ($000)	**$ 208,401**	**$ 424,748**	**$ 1,795,488**		**$ 613,825**		**$ 386,782**	**$ 350,076**
Total Loan Making ($000)	$ 182,917	$ 393,956	$ 1,768,677		$ 584,296		$ 349,010	$ 310,115
Administrative Loan Making ($000)	$ 104,330	$ 230,456	$ 482,594		$ 294,324		$ 193,210	$ 151,815
Loan Subsidy ($000)	$ 78,587	$ 163,500	$ 1,286,083		$ 289,972		$ 155,800	$ 158,300
Loan Servicing ($000)	$ 25,484	$ 30,792	$ 26,811		$ 29,529		$ 37,772	$ 39,961

(1) Variance Explanation: It is usually the year after a major disaster strikes that the impact on the SBA is felt. It takes time for applications to be filed and processed, and loans funded. The SBA has reengineered the approvan and disbursement process for future disasters.
-16% - Impact of Hurricanes Katrina, Rita, and Wilma. Reengineered approval and disbursement process.
-28% - Impact of Hurricanes Katrina, Rita, and Wilma. Reengineered approval and disbursement process.
-21% - Impact of Hurricanes Katrina, Rita, and Wilma. Reengineered approval and disbursement process.
-42% - Below average year for applications processed. Maintain staff for normal operations.
-35% - Below average year for applications processed. Maintain staff for normal operations.
-29% - Below average year for applications processed. Maintain staff for normal operations.

FY 2007 Accomplishments

In FY 2007 the SBA processed 34,401 disaster loan applications and funded 13,716 loans. The SBA worked to meet its strategic goal of providing timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster. Much of the work completed in FY 2007 was the continuation of work associated with the 2005 Gulf Coast hurricanes. Although the disasters occurred in FY 2005 and FY 2006, the processing and disposition of the record number of files received carried over into FY 2007. As of September 30, 2007, the SBA had disbursed more than $6.7 billion of the $7.6 billion in net loan approvals from FY 2006 and FY 2007.

In the aftermath of the recent back-to-back catastrophic hurricane seasons and the arrival of the SBA's new Administrator, the Office of Disaster Assistance launched a comprehensive campaign, the Accelerated Disaster Response Initiative, to improve the responsiveness and efficiency of its core disaster loan process, systems and organization.

In FY 2007 the SBA accelerated the backlog of undisbursed disaster loan funds resulting from the unprecedented number of loans approved to assist victims of the 2005 Gulf Coast hurricanes. This rapid improvement approach assigned dedicated case managers to portfolios of undisbursed loans to attach a human voice and a single point of assistance for speeding loan funds to qualified disaster victims. Thanks to the dedicated effort of employees across the SBA, this campaign succeeded in eliminating the backlog of undisbursed loans.

During FY 2007, the Office of Disaster Assistance engaged in a comprehensive re-engineering of the processes, tools and policies that directly impact disaster victims' experience with the SBA and the ability of SBA loan processing employees to provide customer-focused service.

The Accelerated Disaster Response initiative focuses on improving the disaster victim's end-to-end experience from disaster loan application, through approval and closing, to final disbursement of funds. The driving principles behind the initiative are speed of response, customer support and quality.

The Accelerated Disaster Response initiative focused on deploying a series of near-term (FY 2007) and longer-term (FY 2008) improvements. These improvements, spanning across five key success factors, were addressed by eight cross-functional re-engineering teams operating with the mandate to design, test and implement solutions as quickly as possible. The eight rapid action teams collectively launched 164 action projects and completed 140 action projects.

The SBA instituted a communications plan called Initiative 5 in which the regional and district offices worked in conjunction with the Office of Disaster Assistance to help disseminate disaster information throughout the declared disaster areas. To better accomplish this, the Agency prepared a disaster tool kit to be used by regional and district offices. The district offices were instrumental in providing valuable community outreach efforts throughout their local areas.

As promised to Congress, the SBA issued a Disaster Recovery Plan that provides an outline for the Agency to meet future challenges depending on the magnitude of the disaster. The plan encompasses a disaster recovery framework that includes the disaster assistance process, operational support, roles and responsibilities, business process re-engineering, forecasting and modeling, surging to accommodate needs, simulations, a communications plan and ongoing initiatives.

FY 2008 - FY 2009 Planned Performance

Disaster Assistance goals for FY 2009 were revised to FY 2006 levels because it was determined that customer service was negatively impacted by further reducing the number of days to process loan applications.

The SBA, through its upgrades of the Disaster Credit Management System, plans to meet its FY 2008 and FY 2009 outcome and performance goals more quickly while using fewer resources.

During FY 2008 and FY 2009, the Agency will build upon the completed transformation of its Disaster Assistance operations. It will reevaluate and re-engineer several business processes in the following areas: loan application, loan approval, loan disbursement, technology services, administrative services, and personnel services. The completed transformation and re-engineered processes will result in reduced costs as staff will be in place to address the center functions and in normal conditions will have sufficient trained staff to meet and/or exceed its goals.

The Agency plans to complete the Electronic Loan Application by the summer of 2008. The purpose is to capture loan application data electronically in a customer-friendly manner so that it can be filed first online or in person, second by phone or, as the last resort, by mail in order to get accurate and complete information needed to minimize unnecessary handling and processing errors and enable loan decisions to be made faster.

The SBA will continue to review and improve its business process, leveraging the successes from the previous years with lessons learned during the processing and aftermath of the Katrina, Rita, and Wilma disaster declarations.

Strategic Goal Three – Improve the economic environment for small business

Strategic Goal Three is intended to ensure that all enterprising Americans have the maximum opportunity to succeed. The SBA makes government more responsive to small businesses by:

- Reducing excessive federal regulatory burdens;
- Protecting them from excessive federal regulatory enforcement; and
- Providing automated tools and information on how to comply with laws and regulations.

The SBA fulfills these functions through the offices of Advocacy, the National Ombudsman, and the Business Gateway E-Gov initiative.

Strategic Goal Three is implemented according to the following Long-Term Objectives:

LTO 3.1 — Protect, strengthen and effectively represent the nation's small businesses to minimize the regulatory burden.

LTO 3.2 — Foster a more small-business-friendly environment.

Regulatory Assistance

America's small businesses — some 26.8 million strong[10] — are a major sector of the national economy. They represent 99.7 percent of all employer firms,[11] account for more than half of the country's non-farm private gross domestic product,[12] created 60 to 80 percent of net new jobs annually over the last decade,[13] and produce 13 to 14 times more patents per employee than do large firms.[14] Despite their importance to the economy, the cost of government regulation and excessive paperwork heavily burdens small businesses. For businesses with fewer than 20 employees, federal regulations cost $7,647 per employee each year, an amount which is 45 percent higher than businesses with 500 or more employees.[15]

The regulatory burden should be fairly distributed when regulations are established, and when the regulations are enforced. The SBA works to reduce the burdens that federal policies impose on small firms and provides vital small business research that informs policy makers.

Office of the National Ombudsman

The SBA strives to ensure equity and fairness in the federal regulatory enforcement and compliance process through the Office of the National Ombudsman and ten Regional Regulatory Fairness Boards by:

- Raising awareness of the existence and role of the National Ombudsman to deal with unfair and/or excessive federal regulatory enforcement actions;
- Providing means for small business concerns to register comments and provide testimony about unfair regulatory enforcement actions by federal agencies; and
- Acting as a neutral liaison between the parties.

[10] Source: Office of Advocacy estimates based on data from the U.S. Department of Commerce, Bureau of the Census; and U.S. Department of Labor, Employment and Training Administration.
[11] Source: Office of Advocacy estimates based on data from the Bureau of the Census.
[12] Source: Office of Advocacy-funded research by Kathryn Kobe, 2007 (www.sba.gov/advo/research/rs299tot).
[13] Source: Office of Advocacy estimates based on data from the Bureau of the Census.
[14] Source: Office of Advocacy-funded research by CHI Research, 2003 (www.sba.gov/advo/research/rs225tot.pdf).
[15] Source: Office of Advocacy-funded research by W. Mark Crain, 2005 (www.sba.gov/advo/research/rs264tot.pdf).

FY 2007 Accomplishments

The National Ombudsman and Regulatory Fairness Board members conducted 35 RegFair public events, including hearings, roundtables, speeches, panel participations and key public meetings. The first ever national hearing for trade associations and chambers of commerce occurred with the participation of representatives of 14 national organizations. Presiding at the national hearing were the National Ombudsman and members of the Region III Regulatory Fairness Board. In addition, the Office of the National Ombudsman received and processed over 500 small business comments and carried out over 1,116 responses to the public and customer service assistance actions. The office produced, finalized, published and disseminated the FY 2006 Annual Report to Congress. Among other items, the report included federal agency ratings of responsiveness to small business comments. The Office of the National Ombudsman recruited and screened seven RegFair Board applicants, then recommended these candidates to the Administrator for a three-year appointment to the corresponding regional Regulatory Fairness Board. The office organized and held the legislatively-required National RegFair Board Conference. Through all types of media, the National Ombudsman reached a potential audience of over two million contacts.

FY 2008 – FY 2009 Planned Performance

The National Ombudsman and the 10 Regional Regulatory Fairness Boards will continue to hold hearings and roundtables, give speeches and participate on panels to comply with the mission to provide a means by which small business concerns may submit comments about unfair and/or excessive federal agency regulatory enforcement actions and federal compliance activities.

Office of Advocacy

The Office of Advocacy, works to reduce the burdens that federal policies impose on small firms and provides vital small business research that informs policymakers. Simply stated, the mission of the Office of Advocacy is to encourage policies that support the development and growth of American small business by:

- Early intervention within federal agencies in the regulatory process on issues that affect small business;
- Training federal agencies on how to comply with the Regulatory Flexibility Act (RFA);
- Producing research to inform policymakers on the importance of small businesses to the U.S. economy and the impact of the regulatory burden on small business; and
- Increasing states' regulatory flexibility toward small business.

Advocacy is an independent office and maintains its own outcome measures as indicators of whether the long-term objectives and primary strategic goal are being met. The internal indicators are:

- Achieve one-time and ongoing regulatory cost savings of $5.5 billion due to Advocacy interventions in FY 2009;[16]
- Through online and classroom training, ensure that employees of all 66 federal agencies which promulgate regulations that impact small entities have in-house expertise on how to comply with the Regulatory Flexibility Act in FY 2009;
- Ensure that there are 10 examples of states either continuing to introduce/improve small business regulatory flexibility laws/executive orders, or demonstrating successful implementation of existing small business regulatory flexibility laws/executive orders in FY 2009; and

[16] This figure is based on average cost savings over the last six years, minus outliers.

- Ensure that there are 15 examples of universities/colleges with business/entrepreneurship programs using Advocacy data and reports as a resource for instruction and/or further research in FY 2009.

In addition, Advocacy has one output measure involving the annual publication of at least 25 research reports on small business issues. Advocacy is statutorily required to publish small business research.

Advocacy

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance (1)	FY 2008 Goal	FY 2009 Goal
Regulatory Cost Savings to Small Businesses ($ Billion)	Outcome	$ 17.05	$ 6.60	$ 7.25	$ 6.10	$ 2.60	-57%	$ 6	$ 6
Research Publications (#)	Outcome	21	34	28	25	32	28%	25	25
Regulatory Agencies with In-House Regulatory Flexibility Act Expertise (#)	Outcome	25	19	1	21	14	-33%	66	66
States Formally Considering Legislative or Executive Action (#)	Outcome	17	19	11	5	12	140%	10	10
Research Publications and Data Reports in Curricula (#)	Outcome	27	18	16	16	16	0%	15	15
Cost Per $1 Million Savings ($)	Efficiency	$ 549	$ 1,430	$ 1,292	$ -	$ 3,792	-	$ 2,004	$ 2,175

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 9,360**	**$ 9,439**	**$ 9,364**		**$ 9,858**		**$ 11,023**	**$ 11,963**

(1) Variance Explantions:
-57% - The goal is only an estimate. It is not possible to control the inputs which result in cost savings. There are many unknown factors such as: the number of regulations annually which impact small entities; agencies' willingness to adopt Advocacy recommendations; the cost of regulations annually, etc. Moreover, Advocacy is beginning to work with agencies earlier in the rulemaking process. Although cost savings result from these interventions, they occur in the context of confidential interagency discussions and cannot be reported. The shortfall does not impact the SBA because Advocacy is an independent office with a separate goaling process. No steps are needed to prevent future shortfalls. The goal is being revised for FY 2008 forward.
28% - It was possible to publish more reports because the winning contracts had lower dollar values than anticipated. The overage does not impact SBA goaling because Advocacy is an independent office with a separate goaling process. No steps are needed to prevent future overages.
-33% - Advocacy trained a total of 59 out of the 66 regulatory agencies targeted in its 5-year strategic plan. The remaining agencies have refused training by our office, but all 66 were invited to attend training sessions. Moreover, several agencies received multiple training sessions, but those trainings were only counted as one training for goaling purposes. The shortfall does not impact SBA because Advocacy is an independent office with a separate goaling process. This goal will be revised from FY 2008 forward to capture new employees at agencies previously trained.
140% - As more states pass laws to improve the regulatory environment for small businesses, other states use the success of the early adopters to create their own laws. The overage does not impact SBA goaling because Advocacy is an independent office with a separate goaling process. Most states have now adopted some form of regulatory flexibility for small businesses as a result of Advocacy's model legislation. From FY 2008 forward, goaling will take into account implementation of the new laws.

FY 2007 Accomplishments

Based on its Five-year Strategic Plan, the Office of Advocacy estimated $6.1 billion in regulatory cost savings in FY 2007. At the end of FY 2007, Advocacy achieved $2.6 billion in first-year cost savings and $283 million in annual recurring savings. Although Advocacy only achieved about 43 percent of its goal in this area, the amount does not reflect the full impact of its effectiveness or achievements. It is impossible to predict with any degree of accuracy when federal agencies will publish final rules that reflect cost savings resulting from Advocacy's intervention. In addition, over the last few years Advocacy has been working with agencies earlier in the rulemaking process and has trained many agencies on how to comply with the Regulatory Flexibility Act, which requires the agencies to consider less burdensome alternatives in their regulatory proposals. Because Advocacy's interventions in numerous cases occur in the pre-rulemaking stages, any savings that result from those interventions are considered confidential interagency communications and cannot be made public. Moreover, although there is anecdotal information to demonstrate cost savings in some cases, agencies provide insufficient data upon which to base reliable and quantifiable savings.

Advocacy had a goal of ensuring that 21 federal agencies gain in-house expertise on the Regulatory Flexibility Act through the training Advocacy was required to provide under Executive Order 13272. Fourteen agencies received training on how to comply with the Regulatory Flexibility Act in FY 2007. This represents 66 percent of Advocacy's goal for the year. Resources were shifted to intensify training at particular agencies that require additional training. For instance, the Internal Revenue Service mandated the training for all employees that work on regulations. Therefore, at least 11 sessions were held at the IRS but did not count toward the goal of 66 different agencies. In its Five-year Strategic Plan, Advocacy identified 66 federal regulatory agencies which promulgate rules that impact small entities. At the conclusion of five years, only seven of the 66 had not been trained. However, those agencies were invited to attend training and either did not respond or declined the invitation. Although Advocacy is required by law to conduct the training, agencies are not required by law to attend the training.

Advocacy projected that five states would formally consider legislative or executive action to increase regulatory flexibility for small businesses in FY 2007. By the end of FY 2007, 12 states considered legislative action,[17] and of those 12, six passed legislation into law.[18] Advocacy attributes its success to having a full complement of regional advocates on board. The regional advocates work directly with state governments and state stakeholders to educate them about the benefits of regulatory flexibility.

Advocacy projected that a total of 16 of the top 100 universities/colleges with major entrepreneurship programs would insert Advocacy's data into their curricula. The rationale behind this goal is to generate interest in entrepreneurship research among academics and to broaden awareness of existing research. As it turns out, a total of 16 colleges/universities inserted Advocacy's data into their curricula. In addition to the 16, an additional seven colleges/universities that were not identified as having top entrepreneurship programs also included Advocacy's data in their curricula. Advocacy achieved its goal for the year.

In addition to the outcome measures discussed, Advocacy had an output goal of releasing 25 small business research reports in FY 2007. These research reports inform policymakers by providing a snapshot of small business demographics, demonstrating the importance of the role of small business in the economy, and highlighting the impact of federal policies and regulations on small businesses. Advocacy released 32 reports in FY 2007, 128 percent of the annual goal.

FY 2008 – FY 2009 Planned Performance

Advocacy intends to achieve regulatory cost savings/reduced regulatory burden through its regulatory interventions by: (1) participating in the SBREFA panel process for the Environmental Protection Agency and Occupational Safety and Health Administration regulations; (2) writing official comments to federal regulatory agencies on their compliance with the Regulatory Flexibility Act and other rulemaking procedures; (3) testifying before Congress on small business issues; (4) responding to OMB referrals on proposed legislation; (5) working with OMB on paperwork burden issues; (6) working with OMB during the Executive Order 12866 review process and during

[17] Alabama (HB 84), Arkansas (SB 55), Connecticut (SB 1179), Hawaii (SB 188), Illinois (HB 302), Maine (LD 905), Massachusetts (HB 189), Mississippi (HB 1229), Montana (SB 466), Tennessee (SB 55/HB 1276), Texas (SB 700/HB 3218), and Washington (HB 1525). New Jersey (A 2327/SB 1335) remains active from the previous session, and was counted in the previous fiscal year.
[18] AR, HI, ME, TN, TX, and WA.

implementation of Executive Order 13272; and (7) working with agencies to conduct more transparent retrospective reviews of regulations, etc. In FY 2008 and FY 2009, Advocacy projects it will achieve $5.5 billion in regulatory cost savings. The goal is the same for both years because Advocacy believes that the RFA training has helped agencies propose better (less costly) regulations from the outset. Advocacy has modified its goals from the previous Five-year Strategic Plan because it is unreasonable to assume that cost savings will continue to rise 10 percent annually. The new goal is based on an average of the cost savings from the last six years, minus outliers.[19]

Advocacy's Office of Interagency Affairs continues training federal agencies on how to comply with the RFA, the statute that requires agencies to assess the impact of their regulations on small entities and develop less burdensome alternatives where appropriate. This training is required under Executive Order 13272. The executive order was announced in the President's Small Business Plan and signed in August 2002. Classroom training sessions were conducted by Advocacy staff beginning in FY 2004 and will continue indefinitely. As a result of consultation with GAO, which conducted a study on retroactive regulatory reviews, Advocacy released additional guidance and provided additional training on section 610 of the RFA which requires retroactive review. An on-line version of the RFA training was launched during the last fiscal year for re-training and training new employees. The site is currently accessible via the Internet. Agencies have been responsive to the classroom training and several agencies have begun to implement better regulatory flexibility practices as a result. In FY 2008 and FY 2009, repeat training, or training of sub agencies will likely take place.

Advocacy intends to continue educating state small business organizations and state legislators on the benefits of regulatory flexibility at the state level. In FY 2008 and FY 2009, Advocacy intends to continue its education of stakeholders in those states that have signed executive orders in the hope that legislation can be passed instead; and target any remaining states that have not already considered regulatory flexibility legislation or executive action. Also, Advocacy will work to achieve examples of successful regulatory flexibility implementation and/or further improved regulatory flexibility laws.

In FY 2008 and FY 2009, Advocacy will also continue its efforts to insert its research into university curricula, but will broaden its goal. Advocacy's original list of 100 universities with top entrepreneurship programs was based on a ranking published by *Entrepreneur* magazine. That list provided a useful benchmark, but had its shortcomings. For instance, it was heavily weighted toward east coast schools. Moreover, experience has shown that other universities/colleges that were not listed have an interest in this research and use it as a resource. Therefore, for FY 2008 and FY 2009, Advocacy anticipates that at least 15 colleges or universities with business/entrepreneurship programs will use and benefit from Advocacy's research.

Advocacy has instituted a number of actions, technologies, etc. to become more effective and efficient. The action largest in scale is Advocacy's Regulatory Review and Reform (r3) initiative which was launched in late FY 2007. Under the initiative, businesses were urged to identify and nominate existing regulations which need to be modified or updated in order to reduce or eliminate regulatory requirements which are outdated or no longer necessary. Advocacy received over 80 nominations from the business community. In FY 2008, Advocacy will announce the top ten nominations and work directly with agencies to reform the regulations. In support of this effort, Advocacy will post on its website semi-annual updates on the status of the reforms.

The office also has ongoing practices which create efficiencies. For instance, Advocacy developed its own list-serve and RSS Feeds to make Advocacy products easily accessible, reach a broad audience, and reduce printing costs. By the end of FY 2007, Advocacy's newsletter listserve circulation exceeded 27,000. Advocacy developed procedures for internal document clearance

[19] Annual cost savings: 2001 = $3B; 2002 = $3.1B (excludes one $18B rule); 2003 = $6.4B; 2004 = $6.8B (excludes one $10B rule); 2005 = $6.6B; 2006 = $7.25B. The total savings for the 6-year period is $33.15B; divided by 6 years is $5.5B.

and drafting testimony. An employee orientation manual was developed for all new employees; it contains background information on current staff, useful forms, ethics rules, travel procedures, etc. The office developed better ways to identify proposed regulations that were a priority of small entities by holding issue-based roundtables and through trade association outreach (versus combing through the *Federal Register* looking for important rules that impact small entities). Advocacy built a strong relationship with OMB's Office of Information and Regulatory Affairs (OIRA) and its staff in order to maximize joint resources and achieve better regulatory results for small entities. Brown bag lunches, employee details (Advocacy staff to OIRA) and regular meetings further solidify that strong relationship. In FY 2008, OIRA will work closely with Advocacy to address the high volume of final regulations expected toward the end of the year. Advocacy engages in co-sponsorships with organizations that promote entrepreneurship (e.g., the Ewing Marion Kauffman Foundation) in order to share the costs of organizing small business conferences. A regulatory alerts web page was developed to alert small entities to regulations that may impact them and to provide links for submitting comments. Regional advocate benchmarks ensure that all 10 regional advocates remain focused on Advocacy's mission and expectations. Advocacy's quarterly and annual reporting procedures ensure that the office stays on track with respect to its goals. All of these efforts have been highly effective, and Advocacy will continue to implement them in FY 2009.

Business Gateway

The Business Gateway Initiative, managed by the SBA, is a key E-government initiative under the President's Management Agenda aimed at using information technology to improve the delivery of information and services to citizens. The initiative, which includes Business.gov, Forms.gov and data harmonization activities, reduces the amount of time and money business owners spend on complying with federal regulations and associated paperwork so that more time can be directed toward running their business. Specifically, Business.gov simplifies and improves businesses' ability to locate government compliance guides and forms they deal with on a regular basis, thereby reducing the effort needed to comply with government regulations.

Despite their importance to the economy, small businesses are heavily burdened by the costs of government regulation and excessive paperwork. SBA research shows that firms with fewer than 20 employees annually spend 45 percent more per employee than do larger firms to comply with federal regulations. The SBA works to reduce the regulatory burdens that federal policies impose on small firms and provide automated tools and information on how to comply with the laws and regulations that do exist.

The role the Business Gateway program plays in assisting the Agency in achieving its strategic objective to foster a more small-business-friendly environment is very direct. Customer feedback supports this assertion. Seventy-two percent of Business.gov visitors surveyed report that using the web site saved them time. Another forty-nine percent of Business.gov users surveyed report that it saved them money. By using Business.gov as a reference tool to find compliance information quickly, business owners are getting back to business and staying successful.

Business Gateway

Performance Indicator	Type of Measure	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance (1)	FY 2008 Goal	FY 2009 Goal
Hours Saved (# in Millions)	Outcome	N/A	N/A	4.65	4.37	3.25	-26%	2.70	2.90
Customer Satisfaction (%)	Outcome	N/A	N/A	76%	75%	70%	-7%	72%	73%
Referrals to Partner Sites Per Month (%)	Outcome	N/A	N/A	9%	9%	9%	0%	11%	12%
Cost Per Hours Saved ($)	Efficiency	N/A	N/A	$ 3	$ -	$ 3	-	$ 3	$ 2

Budgetary Resources	Budgetary Obligations Incurred						Budget Requests	
	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual		FY 2007 Actual		FY 2008 Request	FY 2009 Request
Total Administrative Resources ($000)	**$ 2,603**	**$ 10,780**	**$ 16,180**		**$ 10,660**		**$ 7,466**	**$ 5,982**

(1) Variance Explanation: Hours Saved are self reported by visitors to business.gov that elect to take the customer satisfaction survey. The overall satisfaction score fell in FY 2007 following the relaunch due to confusion about the purpose of the site. The associated hours saved reported by visitors also decreased. As efforts to respond to customer feedback were addressed, the customer satisfaction index increased, as did the report of hours saved. Unfortunately, the lower numbers at the beginning of the fiscal year resulted in Business Gateway missing the performance target for this indicator.

FY 2007 Accomplishments

The Business Gateway Initiative successfully re-launched Business.gov in FY 2007 to focus on business compliance tools and information. This milestone was a critical step in addressing businesses' key concerns in simplifying interaction with the federal government. The decision to shift direction on the site stemmed from specific feedback obtained during focus groups. The Business Gateway team works to solicit input regularly from business owners and uses that feedback as the primary driver for enhancements in functionality and content to the site. The re-launched Business.gov offers a powerful search engine focused solely on compliance information. Additionally, it pulls together plain language assistance links and points of contact from across the government for access to regulatory compliance information in one place.

Additional accomplishments for Business Gateway during FY 2007 include the following:

- Selected as MSNBC's "Top Web Site of the Week" the week of October 24, 2006;
- Provided overview of Business Gateway initiative and demonstration of Business.gov to representatives of the Brazilian and Canadian governments;
- Refreshed the Business.gov site to provide features with more intuitive navigation, cleaner content presentation, and a modern, professional graphical layout;
- Created a prototype of an open-source version of Business.gov; conversion of the software supporting the site to open-source will enable the initiative to drastically reduce costs for software licenses;
- Transitioned Business.gov to SBA hosting to dramatically reduce operations and maintenance costs; and
- Completed a release that adds significant new content to Business.gov, including:
    - Annual update to Agency compliance contact information in conjunction with the Small Business Paperwork Relief Act
    - A new "Permit Me" feature that provides a single source for obtaining federal, state, and local permits and professional licenses for businesses
    - "Feature Topics" that focus on common business concerns, provide context to the compliance information on the site, and help business owners understand in plain language the regulatory requirements their businesses face
    - The Content Partners Program that creates formalized relationships with government agencies, trade associations and professional organizations to develop compliance

assistance tools and resources for small and medium-sized businesses. Content Partners will provide domain specific compliance information to Business.gov or work with the Business Gateway program to develop compliance resources that will be featured on the site's Featured Topics and Compliance Guides pages.

- Instituted a series of regular user interviews and focus groups to more effectively probe the target audience to determine what they like and don't like about Business.gov. The Business Gateway initiative acted on user suggestions, internal metrics and other analysis to improve the web site.

FY 2008 - FY 2009 Planned Performance

The Business Gateway initiative is managed by the SBA in partnership with 21 other federal agencies. Through FY 2009, the 22 partner agencies (including the SBA) that make up the Business Gateway governance structure will continue to fund the initiative, as they have since FY 2005. The Business Gateway initiative will complete several significant improvements to Business.gov in FY 2009, enhancing both content and functionality. The Business Gateway team will have completed a series of infrastructure changes to bring the operations and maintenance costs of Business.gov and Forms.gov down dramatically. These steps will position Business Gateway to transition from a development initiative to an operational program in the upcoming years.

The following table reflects the changes in the Business Gateway operating budget, which reflects a decrease of 59 percent in operating costs between FY 2007 and FY 2009. This reduction is due to a series of proactive decisions, which were implemented during FY 2007 and will continue in FY 2008 and significantly changed the technical infrastructure of the Business.gov web site. Similarly, cost reductions in product management and product development will be realized when implementation of a content management system is completed. Operations and maintenance costs will also decline because of a less expensive search solution for Business.gov, a shift to a more cost-effective web hosting arrangement and lower software licensing costs due to a shift to open source software. Project management office staffing costs will also decline dramatically as the complexity of the program decreases and the need for extensive interagency governance diminishes. Finally, marketing and outreach costs are reduced as the product management model shifts from organizing large content releases to nearly continuous updates and improvements.

Business Gateway Program Costs	FY 2007	FY 2008	FY 2009
Interagency Contributions (From 21 Agencies)	$ 7,752,606	$ 4,274,400	$ 2,649,352
SBA Contributions	$ 68,394	$ 525,600	$ 537,648
Total Operating Budget	$ 7,821,000	$ 4,800,000	$ 3,187,000

In FY 2009, Business Gateway staff will continue to reach out to the business community to raise awareness and add relevant content. Additional plans include:

- Providing more comprehensive information and resources about how to comply with the most burdensome rules and regulations (i.e., organized links to plain-language, regulations, forms, Agency guidance, and tools);
- Providing more comprehensive and better organized contact information and frequently asked questions in conjunction with the Small Business Paperwork Relief Act;
- Enhancing the search capability of electronic government forms available from Business.gov; and

- Expanding Business.gov partnerships with state and local governments and with trade associations

To ensure that the business community's needs are met, the team will continue to:

- Obtain user feedback on a quarterly basis through usability studies, focus groups, and other research methods including feedback gathered through the American Customer Satisfaction Index survey tool and research into search logs to meet performance goals and respond to evolving user needs;
- Work with partner agencies to develop relevant compliance guides and resources to assist businesses struggling to understand government regulatory and paperwork requirements;
- Expand partnerships with industry and trade groups; and
- Increase content based on state and local government compliance guides. This effort will address a primary concern expressed by businesses during usability and focus groups that their primary compliance burden comes from overlapping regulatory and paperwork requirements among federal, state and local governments.

Strategic Goal Four – Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls

This Strategic Goal recognizes the fact that the SBA was created for the purpose of fulfilling its programmatic responsibilities of serving the interests of small business. SBA's non-programmatic areas of general management and administration and the various other support functions exist primarily for the purpose of supporting SBA program areas in fulfilling their own objectives. For this reason, the best measure of successful leadership and support is the degree to which these functions help maximize the efficiency and effectiveness of the SBA in achieving its programmatic goals, while also complying with relevant statutory and administrative mandates.

The SBA intends to accomplish this strategic goal through the following three Long-term Objectives:

LTO 4.1 – **Deploy a skilled workforce capable of executing high quality programs**

LTO 4.2 – **Provide a safe and secure information system environment to support business decisions and Agency operations**

LTO 4.3 – **Provide financial and performance management services to support efficient and effective program delivery**

Human Capital Management

Long-Term Objective 4.1 - Deploy a skilled workforce capable of executing high quality programs

Office of Human Capital Management

The foundation of the SBA, and the key to its future success, rests with its workforce. The Office of Human Capital Management's continuing efforts and new initiatives are outcome-driven to support the strategic management of human capital in the accomplishment of the Agency's mission and strategic goals as well as to implement the President's Management Agenda initiatives. The SBA continues the process of change that will lead to its true and lasting transformation to a modern organization with improved products and services to its customers and overall better business results. There remains, however, a lot more to do, and ultimate success depends on such things as solid leadership, sound planning, adequate resources and a commitment to improving the SBA. The Agency's strategic human capital plan takes into consideration these expectations, and the challenges the SBA has faced in the past few years, as well as what lies ahead. The plan is not expected to be a static document; rather it has been prepared to look forward over the next several years. It will be updated as significant events and accomplishments occur and new major requirements are added. The plan establishes a systematic, Agency-wide approach to human capital management, and aligns it with SBA's mission, vision and goals. It describes key human capital challenges and issues impacting the Agency's ability to achieve its core responsibilities.

The human capital outcome measures for FY 2008 and FY 2009 are:

4.1.1 Refine the number of identified mission-critical occupations and competencies through a more rigid systematic workforce planning process. Design, in FY 2008, training and training strategies to build on or improve these competencies within the current workforce where gaps exist.

4.1.2 Invest in employee, manager and leadership training and development programs as a part of the strategic imperative.
4.1.3 Use enabling technology to reinvigorate training and development programs when it maximizes value and minimizes performance risks.
4.1.4 Capture and make available the wealth of expertise and experience of the current workforce to aid in developing the next generation of manager and technicians.
4.1.5 Align human capital plans, strategies and systems to achieve organizational effectiveness and mission accomplishments.
4.1.6 Fully integrate the performance management system to create strategic alignment of the Agency mission and employee responsibilities. Focus on creating a results-oriented performance culture through the Agency.
4.1.7 The SBA will maintain a rating of "green" for having met the criteria of Competitive Sourcing initiative of the President's Management Agenda.

FY 2007 Accomplishments

Outcome Measures 4.1.1 thru 4.1.3 — The SBA's most significant training initiative was the design and implementation of SBA University. Three sessions of the university were held during late July and August 2007. Over 1,300 employees from all regions and centers were given instruction in job-specific areas such as 8(a) annual reviews, customer service, and SBA electronic loan systems, as well as reinforcing courses on the roles, responsibilities and interactions of the different offices within the Agency. In FY 2007, the SBA met all of its "Proud To Be IV" and FY 2007 PMA milestones and deliverables. During this performance period the SBA completed a Performance Assessment Accountability Tool on the beta site and achieved a score of 80. The Agency implemented an electronic performance management system (Goal Owner) that will ensure consistency in establishing and monitoring performance elements that are measurable, achievable and results-oriented. Throughout the performance year, the SBA met OPM's 45-day "time to hire" standard for General Schedule employees and notified applicants of the hiring decision for 50 percent of the hires. The SBA also improved the hiring process and met targets based on the Chief Human Capital Officers Council Management Satisfaction Survey results. The Agency also developed an OPM-approved Agency Accountability System Policy and Plan and submitted an Annual Accountability Report to OPM.

Outcome Measures 4.1.4 thru 4.1.5 — The SBA employee satisfaction rating from the jobs survey results indicate that the Agency's actions realized a small improvement from FY 2004 to FY 2006. To further improve the job satisfaction rating, the SBA developed and implemented an action plan to improve the performance culture. The action plan focused on three key areas: communications, competency assessment, and training. In the area of communications, the Administrator held "town hall" meetings and leadership conferences to address employees' job satisfaction concerns. During the year, the SBA developed and implemented a targeted recruitment plan to significantly increase the number of field office and processing center new hires possessing mission-critical competencies. Furthermore, understanding the need to ensure that the Agency's future leaders possess the core competencies for effective leadership, the SBA reinvigorated the Senior Executive Service Candidates Development Program. The Agency made significant organizational structure changes and created a new performance and accountability tracking system. The SBA held skills and competency training sessions and encouraged the use of e-training tools available to all employees. In FY 2007, the Agency rolled out SBA University. These classes were successful in delivering mission-critical competency enhancement training to more than 1,300 employees.

Outcome Measure 4.1.6 — In FY 2007, the SBA conducted a skills gap assessment of more than 650 mission-critical occupations (business development specialists, lender relations specialists, and loan specialists). The Agency received 623 responses, a return rate of 93 percent. Each participant was sent a detailed curriculum to be used in narrowing identified skills gaps. The results of the assessment were analyzed, and feedback on their personnel was provided to the regional administrators, district directors and center managers. Additionally, the Office of Human

Capital Management's online training was used to narrow specific identified skill gaps. During FY 2007, the SBA implemented its first reading program for SES members as part of its continuous efforts to develop its leaders. The reading materials will reinforce the Executive Core Qualifications skills and knowledge as defined by the Office of Personnel Management and provide valuable information on career and management development.

Outcome Measure 4.1.7 — In FY 2007, the SBA met all of its "Proud To Be IV" and FY 2007 PMA milestones and deliverables. The Agency completed and submitted a final performance work statement for the Office of Field Operations Administrative Support Function Standard Competition to Contracting Officer. The Agency re-released a request for proposal for OFO Administrative Support Function Standard Competition for review, questions and comments and completed and submitted to the contracting officer the Most Efficient Organization for OFO Administrative Support Function Standard Competition. The SBA received multiple proposals in response the OFO Administrative Support Function Standard Competition RFP. The Agency also established a Source Selection Evaluation Board to review the proposals received in response to the OFO Administrative Support Function Standard Competition RFP. To communicate SBA's activities and efforts in this area, the SBA posted the FY 2006 FAIR Act on appropriate web sites.

FY 2008 – FY 2009 Planned Performance

Outcome Measures 4.1.1 thru 4.1.3 — Going forward, the SBA will continue to build upon the success of SBA University. In FY 2008, the curriculum will focus on the needs of managers, supervisors and headquarters staff. During the year, SBA University will train approximately 1,000 additional participants. These 1,000 employees will be given instruction in job-specific areas, as well as continuing seminars to reinforce the roles, responsibilities to further enhance cross-organization information sharing and collaboration within the Agency. During this period, the Agency will also design and institutionalize its long-term plan for SBA University. SBA's planned actions also include analyzing the existing organizational structures from a service delivery, cost, and general workforce planning perspective. During this period, the Agency will develop improvement plans for any identified leadership competency gaps and set targets for closure. To begin, the SBA will implement a comprehensive strategy for improving the hiring process and ensuring highly qualified candidates are recruited and retained and will also improve its internal procedures to ensure that the SBA continues to meet OPM's 45-day "time to hire" standard for General Schedule employees. Second, the SBA will utilize the information from Management and Applicant Satisfaction surveys to continue to improve the overall hiring process. Third, the Agency will revise its Human Capital Plan that includes workforce planning data, by further refining the plan and communicating the revised plan throughout the Agency. Fourth, the SBA will demonstrate that it has an effective performance appraisal and awards systems for all SES employees and managers. The Agency will work with managers and supervisors to ensure that more than 70 percent of its workforce's performance plans are effectively linked to the Agency's mission, goals and outcomes and that they hold employees accountable for results appropriate for their level of responsibility. In support of this, the SBA will conduct workforce analyses to identify competency gaps in mission-critical occupations. And in the area of skills and competency improvement, the Agency will implement an improvement plan on gap analysis for all mission-critical occupations. Operationally, the SBA will continue implementing accountability activity to include transactional audit coverage for continued efficiency and productivity improvements within the Agency's personnel offices. As a final point, the Agency will develop and submit an annual succession plan prior to June 30, 2008.

Outcome Measures 4.1.4 thru 4.1.5 — In FY 2008 and FY 2009, the SBA will use its Accountability Plan to capitalize on a wide range of measures by choosing the ones that best represent the activity under review. These will include surveys, focus groups, data and narrative reports, reviews by external parties and independent on-site reviews conducted by internal teams. The Agency will implement measures to achieve a results-oriented performance culture that: (1) implements an improved performance management system that clearly establishes a direct connection between employee performance expectations and the core mission and strategic goals;

(2) ensures performance strategies that provide incentives for high performers based on achieving desired mission results; (3) uses a performance management system that effectively distinguishes between levels of employee performance; (4) uses an automation tool to overall streamline the appraisal process for employees and managers;(5) assesses performance using appropriate measures; (6) identifies developmental needs; (7) promotes accountability for achieving goals; and (8) improves individual and organization performance. The SBA is launching an electronic performance management system (Goal Owner) Agency-wide to ensure consistency in establishing and monitoring performance elements that are measurable, achievable and results oriented. Concurrently, the Agency will continue to monitor the performance management culture and administer changes to the Goal Owner system based on feedback from OPM and from the SBA executive management. The SBA will continually assess and revise as appropriate the organization's structure to ensure that it is in line with SBA's Strategic Plan and Strategic Human Capital Plan.

Outcome Measure 4.1.6 — The Office of Human Capital Management is responsible for the administration of the mission-critical occupation skills gaps analysis. Baseline and staff surveys have been administered to the identified mission-critical employees. Upon completion of the survey activities, an aggregate skills gap analysis will be conducted. This will determine the difference between the aggregated baseline data obtained from the surveys and the collective survey responses obtained from the employees. Subsequently, comprehensive curriculum mapping based on the skills gaps identified from the targeted competencies will be established. The curriculum map will illustrate and track the targeted competencies for each role and the recommendations made to narrow the identified gaps. Finally, in FY 2008 and FY 2009 the SBA will conduct a follow-up survey to measure the progress of gap narrowing and to identify whether additional remedial training is warranted. The SBA is currently implementing two training programs: Leadership Effectiveness through Active Development, and the Mid-Level Development Program. LEAD is designed to provide new and seasoned managers and supervisors with developmental opportunities in the areas of management, legal, communications, leadership and financial management required to lead, manage and motivate their employees. The MLDP is designed to provide SBA employees with an in-depth understanding of the SBA, its mission and strategic goals, and afford participants opportunities to receive general and discipline-specific training designed to develop leadership competencies.

Outcome Measure 4.1.7 — During FY 2008 and FY 2009, the SBA's planned actions to improve its current "yellow" rating and maintain a rating of "green" for having met all of the core criteria of the Competitive Sourcing initiative of the President's Management Agenda include a multifaceted approach to competitive sourcing: The Agency will complete the evaluation of proposals and announce the result of the OFO Administrative Support Function Standard Competition; periodically conduct post award evaluations of competitions to determine future cost savings and efficiencies; and develop a "best practices" guide on post-award accountability. To this end, the SBA will complete pre-planning for new competitions for FY 2008 and FY 2009 and, if the determination is to move forward, announce these competitions. The SBA will submit its annual FY 2008 and FY 2009 FAIR Act Inventory to OMB for review and approval. Concurrently, the Agency will review and improve SBA FAIR Act data collection and reporting systems and develop a Competitive Sourcing Guide. This guide will be used as a one-stop tool to assist and educate management and staff concerning the competitive sourcing process and requirements. The Office of Human Capital Management will develop strategies and seek funding for proposed FY 2008 and FY 2009 competitions. The SBA will also meet all OMB-established deliverables for the President's Management Agenda Competitive Sourcing Scorecard for FY 2008 and FY 2009. The SBA will submit the annual Report to Congress on Competitive Sourcing and conduct periodic competitive sourcing training activities for SBA managers and supervisors to foster better understanding of the challenges, limitations, flexibilities and opportunities competitive sourcing presents to right-size the SBA's workforce and functions.

Information Technology Management

Long-Term Objective 4.2 - Provide a safe and secure information system environment to support business decisions and Agency operations

Office of the Chief Information Officer

SBA's information technology management program provides efficient and secure information systems and related technology to its internal and external customers. The Agency has capital planning and governance processes to ensure that investments in information technology complement existing systems and infrastructure and support SBA's mission. SBA's information technology program is presented in three main sections: Infrastructure and Mission Support Systems, Information Security and Privacy, and Information Technology Governance.

Infrastructure and Mission Support Systems Operations

Key Performance Indicators	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal (2)	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal (3)	FY 2009 Goal (3)
IT Systems Availability (1)	N/A	N/A	N/A	Baseline	99.6%	N/A	99.6%	99.6%

Footnote:
(1) IT systems include: email, PDA, Internet, databases, applications, mainframe (credit programs). Availability means that the system is functioning and can be accessed and used by its intended clients.
(2) Indicator established in FY 2009 budget.
(3) Target is lower than anticipated baseline of 99.8 but greater that the industry norm of 99.5%. Closing the remaining 0.5 would require cost prohibitive investments in systems redundancy for minor subsystems; accordingly, the SBA believes that the 99.6 percent system availability target is a reasonable stretch goal.

FY 2007 Accomplishments

Enterprise Information Technology Modernization Project — During FY 2007 SBA's Office of the Chief Information Officer undertook an Agency-wide technology refresh project to modernize SBA's basic information technology software and hardware. These are the devices and standard software used by all Agency employees and contractors. This modernization project included the Microsoft Windows-based network servers, desktop and portable computers, and email servers, plus the desktop software operating system and related suite of office productivity applications. All of the software upgrades were included under SBA's enterprise software license agreement with Microsoft.

- SBA's email platform was upgraded from Microsoft's Exchange v5.5 to Microsoft Exchange 2003. The security features in the new email systems enabled the SBA to resolve a number of long-standing technical audit recommendations.

- As part of the migration to Exchange 2003 the SBA removed dedicated email servers from all field offices, centralizing field office email activity under a single server cluster housed at the Agency's Denver Network Operations Center. Likewise, all headquarters email was consolidated on a single server cluster in the Headquarters Network Operations Center. The Agency's total email server inventory (excluding the Office of Disaster Assistance) was reduced from 77 to 10, with two of the 10 reserved for email emergency recovery use. To ensure smoother operations and better security, business redundancy was improved by enabling data replication between the DNOC and HQNOC server clusters.

- All office network servers were upgraded to new hardware and software. The previous Microsoft Windows 2000 Server operating system was supplanted by Microsoft Windows Server 2003.

- The Agency replaced approximately 2,400 desktop computers and 1,450 tube type CRT monitors. Each field office received one new network printer for shared use within the office.

- The final phase of the project encompassed the removal of all obsolete equipment, which was handled by the contractor through an equipment credit plan.

Personal Digital Assistant Messaging Services — To comply with more stringent security requirements for mobile computing devices, the SBA implemented eight-character passwords for all SBA Blackberry devices. The Agency also modified PDA server settings to enable these devices to receive and make phone calls while the unit is password locked.

- The Agency consolidated PDA service under a single national vendor at a lower total cost and with better service and upgrade options, to include compliance with HSPD-12 requirements for two-factor authentication. As of June 2007, at the 50 percent complete mark, over 100 older PDAs under varied servicing plans have been replaced at a savings of nearly $30,000.

- PDAs would be widely used for business continuity of operations (COOP) service in the event of an emergency. Accordingly, the SBA is introducing “failover” services that provide an alternate site to support PDA use in the event of a primary equipment failure.

Headquarters Building Re-cabling Project — The HQ data cabling plant was installed in 1990 and consisted of Category 3 cabling and could no longer support SBA’s data traffic flows. The Agency opted to upgrade the headquarters cabling plant to Category 5e to improve data throughput and enable the use of newer technologies including Voice Over IP.

At the start of the fourth quarter of FY 2007 the project is 91 percent complete, with the remaining work due for completion when several floor plan reconfigurations are finished in August 2007. When the project is complete all CAT3 cable will have been replaced with CAT5e.

Mission Specific Systems — In FY 2007, the SBA both increased and improved its ability to provide information and service to small businesses via the Internet. This included:

- Introducing the web-based surety bond guaranty online application;
- Development of a web-based electronic 8(a) Annual Review and Graduation/Termination application;
- Completion of the Entrepreneurial Development MIS-II phase 2 reporting enhancements;
- Implementation of the redesigned www.sba.gov *w*ebsite with content management capability; and
- Credit guaranty program modifications and tailoring to support SBA’s summer 2007 implementation of the Patriot Express loan program.

The SBA also improved internal control through full implementation of Credit Reform loan accounting. The Agency continued to improve the reliability and performance of its small business web applications and its internal network infrastructure through better life cycle hardware maintenance. Availability rates for key elements of SBA’s IT infrastructure surpassed 98 percent during all of FY 2007 with several exceeding 99.5 percent.

The Agency’s sustained commitment to future IT operations was further ensured by the award of four multi-year, performance-based contracts supporting SBA’s use of web-based applications and modern technologies. A multi-year data center support contract was also awarded to continue hosting SBA's current loan accounting systems until the Agency migrates to a successor platform to host the new Loan Management and Accounting System applications.

FY 2008 – FY 2009 Planned Performance

FY 2008 - FY 2009 IT infrastructure plans call for periodic refresh of desktop computing items such as network printers and portable (laptop) computers, the latter at a 30 percent annual rate. The Agency will also move toward complete implementation of its email archival solution that will allow it to more consistently save and recover electronic messages. Infrastructure operations will also focus on the information security and privacy needs of a more mobile workforce through:

- Exploration of alternate mobile computing technologies, such as wireless networking across the Agency's office networks infrastructure;
- Implementation of wireless networking capabilities at Agency headquarters; and
- Support for two-factor authentication in SBA's LAN/WAN environment, including within the PDA massaging network.

The Agency also aims to strengthen its standard office computing tools by introducing desktop video conferencing features, and introducing newer versions of Microsoft's Office suite.

During FY 2008, the SBA and other agencies will undertake the technical migration to network routing hardware and software supporting Internet Protocol version 6. Like most corporate entities, the SBA now operates at the IPv4 level. As of the end of FY 2007, a procurement approach was being developed to allow the Agency to spread the costs of this transition over a multi-year period.

In another key operations area, the SBA will conduct FY 2008 planning aimed at the transition of data center services from its headquarters building to an alternate facility with better redundancy, reliability, and security. The FY 2008 plan will propose an orderly transition of equipment and data, to occur primarily during FY 2009.

In FY 2009, the Agency will conduct migration planning for the FY 2010 upgrade of desktop and network operating systems to the expected Microsoft proven standard in those technologies. FY 2009 will also see the SBA examining 64-bit hardware technology for network servers and desktop computing.

Information Security and Privacy Operations

Key Performance Indicators	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal (1)	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Unauthorized Network or Data Breaches	N/A	N/A	N/A	Baseline	0	N/A	0	0

Footnote:
(1) Indicator established in FY 2009 Budget.

FY 2007 Accomplishments

FY 2007 accomplishments include the following:

- The Agency carried out standard information security operations ensuring the safety and privacy of SBA networks and systems. This includes activities such as selected 24x7 network monitoring, firewall maintenance and upgrades, and intrusion detection. Required quarterly information security reporting and periodic certification and accreditation reviews of key SBA systems were also performed.

- After consultation with the Office of Management and Budget, the Agency provided additional resources for expanded information security operations in the areas of system event logging/correlation and anomaly detection, two factor authentication, network topology reviews, standardized computer configurations, and encryption technologies and practices addressing personally identifiable information. These activities also helped resolve outstanding audit recommendations.

- Under its IS support services contract, the Agency added one FTE supporting resolution of outstanding audit findings in the IS area and for certification and accreditation of minor information systems, reflecting new NIST requirements in that area.

- Initiated two factor authentication, an additional layer of security by which authorized persons can remotely access SBA's data and networks. This will be broadly expanded in FY 2008.

- Began contract services to review network data scans, document and analyze SBA's complex network of information systems, identify risks and vulnerabilities, and provide recommendations to remediate identified risks. Some of SBA's IS strategy, additional technologies and services during FY 2008 and FY 2009 will be based on the results of this IS topology assessment.

- Resolved 54 outstanding IT audit findings during Q1 - Q3, FY 2007. As of the end of June 2007 IT operations are subject to 37 open recommendations, 17 of which are recent additions.

- Re-certified five mission-critical information systems as of June 2007.

- Certified and accredited all of the Agency's 64 minor applications, an applications inventory that had not previously been subjected to the certification process.

- Developed System Security Plans for 14 of the 19 major information systems.

- Completed an analysis of firewall capacity to support the Agency's increased volume of incoming Internet traffic.

- Updated the annual Computer Security Training Awareness module to include information on safeguarding sensitive and personally identifiable information.

- Implemented a topology assessment contract to document and assess SBA's network and identify risks and vulnerabilities.

- Conducted a pilot on encryption solutions for mobile devices, as recommended by OMB's memoranda on safeguarding sensitive and personally identifiable information.

- Conducted pilots on several event correlation/anomaly tools needed to improve the Agency's network security.

- Implemented initial phase of "Two-Factor" Authentication providing a further security layer for authorized remote access by SBA employees and contractors. This 2FA technology is deployed to 455 SBA employees and contractors including SBA Management Board members, disaster area coordinators and disaster area representatives.

- Tested and assisted 27 SBA field offices with their Business Resumption Plans in connection with SBA's Continuity of Operations Plan.

- Provided web access to the Agency's COOP E-Planner software for all SBA offices.

- Issued several directives in accordance with federal-wide guidance from OMB on safeguarding and protecting sensitive Agency and personally identifiable information:

- Safeguarding Sensitive and Personally Identifiable Information;
- Reporting Incidents Involving Personally Identifiable Information; and
- Use of 2-Factor Authentication for Remote Access to SBA's Network

FY 2008 – FY 2009 Planned Performance

The Agency's information security team plans to maintain and enhance SBA's security posture by implementing technology to secure its future wireless environment, implementing a more secure Internet protocol by migrating from IPv4 to IPv6, and deploying Intrusion Detection Devices to more SBA field offices. Network security will be upgraded based on recommendations provided by the IT security topology assessment underway as of Q4, FY 2007.

Beginning in FY 2008, the Agency's Computer Security Awareness Training tool will be provided by the U.S. Department of Defense ISS-Line of Business shared services center. The SBA will also use the U.S. Environmental Protection Agency's ISS-LOB shared service center product "Assert," to standardize SBA's data collection and reporting for the quarterly and annual FISMA requirements.

The Agency also plans to conduct a security architecture design during FY 2008. This will allow development of an information security framework providing OCIO the ability to take a more comprehensive, enterprise-wide approach to IT security. This study will serve as the template for ensuring IS services are directly connected to SBA's business needs and can be consistently enforced as business needs change. As the IS component of OCIO's planned Integrated Test Lab, some new hardware and virtual software will be purchased to provide IS staff the capability to develop and test configuration guides for planned technologies and products to accelerate successful, secure customer office deployments.

The Agency also expects to see additional new requirements develop during FY 2008 – 2009, as the Agency further implements recommendations to protect Agency sensitive and personally identifiable information. The SBA will pay close attention to the need for secure remote access, safe data downloads to mobile devices and desktops, and practices supporting secure data transport and storage at remote sites.

IT Governance Operations: FY 2007 Accomplishments

During FY 2007, the SBA continued to strengthen its internal IT management policies and processes, in alignment with requirements of the E-Government Act, Clinger-Cohen Act, and Federal Information Security Management Act. These process improvements aim to ensure that future IT investments align with and clearly support the Agency's mission, vision and operating plans.

With respect to Enterprise Architecture and IT planning, the Agency:

- Increased the Enterprise Architecture staff, adding two government employees;
- Initiated the IPv6 migration project in accordance with OMB Directive M05-22, which includes the development of an Agency *IPv6 Impact and Transition Plan* for OMB review;
- Conducted IT strategic roadmap sessions with Agency program and support offices, and developed an IT Strategic Road Map;
- Brought the Agency's IT strategic direction into closer alignment with the Agency's business direction by developing the SBA Five Year Strategic IT Plan, to be used as a Capital Planning guide and for the OMB annual budget submission;
- Developed an IT Governance Recommendation report based on an independent verification and validation (IV&V) consulting effort which outlines improvements in the SBA IT investment management process to improve decision-making on elements of the Agency's IT portfolio;

- Conducted an E-Government Portfolio Review using IV&V consulting services to determine SBA's E-Gov initiatives progress and provide portfolio improvement recommendations;
- Coordinated the response to OMB's annual data call for the EA Framework 2.1, Completion and Use Plan; and
- Updated and reissued key Agency-wide EA documentation, including:

  - SBA EA Blueprint v.2.04, February 2007, and
  - SBA EA Migration and Sequencing Plan v.1.03, February 2007.

The Productivity Enhancement Staff in the Office of the Chief Information Officer oversees IT capital planning and investment control, internal E-government initiatives and IT project planning. FY 07 PES accomplishments include:

- Assessment of the CPIC process which yielded a roadmap to improve/enhance IT governance within the SBA;
- Instituted "In-process reviews" of SBA's key IT investments to provide an additional layer of project oversight through the governance process;
- Resolved deficiencies that had kept four IT investments on the OMB Management Watch List;
- Reconciled the Agency inventory of FISMA reported systems with the SBA IT Portfolio; and
- Conducted three Project Management Training workshops.

FY 2008 – FY 2009 Planned Performance

As in the private sector, IT governance is a continuously evolving landscape, both affecting and affected by the IT products, tools and services that populate the professional data management arena. SBA's broad objective in this area is to continually improve and mature its IT governance policies and practices in ways that meet both the Agency's program management needs and federal standards established by statute and OMB policies. The Agency plans to mature its IT governance operations further during FY 2008 – FY 2009 by introducing updated enterprise-level tools with associated training for managing IT projects. This will capitalize on FY 2007 investments in combined capital planning and project planning software that is tied to the Enterprise Architecture side of IT governance. The SBA will also develop a communications plan to clearly spell out the requirements, benefits and efficiency opportunities that well-executed IT governance practices will yield to the Agency.

During FY 2008 - 2009 the Agency plans to execute the IT Governance Maturity Model recommendations developed in FY 2007 to improve oversight and visibility into SBA's IT investment portfolio. Expected outcomes include:

- Improved IT decision-making by seeding IT governance practices and discipline within program offices to better measure Agency-wide IT portfolio performance;
- Project managers providing accurate information to governance boards to help them oversee all IT investments, including projects in the Operations and Maintenance (O&M or "steady-state" phase); and
- Implementation of Enterprise Change Control Boards to better manage existing IT investments and to prevent duplicative, redundant or "stovepipe" projects from being initiated.

Improved methods for tracking the results of IT investments are also being planned, to include:

- Percentage of "major" systems delivering expected benefits;
- Percentage of total IT expenditures subject to Agency and IT governance processes, such as the Enterprise Change Control Board;
- Percentage of projects rated "good" or "better" on the latest In-Process Review;

- Number of certified, trained project managers within the Agency;
- Performance measurement criteria developed and monitored for major IT projects; and
- Percentage of project managers trained on Agency approved or licensed tools.

Financial and Performance Management

Long-Term Objective 4.3 – Provide financial and performance management services to support efficient and effective program delivery

Office of the Chief Financial Officer

The Office the Chief Financial Officer conducts and promotes effective financial management activities for the SBA including budget, credit subsidy, financial operations, financial systems, financial reporting and internal control. It develops and maintains integrated accounting and financial management systems; directs, manages, and provides policy guidance and oversight of all Agency financial management personnel, activities, and operations; approves and manages financial management systems design and enhancement projects; develops budgets for financial management operations and improvements; implements Agency asset management systems; and monitors the financial execution of the Agency budget in relation to actual expenditures.

Financial Reporting

Key Performance Indicators	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	FY 2008 Goal	FY 2009 Goal
Unqualified Opinions for Audit Year	No	Yes	Yes	Yes	Yes	0%	Yes	Yes
Number of Material Weaknesses	2	2	1	0	0	0%	0	0

<u>FY 2007 Accomplishments</u>

The Agency's independent auditor, KPMG, issued an "unqualified" opinion on the FY 2007 financial statements audit, which is the third year in a row for this achievement, including the FY 2005 result by SBA's prior auditor. Also, KPMG found in FY 2007, for the first time in seven years, that SBA's financial reporting was free of material internal control weaknesses. During FY 2007 the Agency successfully addressed the previous financial reporting weakness through improved procedures to produce and review the accuracy of its financial statements. Also, the SBA administered for the second year the OMB A-123 process to bolster internal control over financial activities in business loans, disaster loans, grants and contracting programs, administrative activities, and the budget and financial reporting processes.

<u>FY 2008-FY 2009 Planned Performance</u>

The SBA received a "green" rating on the President's Management Agenda Improved Financial Performance initiative in the first quarter of FY 2008. This is a result of the "unqualified" opinion with no repeat material internal control weaknesses on the FY 2007 financial statement audit. During FY 2008, the Agency will continue to improve the usage of financial management data in SBA's management including prompt pay, obligation management and credit portfolio management. Internal control over financial reporting will be maintained through quality assurance activities and continual improvement in financial management and internal control procedures and documentation. A-123 internal control activities will be enhanced by establishing a new office reporting to the CFO that will consolidate and enhance existing Agency control over financial activities. Assistance by a financial service contractor will still be required, but at a reduced level in FY 2008 and FY 2009.

FY 2009 reporting and audit activities will be conducted on a schedule developed with the independent auditor, the Office of the Inspector General, and the Office of the CFO. Action on previous audit findings will be completed as much as possible prior to the fiscal fourth quarter. Internal control activities over financial reporting will be enhanced based on previous year experience. Financial system improvements to better manage loan approval increases will be monitored and adjusted as necessary. Additional support will be provided to the development of the Loan Management and Accounting System during the year.

Office of Performance Management

The Office of Performance Management is the driving force behind promoting operational effectiveness, accountability and transparency within the SBA. This mission is accomplished by developing, coordinating and maintaining Agency efforts to transition itself into an outcome-oriented, customer-focused, employee-enabled, more accountable and transparent organization.

This office is also the leader in the Agency's Performance Improvement initiative. This initiative was designed to develop better performance measures in order to facilitate SBA's continued movement from measuring activity outputs to measuring programmatic and Agency outcomes. The Office of Performance Management provides tools and guidance to assist the Agency in expanding its capacity to conduct and make the most of the results of program evaluations. It builds Agency capacity for results-based management through training and outreach to program offices, and supports the Agency's strategic planning. It also prepares annual accountability and/or performance reports, and establishes and implements Agency-wide policies for management integrity and audit follow-up, including internal control.

FY 2007 Accomplishments

The FY 2007 accomplishments of the Office of Performance Management included developing and managing execution of Agency performance management; supporting monthly operational review meetings between each program or support office and SBA senior leadership, including management of an Agency-wide Execution Scorecard; developing and maintaining a staffing model for Field Operations; and managing development and publication of the FY 2008 - 2013 SBA Strategic Plan, on time and under budget.

In addition, for the first time, the SBA received the Association of Government Accountants "Certificate of Excellence in Accountability Reporting" for its FY 2006 Performance and Accountability Report. This award reflects SBA's dedication and hard work towards the goal of financial and budget integration.

FY 2008 - FY 2009 Planned Performance

The SBA will continue building on its improvements in financial reporting, subsidy modeling, internal control, and data quality in FY 2008 and FY 2009. The Agency will also continue to improve the quality of its financial management while meeting the accelerated financial statement deadlines. This is SBA's highest priority in the financial arena. Additional performance priorities include:

- The SBA will continue to establish and develop training for performance measures and performance management for both program and administrative managers.

- The Agency will continue to improve the measurement of its outputs, intermediate outcomes and outcomes to ensure timely reporting of accomplishments. This will include improved verification and validation of the data, as well as methodologies for estimates for end-of-year-data.

- The Agency plans to continue conducting independent evaluations of its programs. The focus of these evaluations will be to formally validate the Agency's economic impact in the community. During FY 2007, the SBA concluded the study of its financial assistance programs. Additionally, the performance evaluation of SBA programs that provide contracting assistance will be fully implemented.

- The SBA will increase the focus of performance and budget integration on the Agency's support offices and their contribution to the success of the programmatic offices and to the efficient management of the Agency. Additionally, the Agency will identify methods to improve performance/cost data availability for supporting performance management.

Appendices

Appendix 1 — Data Validation and Verification

Managing for results and integrating performance with budget information require valid, reliable and high-quality performance measures and data. The SBA faces many challenges in acquiring high-quality data on both outputs and outcomes. In addition to using output data internally from its own systems, the SBA relies on data from resource partners (such as SBDCs, SCORE, and WBCs) and other federal agencies and local governments to assess its accomplishments and effectiveness. Limitations such as the lack of relevant data for measures, the accuracy and currency of data, and the reporting capacity of quality data remain major issues for the Agency. Improving data quality continues to be a high priority for the SBA, as demonstrated by the creation of the Office of Analysis, Planning and Accountability within the OCFO. The SBA vigorously pursues the following strategies to address the shortcomings of its data quality:

- Ensuring the validity of performance measures and data. The SBA does this through assessing the relevancy of performance measures and data.

- Fostering organizational commitment and capacity for data quality. Achieving data quality through (1) training its managers to make sure they understand the need for quality data, how to develop valid performance measures and how to ensure data quality; and (2) managers attesting to the quality of the data under their management.

- Assessing the quality of existing data. Audits and reviews ensure the quality of its financial data systems. However, the SBA must assess the quality of loan and program data provided by its resource partners and will include data verification in its lender and resource partner oversight.

- Responding to data limitations. It is not enough to identify data quality problems. Where there are data limitations, the SBA is working hard to improve quality.

- Reconciling Finances and Performance Costs. The SBA will continue to ensure the accuracy of this cost-related performance data by reconciling that information with its financial statements. Achieving this important reconciliation means that the Agency has strengthened the integration of its financial and performance information.

- The SBA rates every indicator as to the quality of the data. Every indicator has been subjected to critical review and has been rated as least “Acceptable”. Any indicator that does not meet the standards of acceptability is rejected as an indicator.

Appendix 2 — SBA Offices

Office of Advocacy

The Office of Advocacy is an independent voice for small business within the federal government. It represents the interests of all small entities including small businesses, small organizations and small governmental jurisdictions. Appointed by the President and confirmed by the United States Senate, the Chief Counsel for Advocacy directs the office. The Chief Counsel advances the views, concerns and interests of small business before Congress, the White House, federal agencies, federal courts and state policy makers. Economic research, policy analyses and small business outreach help identify issues of concern. Regional Advocates and an office in Washington, D.C. support the Chief Counsel's efforts. The Office of Advocacy's economic research, regulatory interventions and model state legislation initiative reduce regulatory barriers that impede small business growth and development.

Office of Capital Access

The Office of Capital Access assists small businesses in obtaining the loans necessary for growth by being a gap lender, providing assistance to small businesses that otherwise would not qualify for un-guarantied financing, obtaining equity or taking advantage of procurement opportunities. Programs include the following:

- The 7(a) loan program requires SBA's lending partners to certify that the applicant was unable to qualify for loans elsewhere on reasonable terms.
- The 504 program, which has a statutorily mandated job creation component, fills another lending gap by providing long term, fixed rate financing for major assets such as real estate and heavy equipment.
- The Surety Bond Guarantee is a program that serves as a gap surety bond credit provider, expanding the bond credit and capacity of small contractors that would not otherwise be able to compete for public and private work.
- Small Business Investment Center financings generally support smaller transactions that may not otherwise receive funding from private venture firms or financial institutions.
- The Office of International Trade develops, oversees and delivers SBA technical assistance and export finance programs to small business exporters.
- The Office of Credit Risk Management provides risk management based on monitoring, reviewing and oversight of the 7(a) and 504 lenders; and monitoring and analysis of the 7(a) and 504 portfolios.

Office of the Chief Information Officer

The Office of the Chief Information Officer provides information technology leadership, products, services and operational support for the SBA. The Chief Information Officer is the principal advisor to the Administrator on information technology matters and has overall responsibility for developing, managing and monitoring SBA-wide IT systems, projects, personnel and expenditures. The office provides information technology governance support to the Agency, ensuring that the SBA manages its current and prospective IT investment portfolio in accordance with the laws, regulations and policies applicable across government.

The OCIO manages SBA's functional IT units encompassing systems development, operations, voice and data communications and user support. Directly or through contractors, the OCIO has responsibility for over 80 current, mission oriented IT systems that support SBA program delivery and enable the Agency to equip and outfit its employees with current hardware, software and computing tools, such as email, wireless capabilities and remote access for telecommuters. This office manages and maintains SBA's web presence on www.sba.gov and is also the federal managing partner for the *Business Gateway*, www.Business.gov, a single site resource connecting government to the small business community and entrepreneurs.

The OCIO is also the Agency's lead office for information security, data privacy, electronic identity protection and incident reporting, including information technology aspects of COOP (continuity of operations planning).

Office of Communications and Public Liaison

The Office of Communications and Public Liaison has the principal responsibility for developing and implementing effective communications strategies to ensure that SBA's mission, programs, services and initiatives are articulated clearly and consistently to the American public in general and the small business community in specific. It supports field and program offices with planning and implementation of effective communications strategies. The office plays the chief role in articulating, explaining and promoting Agency policy and goals to the national news media.

OCPL also ensures that Agency employees remain informed on mission-critical and strategic developments within the Agency. It coordinates internal messaging and communication. It works with SBA's program and support offices to inform employees about key Agency developments and update them on progress toward Agency goals.

Through the Office of Strategic Alliances within OCPL, the SBA forms alliances with for-profit corporations, small businesses, non-profit organizations, trade and professional associations, academic institutions, and public sector agencies. The alliances offer opportunities to network on areas of common interest.

Office of Congressional and Legislative Affairs

The Office of Congressional and Legislative Affairs assists in the development of SBA legislative programs and serves as SBA's communications focal point on legislation and congressional activity. The office monitors legislation and policies introduced in Congress and government agencies to determine their effects on the SBA and small business. It furthers the goals of the SBA and enables Members of Congress to best serve their small business constituency by promptly providing accurate, current and continuous information to Members of Congress, congressional committees and others interested in SBA programs. It also devises and implements legislative strategy and has primary responsibility for all matters relating to congressional and legislative functions and the SBA. It provides liaison with legislative personnel at the White House, the Office of Management and Budget and various federal departments and agencies. It coordinates with program offices and field offices to ensure continuity and consistency in SBA's communications with Congress.

Office of Disaster Assistance

The Office of Disaster Assistance plays a vital role in the aftermath of disasters. Through it, the SBA is responsible for providing affordable, timely, and accessible financial assistance to homeowners, renters and businesses of all sizes affected by disaster. Financial assistance is available in the form of low interest, long term loans. SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses. ODA makes two types of disaster loans:

- Physical disaster loans are for permanent rebuilding and replacement of uninsured or underinsured disaster damaged privately owned real and/or personal property. These loans are available to homeowners, renters, businesses of all sizes and nonprofit organizations.

- Economic injury disaster loans provide necessary working capital until normal operations resume after a disaster. Economic injury disaster loans are restricted to small businesses.

Office of Entrepreneurial Development

The Office of Entrepreneurial Development serves small business through outreach and public/private sector collaborative ventures and other creative mechanisms. It helps entrepreneurs take advantage of opportunities by providing free and low cost training and counseling, topical information and management assistance critical to start and grow a small business. The tools used to accomplish this are resource partners that include Small Business Development Centers, Women's Business Centers and SCORE, and SBA's district offices.

The Small Business Development Center program funds 63 lead centers and 1,100 service locations in every state plus the District of Columbia and U.S. territories. Through these centers, and in partnership with the Association of Small Business Development Centers, the SBA provides up-to-date counseling, training and management assistance.

The Women's Business Center program represents a national network of more than 100 educational resource centers designed to assist women start and grow small businesses. WBCs operate to level the playing field for women entrepreneurs, who still face unique obstacles in the world of business.

SCORE is a nationwide network of 10,500 volunteers who provide no-cost counseling and mentoring, on line and face-to-face. The organization is a key resource partner of the SBA. Its mission is to provide resources and expertise to maximize the success of existing and emerging small businesses.

Office of Equal Employment Opportunity and Civil Rights Compliance

To advance Agency-wide diversity at all levels, and equal access to programs and activities receiving SBA financial assistance, this office works to prohibit discrimination against employees and applicants based on: race, color, sex, age, religion, disability, national origin and retaliation for opposition to discriminatory practices or participation in the EEO process. The office of EEO and CRC also works to achieve equal employment opportunity for all qualified employees consistent with the nation's workforce diversity. The office ensures that no person is denied the benefits of, excluded from participation in or subjected to discrimination under any program or activity receiving SBA financial assistance based on race, color, sex, age, disability, national origin and marital status. In addition, the office ensures that individuals with disabilities have equal access to SBA-conducted or co-sponsored programs and activities.

Office of Faith-Based and Community Initiatives

The Office of Faith-Based and Community Initiatives promotes SBA partnerships with faith-based and community organizations to help people receive training and credit assistance. The office provides information on grants for training, but does not make the actual funding decisions. Those decisions are made through procedures established by each grant program. There is no grant funding set-aside for this initiative.

Office of Field Operations

The Office of Field Operations represents SBA field offices at headquarters. This office provides policy guidance and oversight to regional administrators and district directors in implementing Agency goals and objectives, and in solving problems in specific operational areas; establishes and monitors performance goals for district offices; provides Associate Deputy Administrators, Associate Administrators and General Counsel with a vehicle for overseeing field office program and policy implementation; provides feedback to headquarters management regarding the performance of programs; ensures that field offices have adequate input to all policy formation and participate in policy deliberations at headquarters; organizes reviews of field offices; and informs the SBA Administrator of field activity.

Office of General Counsel

The Office of General Counsel provides legal advice to senior management in support of all programs and initiatives; minimizes the Agency's legal risks and costs; reduces litigation exposure; and ensures compliance with applicable statutes, regulations, Executive Orders and other legal requirements. OGC provides the legal support necessary to defend SBA's interests in judicial and administrative actions, and proactively represent the Agency in all legal matters that arise in the context of its financial assistance, procurement and contracting programs, as well as labor and employment disputes.

Office of Government Contracting and Business Development

The Office of Government Contracting and Business Development promotes increased small business participation in the federal procurement market for goods and services. It fulfills SBA's statutory mission to ensure that a fair share of federal procurement goes to small businesses. Several of the government-wide goals are statutory, including those for small businesses, small disadvantaged businesses, women-owned small businesses, HUBZone small businesses and service disabled veteran-owned small businesses. Programs include the following:

- Prime Contracting – negotiates federal agency procurement goals, monitors performance, encourages the use of small business sources, provides procurement training and technical assistance to small firms and provides policy direction and guidance to federal agencies.
- Subcontracting – works with large prime contractors to increase substantive small businesses' participation as subcontractors in the federal marketplace.
- HUBZone Empowerment Contracting – stimulates economic development and creates jobs in urban and rural communities by providing federal contracting preferences to small businesses in HUBZones.
- 8(a) and SDB Business Development – are programs for small disadvantaged businesses.

Office of Hearings and Appeals

The Office of Hearings and Appeals provides an independent, quasi-judicial appeal of certain SBA program decisions. The office adjudicates disputes rising in numerous jurisdictional areas. These include appeals regarding SBA formal size determinations; appeals from contracting officer designations of NAICS codes for procurements government-wide; appeals from certain SBA determinations relating to development companies; and appeals from Agency and private certifier small disadvantaged business determinations, all of which, by regulation, may be decided either by an Administrative Judge or an Administrative Law Judge. The office's jurisdiction also includes 8(a) program eligibility, suspension and termination appeals and salary offset appeals, all of which, by statute, must be decided by an Administrative Law Judge.

Office of the Inspector General

The Office of Inspector General is an independent office created by law within the SBA to: conduct and supervise audits, investigations and other reviews relating to SBA programs and supporting operations; detect and prevent waste, fraud, and abuse; and promote economy, efficiency, and effectiveness in the administration and management of SBA programs. The Inspector General keeps the SBA Administrator and the Congress fully informed of any problems, recommends corrective actions and monitors progress in the implementation of such actions. The two operating components of the OIG are the Auditing Division and the Investigations Division. Each division administers its respective activities through field offices around the country. The Management and

Policy and Counsel divisions support both the Inspector General and the operating divisions by providing policy, planning, administrative and legal services.

Office of Management and Administration

The Office of Management and Administration supports SBA program areas in fulfilling their objectives. Within M&A are the offices of Business Operations, Human Capital Management and the Executive Secretariat.

The Office of Business Operations plans, directs, and executes all administrative management functions within SBA headquarters, and monitors administrative programs in field offices. OBO develops policies and procedures for the procurement of supplies, equipment, and non-personnel services. This office also implements and manages approved grants and cooperative agreements.

The Office of Human Capital Management develops and provides innovative human capital strategies. The OHCM advises SBA management with respect to selecting, developing and managing a high quality, productive workforce. This office sets SBA's workforce development strategy; assesses current workforce characteristics and future needs based on SBA's Strategic Plan; aligns human resources policies with organization mission, strategic goals, and performance outcomes; develops and advocates a culture of continuous learning to attract and retain employees with superior abilities; identifies best practices and benchmarks studies; and creates systems for measuring intellectual capital and identifying links of that capital to organizational performance and growth. This office also implements laws, rules and regulations governing the civil service.

The Office of the Executive Secretariat works with senior management officials to formulate the Administrator's and Deputy Administrator's written correspondence. ExecSec reviews, edits and manages correspondence, rules and regulations. The office also reports products to and from the Office of the Administrator, Deputy Administrator and Chief of Staff. Together with CLA, OGC and program offices, ExecSec ensures that correspondence and written products are delivered in the most timely and efficient manner, while providing useful, reliable information and advice to Congress, other federal agencies, and small business owners nationwide.

Office of the National Ombudsman

The Office of the National Ombudsman fosters a more small business–friendly federal regulatory enforcement environment by assisting small businesses when they experience excessive federal regulatory enforcement actions, such as repetitive audits or investigations, excessive fines, penalties, threats, retaliation or other unfair enforcement action by a federal agency. It does this by evaluating how federal agencies treat small businesses during enforcement or compliance actions.

National Women's Business Council

The National Women's Business Council is an independent bi-partisan federal advisory council created to serve as a source of advice and policy recommendations to the President, Congress, and the SBA on economic issues of importance to women business owners. The Council's mission is to promote bold initiatives, policies and programs designed to support women's business enterprises at all stages of development in the public and private sector marketplaces.

Although the National Women's Business Council is a policy office, the Council undertakes additional programs and initiatives in support of women-owned businesses. By law, two annual public council meetings are held as well as national public roundtable events. The Council publishes research and issue reports on topics such as access to capital, access to markets, health care and federal procurement, and fact sheets on the numbers and growth of categories of women-owned firms. The Council manages two web sites, www.nwbc.gov and www.womenbiz.gov.

Office of Native American Affairs

The Office of Native American Affairs coordinates initiatives and develops policies and procedures to ensure that SBA assistance is made available to American Indians, Native Alaskans, and Native Hawaiians. Principal initiative consists of two major components — marketing and outreach, and training to enhance business opportunities.

Office of Performance Management and Chief Financial Officer

The Office of Performance Management and Chief Financial Officer conducts and promotes effective financial management activities for the SBA, including budget, credit subsidy, financial operations, financial systems and internal control. It develops and maintains integrated accounting and financial management systems; directs, manages, and provides policy guidance and oversight of all Agency financial management, personnel, activities and operations; approves and manages financial management systems design and enhancement projects; develops budgets for financial management operations and improvements; implements Agency asset management systems; and monitors the financial execution of the Agency budget in relation to actual expenditures.

The Office of Performance Management is the driving force behind promoting operational effectiveness, accountability, and transparency within the SBA. Its mission is to support planning, execution, measurement and evaluation of the Agency's program and operational activities for the Office of the Administrator; to plan and manage the Agency's strategic planning efforts and alignment with resources; to report the Agency's financial and performance information; and to support the improved effectiveness and efficiency of programs.

The office also prepares annual accountability and/or performance reports, and establishes and implements Agency-wide policies for management integrity and audit follow-up, including internal control.

Office of Policy and Strategic Planning

The Office of Policy and Strategic Planning develops strategic policy priorities, plans the implementation of policy initiatives that support these priorities, supplies timely and relevant policy advice to the Administrator, and synthesizes input and ideas from the Administration, the private sector, non-profit organizations and the academic community to inform the Agency's policy formulation process.

Office of Veterans Business Development

Statutes direct the Office of Veterans Business Development to conduct comprehensive outreach on behalf of the Agency and to be responsible for the formulation, execution and promotion of policies and programs of the Administration. To accomplish these tasks, OVBD operates a national outreach initiative and provides direct service delivery through utilization of funding agreements with resource partners, coordination of outreach and service delivery with other federal agency partners, and development of Agency program initiatives.

Appendix 3 — SBA's Actions in Response to PART Evaluations

Strategic Goal 2	Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.
Program Name	**Section 7 (a) Guaranteed Loan Program**
Ratings	FY2002
	FY2003
	FY2004 Adequate
	FY2007 Moderately Effective
Major Findings	• The program is generally successful in extending financial assistance to small businesses that would ordinarily not be eligible for traditional loans. SBA's portfolio is made up of borrowers that are more risky (evidenced by lower credit scores) than comparable private sector lending small business portfolios.
	• The program has increased its loan volume and has contributed significantly to the Agency's goal of meeting the needs of small businesses that ordinarily cannot gain access to capital. However, while the program tracks and reports on its long-term measures, the program does not have performance targets.
	• Cost efficiencies have been realized through relying on lenders to originate, service, and liquate loans, along with the elimination of credit subsidy and administrative improvements. From 2003 to 2006, unit cost per loan decreased from $2,778 to $461.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:
	• Collecting data and setting targets for new outcome performance measures.
	• Revising the Standard Operating Procedure (SOP) for loan processing and approval.
	• Updating rules and regulations for the SBA Express program to replace the existing program guide.

Program Name	SCORE
Ratings	FY2002 Moderately Effective
	FY2003 Moderately Effective
	FY2004 Moderately Effective
Major Findings	• The program has successfully brought together volunteers with entrepreneurs for mentoring.
	• Due to the use of volunteers, the cost per client under the SCORE program was low relative to similar programs.
	• While client satisfaction is high, there are no other data to show that the program has resulted in long-term benefits to recipients.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:
	• Developing a standardized evaluation strategy for all of its technical assistance programs. The first performance survey was undertaken in FY 2005.

Program Name	Small Business Development Centers
Ratings	FY2002 Moderately Effective
	FY2003 Moderately Effective
	FY2004 Moderately Effective
Major Findings	• Hourly costs of counseling services vary significantly across Small Business Development Centers without any evidence that the quality of services or outcomes differed.
	• Funds are allocated to Small Business Development Centers based upon formulas rather than performance.
	• An independent evaluation of the program estimated that each $1 spent on counseling resulted in $2.78 in tax revenue.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:
	• Implementing a new 5-year strategic plan with meaningful annual and long-term outcome-oriented measures.
	• Conducting a multi-year study of all of its technical assistance programs. The first survey was undertaken in FY 2005.
	• Proposing legislation that would make lead center grants competitive to help promulgate best practices.

Program Name	**Small Business Investment Companies Debentures**	
Ratings	**FY2007 Moderately Effective**	
Major Findings	•	The program is successful in extending financial assistance to small businesses. In the last two years, SBIC Debentures have made $3.3 billion in financing loans to small businesses looking for expansion, later stage and bridge type financing.
	•	The program maintains strong financial management practices and uses financial performance data effectively to analyze trends and assess risk. The program tracks cost effectiveness and utilizes rigorous financial practices with regard to Licensing, Operations, Funding & Administration, and Liquidations. SBA continues to respond to IG reports concerning management and programmatic challenges.
	•	The program should attempt to better address and define that it serves a specific existing need. Although SBIC Debentures perform financing across a more dispersed geographic area and across more industries than private venture capital, SBA should develop measures to evaluate and ensure the effectiveness of the program in addressing potential market failures or opportunity gaps.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:	
	•	Enhancement of financial monitoring systems to improve re-estimates and guarantee continuance of zero subsidy.
	•	Seeking to improve response time in operations and licensing in order to expedite approvals necessary for SBICs.

Program Name	**Section 504 Certified Development Company Guaranteed Loan Program**	
Ratings	FY2002 Adequate	
	FY2003 Adequate	
	FY2004 Adequate	
	FY2007 Moderately Effective	
Major Findings	•	The program has strong loan oversight and management practices. Through a new lender monitoring system, the program can differentiate between well-performing and lagging CDCs, and respond appropriately. Further, cost efficiencies have been gained.
	•	Competition among CDCs has increased, resulting in improved borrower access to loans. Regulatory changes implemented in 2004 allowed CDCs to expand their area of operations to the state they are located in, giving borrowers and lenders more choices.
	•	Since the 504 regulatory changes in November 2003, the 504 program has experienced significant increase in its loan volume. All CDCs now have statewide authority and subsequently all have the ability to expand into their contiguous states either as a multi-state expansion (the entire state) or as a Local Economic Area Expansion (LEA) (contiguous counties in a contiguous state). Since the change in the regulations, there have been approximately 60 expansions by CDCs into contiguous state. Also the Agency has certified 21 new CDCs.
	•	As of 8/3/2007 there has been 8,857 loans approved for the year as compared to YTD info prior to the change in August 3, 2003 of 5,402. This represents an increase of 64% in number of loans processed FY to date as compared to volume prior to the regulatory changes. In dollars for FY 07 YTD $5,189,642,000 has been approved compared to FY03 YTD $2,486,231,000, representing an increase of 109%.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:	
	•	Collecting data and setting standards for the program's outcome performance measures.
	•	Revising standard operating procedures to improve loan processing and approval.

Program Name	**Women's Business Centers**	
Ratings	**FY2006 Moderately Effective**	
Major Findings	•	In 2005, the Small Business Administration developed new baselines for its annual goals and updated its definition of clients. This will eliminate duplication in counting the number of clients assisted.
	•	An independent study has shown that the Women's Business Center (WBC) program is effective in reaching its target audience. As compared to similar technical assistance programs, WBC serves a higher percentage of minority and economically disadvantaged clients.
	•	Frequent statutory changes impact the Agency's ability to effectively manage the program. For example, the percentage of funding allocated annually for sustainability of existing centers fluctuates widely in appropriations language, making it difficult to plan and open new centers in underserved areas.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:	
	•	Conducting a study to determine whether the program duplicates or complements other technical assistance.
	•	Undertaking a further study to establish a link between the program and the Agency's outcomes.

Program Name	**Small Business Surety Bonds**	
Ratings	**FY2005 Adequate**	
Major Findings	•	Program enhancements are needed to maximize effectiveness and achieve performance goals. In particular, SBA needs to develop an Internet-based electronic application and claims processing system and restructure its program outreach.
	•	A rigourous program evaluation is necessary to determine whether the program supplements or supplants private surety bonding activities.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program	
	•	Restructuring the field component of the program and linking district office goals to program performance.
	•	Implementing an internet-based application and claim processing system.
	•	Undertaking evaluations of the program.
Program Name	**Hub-Zone**	
Ratings	FY2002 Moderately Effective	
	FY2003 Moderately Effective	
	FY2004 Effective	
	FY2005 Moderately Effective	
Major Findings	•	The HUBZone Program is targeted to provide expanded Federal contract opportunities to firms located in approximately 11,600 metropolitan census tracts, 1,400 non-metropolitan counties, Indian Lands, and 150 areas affected by base closures and realignments. These are areas that suffer high unemployment and/or low household income.
	•	The Inspector General found some inelligible companies certified under the program.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:	
	•	Implementing program procedures to verify economic disadvantage of groups automatically assumed to qualify for the program.
	•	Reviewing 5% of the portfolio annually for compliance with program requirements.
	•	Improving the timeliness of decertification of inelligible firms.

Program Name	**8(a) Business Development Program**	
Ratings	FY2002 Moderately Effective	
	FY2003 Moderately Effective	
	FY2004 Effective	
	FY2005 Adequate	
Major Findings	•	The Inspector General has recommended that SBA adopt a detailed definition of what it means to be economically disadvantaged and to reconsider the current exclusion of residential and business equity in the computation of an individual's net worth.
	•	A new information system is needed to replace the ineffective and inefficient Servicing and Contracts System/Minority Enterprise Development Central Office Repository data system.
	•	The program should be re-positioned as a business development program for culturally and economically disadvantaged entrepreneurs rather than focusing on Federal procurement.
Actions Taken/Planned	We are taking the following actions to improve the performance of the program:	
	•	Stengthening criteria relating to economic disadvantage.
	•	Developing and implementing new information technology management systems including electronic applications and annual review processing as well as a dynamic management reporting system.
	•	Centralizing 8(a) annual review process to reduce costs.

Appendix 4 — Appropriations Language

Salaries and Expenses

For necessary expenses, not otherwise provided for, of the Small Business Administration as authorized by Public Law 108-447, including hire of passenger motor vehicles as authorized by 31 U.S.C. 1343 and 1344, and not to exceed $3,500 for official reception and representation expenses, [$344,123,000] *$328,159,000: Provided*, That the Administrator is authorized to charge fees to cover the cost of publications developed by the Small Business Administration, and certain loan program activities, including fees authorized by section 5(b) of the Small Business Act: *Provided further*, That, notwithstanding 31 U.S.C. 3302, revenues received from all such activities shall be credited to this account, to remain available until expended, for carrying out these purposes without further appropriations: *Provided further*, That [$97,120,000] *$87,120,000* shall be available to fund grants for performance in fiscal year [2008]*2009* or fiscal year [2009]*2010* as authorized*: Provided further, that $7,654,400 shall be available for the Loan Modernization and Accounting System, to be available until September 30, 2010. (Financial Services and General Government Appropriations Act, 2008.)*

Office of Inspector General

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, [$15,000,000] *$15,500,000*. *(Financial Services and General Government Appropriations Act, 2008.)*

Disaster Loan Program Account *(including transfers of funds)*

For the cost of direct loans authorized by section 7(b) of the Small Business Act, $14,301,000, to remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974.

In addition, for administrative expenses to carry out the direct loan program, $160,068,000, to be available until expended, of which $1,000,000 is for the Office of Inspector General of the Small Business Administration for audits and reviews of disaster loans and the disaster loan program and shall be paid to appropriations for the Office of Inspector General; of which $150,068,000 is for direct administrative expenses of loan making and servicing to carry out the direct loan program, which may be paid to appropriations for Salaries and Expenses; and of which $9,000,000 is for indirect administrative expenses, which may be paid to appropriations for Salaries and Expenses.

Business Loans Program Account (including transfers of funds)

[For the cost of direct loans, $2,000,000, to remain available until expended: *Provided,* That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That subject]*Subject* to section 502 of the Congressional Budget Act of 1974, during fiscal year [2008]*2009* commitments to guarantee loans under section 503 of the Small Business Investment Act of 1958 shall not exceed $7,500,000,000: *Provided further,* That during fiscal year [2008]*2009* commitments for general business loans authorized under section 7(a) of the Small Business Act[,] shall not exceed $17,500,000,000: *Provided further,* That during fiscal year [2008]*2009* commitments to guarantee loans for debentures under section 303(b) of the Small Business Investment Act of 1958, shall not exceed $3,000,000,000: *Provided further,* That during fiscal year [2008]*2009*, guarantees of trust certificates authorized by section 5(g) of the Small Business Act shall not exceed a principal amount of $12,000,000,000. In addition, for administrative expenses to carry out the direct and guaranteed loan programs, [$135,414,000] *$138,480,000*, which [may be transferred to and merged with]*shall be paid to* the appropriations for Salaries and Expenses. *(Financial Services and General Government Appropriations Act, 2008.)*

Business Loans Program Account

Subject to section 502 of the Congressional Budget Act of 1974, during fiscal year 2009, the principal amount of direct loan obligations as authorized under section 7(m) of the Small Business Act shall not exceed $25,000,000.

Surety Bond Guarantees Revolving Fund

For additional capital for the Surety Bond Guarantees Revolving Fund, authorized by the Small Business Investment Act of 1958[, $3,000,000] *as amended, $2,000,000*, to remain available until expended. *(Financial Services and General Government Appropriations Act, 2008.)*

General Provisions

Sec. 530. Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Small Business Administration in this Act may be transferred between such appropriations, but no such appropriation shall be increased by more than 10 percent by any such transfers: *Provided,* That any transfer pursuant to this paragraph shall be treated as a reprogramming of funds under section 610 of this Act and shall not be available for obligation or expenditure except in compliance with the procedures set forth in that section.

[Sec. 531. All disaster loans issued in Alaska or North Dakota shall be administered by the Small Business Administration and shall not be sold during fiscal year 2008.]

[Sec. 532.
(a) Funds made available under section 613 of Public Law 109-108 (119 Stat. 2338) for Nevada's Commission on Economic Development shall be made available to the Nevada Center for Entrepreneurship and Technology (CET).
(b) Funds made available under section 613 of Public Law 109-108 for the Chattanooga Enterprise Center shall be made available to the University of Tennessee at Chattanooga.]

[Sec. 533. Public Law 110-28 (121 Stat. 155) is amended in the second paragraph of chapter 4 of title IV by inserting before ``$25,000,000'' the phrase ``up to''.]

[Sec. 534. For an additional amount under the heading ``Small Business Administration, Salaries and Expenses'', $69,451,000, to remain available until September 30, 2009, shall be for initiatives related to small business development and entrepreneurship, including programmatic and construction activities: *Provided,* That amounts made available under this section shall be provided in accordance with the terms and conditions as specified in the explanatory statement described in section 4 (in the matter preceding division A of this consolidated Act).] (*Financial Services and General Government Appropriations Act, 2008.)*

Appendix 5 — E-Gov Quantifiable Benefits Report

According to the President's Management Agenda, the E-Government initiatives serve citizens, businesses, and federal employees by delivering "high quality" services more efficiently at a lower price. Instead of expensive "stove-pipe" operations, agencies work together to develop common solutions which achieve mission requirements at reduced costs, thereby making resources available for higher priority needs.

This report details the FY 2008 and FY 2009 Agency contributions for the following E-Government initiatives by the Small Business Administration (SBA) and the benefits to be realized

Government to Citizen Portfolio

- **Disaster Assistance Improvement Plan** (Page A-2)

Government to Business Portfolio

- **Business Gateway** (Page A-3)
- **E-Rulemaking** (Page A-4)

Government to Government Portfolio

- **Grants.gov** (Page A-5)

Lines of Business (LoB)

- **Budget Formulation & Execution LoB** (Page A-5)
- **Financial Management LoB** (Page A-6)
- **Geospatial LoB** (Page A-7)
- **Grants Management LoB** (Page A-7)
- **IT Infrastructure LoB** (Page A-8)

Internal Efficiency and Effectiveness Portfolio

- **Integrated Acquisition Environment – Loans & Grants** (Page A-9)
- **Integrated Acquisition Environment** (Page A-9)

This report is being produced pursuant to OMB Circular A-11, Sections 22.6 and 53.5.

E-Gov Initiative	Managing Partner/PM	SBA Contribution	SBA Service Fee	Description of Benefit	Detailed
Disaster Assistance Improvement Plan (DAIP)	Department of Homeland Security (DHS)	FY08: $204,160 FY09: $204,160	FY08: N/A FY09: N/A	The Disaster Assistance Improvement Program (DIAP) is a government-wide initiative to improve the delivery of assistance to disaster victims. Through modification of an existing E-Gov initiative, GovBenefits.gov, DAIP provides a one-stop portal for those affected by disasters by providing information on programs offering disaster assistance and screening of benefits for which they may be eligible. After determining their eligibility, users may apply for disaster assistance benefits using a single application through FEMA, leading to a more simplified, streamlined process. All benefit applications are adjudicated by the appropriate agency. DAIP will also allow returning users to check the status of the request for benefits available through the single application. DAIP includes member agencies that have programs that provide benefits for persons in response to disasters; help facilitate the application and delivery process through validation; have other resources that may assist disaster victims; or are otherwise relevant to those who are impacted by disasters. During its first year of operation, the DAIP Program Office will quantify and report on the benefits and cost savings for each member agency.	As an agency with programs that will participate directly with the DAIP, the Small Business Administration (SBA) will provide a streamlined application and status update process for citizens that apply to those participating programs. This will help the SBA fulfill its mission to deliver assistance to disaster victims. The SBA will be able to take advantage of the on-line application and status capability that DAIP provides to channel applicants to a lower cost alternative, which should provide cost savings for the agency in areas such as call center costs. Through the pre-screening for the programs that will be provided through DAIP, the SBA will also allow citizens the ability to learn about programs that they may be eligible for, and will reduce the number of invalid applications that the SBA has to process. Furthermore, by implementing authentication mechanisms on all applications to ensure their identity before applying, DAIP will reduce exposure of individuals to identify theft.
Business Gateway	Small Business Administration (SBA)	FY08: $525,600 FY09: $537,648	FY08: N/A FY09: N/A	SBA's mission – to "maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses and by helping families and businesses recover from national disasters" – is inextricably tied to Business Gateway's mission of providing the nation's businesses with easier access to information and tools to reduce burden and help businesses comply with government regulations.	SBA will receive the following benefits: Contact center savings: Due to the use of Business.gov and Forms.gov a decrease in misdirected calls is expected resulting in cost savings for SBA. Maintenance savings: Business.gov's

E-Gov Initiative	Managing Partner/PM	SBA Contribution	SBA Service Fee	Description of Benefit	Detailed
				A key rationale for building the Business Gateway (www.Business.gov) is to fulfill the statutory mission of SBA to help small businesses succeed by creating a more approachable, responsive, and accessible government. SBA's goal, as managing partner of the initiative, is to use the internet to improve the service, efficiency, and effectiveness of business operations, and to transform government into an innovative, reliable, trustworthy and citizen-centered partner. By creating a single portal for business information, such as regulatory compliance information, Business Gateway directly benefits SBA's "customers" (e.g., small business, associations, etc.), many of whom are subject to complex regulatory requirements across multiple agencies. SBA's constituents could potentially receive significant benefits from Business Gateway including time and cost savings, assistance in compliance with the Small Business Paperwork Relief Act, and reduction in burden hours. Through increased outreach, more constituents will be able to realize these benefits.	search technology will provide SBA with valuable user statistics and feedback, enabling it to simplify content management on its business compliance site. Increased forms management: By making 69 forms (to date) available on Forms.gov, SBA saves agency time in forms management, and is expected to produce significant savings in paper and postage. Increased exposure: Business.gov now houses 168 SBA compliance links (to date) providing cross-agency effectiveness to American businesses. Reduced burden on field offices: By directing compliance-related inquiries to Business.gov, agencies with field offices will save training and staff-time dollars. Data harmonization: Every federal agency should have and participate in at least one "vertical" opportunity; in the case of SBA, for example, there may be opportunities to harmonize forms and data collection processes with Commerce Department and Treasury as they all gather economic information and adjust revenue projections. Labor Department and Commerce Department together saved $341,000 in the first three years of their vertical, and are expected to save $570,000 over 5 years.

E-Gov Initiative	Managing Partner/PM	SBA Contribution	SBA Service Fee	Description of Benefit	Detailed
E-Rulemaking	Environmental Protection Agency (EPA)	FY08: $135,000 FY09: $0	FY08: N/A FY09: $36,475	SBA's mission is to maintain and strengthen the nation's economy by aiding, counseling, assisting and promoting the interest of small businesses and by helping families and businesses recover from natural disasters. SBA migrated to the Federal Docket Management System (FDMS) in December 2006. By implementing FDMS, SBA's internal rulemaking business processes have been made more transparent and open for public participation. Further, FDMS provides SBA with a secure, centralized electronic repository for managing its rulemaking development via distributed management of data and robust role-based user access. Between January and October 2007, SBA posted 23 Federal Register rules and proposed rules in Regulations.gov and posted 50 public comments.	SBA benefits in several ways through its participation and reliance on FDMS and Regulations.gov. SBA gains substantial benefits by improving the transparency of its rulemaking actions as well as increasing public participation in the regulatory process. Direct budget cost savings and cost avoidance result from SBA's transition to FDMS and Regulations.gov, enabling the agency to discontinue efforts to develop, deploy, and operate specific individual online docket and public comment systems. Over five years, SBA is estimated to save over 300 thousand dollars over alternative options that would provide similar services. These figures were calculated in the summer of 2007 by an independent economist hired by the E-Rulemaking Program to develop a robust Cost-Benefit Model.
Grants.gov	Department of Health & Human Services (HHS)	FY08: $133,900 FY09: $129,299	FY08: N/A FY09: N/A	The Grants.gov initiative continues to benefit SBA and its grant programs by providing a single location to publish grant funding opportunities and application packages, and by providing a single site for the grants community to apply for grants using common forms, processes, and systems. SBA derives its largest source of benefits from Grants.gov by not having to develop its own system for collecting electronic grant applications for paper-based grant programs.	In FY 2008 SBA had posted 7 funding opportunities, 7 application packages and received 310 Electronic Submissions from the grants community via Grants.gov. SBA use government-wide forms 100% of the time for its application packages.
Budget Formulation & Execution (BFE) LoB	Department of Education	FY08: $45,000 FY09: $45,000	FY08: N/A FY09: N/A	BFE LoB provides significant benefits to partner agencies by encouraging best practices crossing all aspects of federal budgeting – from budget formulation and execution to performance to human capital and staffing needs.	To help agencies assess their budget systems requirements, BFE LoB created a decision matrix. SBA will benefit from using this matrix as a starting point in determining specific system needs. In 2008, BFE LoB will

E-Gov Initiative	Managing Partner/PM	SBA Contribution	SBA Service Fee	Description of Benefit	Detailed
				To benefit all agencies, including SBA, BFE LoB, in conjunction with Department of the Treasury as the system owner, made available the first shared fee-for-service budget formulation system, the Budget Formulation and Execution Manager (BFEM). BFE LoB and Treasury are currently gathering requirements for a new Performance Measure Manager (PMM) module that will allow users to automate the definition, collection, and reporting of all types of performance measures. The PMM will be available in 2008. The BFEM system is an option for SBA and any SBA component that is in need of a budget formulation or performance measurement system.	further benefit agencies by evaluating known budget systems against the decision matrix and making that information available so each agency can avoid the cost of performing that step individually. In addition, BFE LoB created a secure government-only collaboration website, known as the "MAX Federal Community." This provides a significant benefit for collaboration across and within agencies. It is used within the budget community, and has been expanded to serve other related communities, such as Grants, Financial Management, Performance, and Planning. SBA currently has 41 users that are registered and eligible to take advantage of the MAX Federal Community. The Community site is commonly used for sharing information, collaboratively drafting documents, supporting workgroups, and much more.
Financial Management (FM) LoB	General Services Administration (GSA)	FY08: $44,444 FY09: $44,444	FY08: N/A FY09: N/A	Agencies participating in the FM LoB benefit from the government-wide enterprise architecture standards developed by the FM LoB. These improve the management of financial information within their agencies. The Common Government-wide Accounting Code standard allows Chief Financial Officers (CFOs) to aggregate and report data across bureaus and departments. The Performance Metrics for application hosting	The FM LoB developed a Migration Planning Guidance, telling agencies how to evaluate and select SSPs, and how to migrate their operations to that Provider. The FM LoB is developing a Charge Card Interface to save agencies the cost of developing these themselves. The FM LoB is also developing standard interfaces with common systems (e.g. Lines of Business and E-

E-Gov Initiative	Managing Partner/PM	SBA Contribution	SBA Service Fee	Description of Benefit	Detailed
				allows CFOs and other managers to compare operational efficiency and effectiveness among their own bureaus; and between Shared Service Providers (SSPs). The Business Process Standards for Payments and Funds Control developed collaboratively by all agencies within the FM LoB allow CFOs to unify business processes across their department or agency. Standard business processes also bring efficiencies to SSPs by insuring that all customer agencies use the same processes transactions. The FM LoB will extend this work, developing standard business processes for Reimbursables and for receivables.	Gov initiatives). By defining government-wide common interfaces, agencies avoid the expense of defining these interfaces themselves. Uniformity in these interfaces also reduces audit time and expense, and insures uniform business process standards. The FM LoB alignment of Common Government-wide Accounting Code structure and Business Process Standard implementation with Treasury central systems will allow all agencies to improve business process and enables reliable data interchange across departments and agencies interfacing to the Treasury central systems.
Geospatial LoB	Department of Interior	FY08: $15,450 FY09: $15,000	FY08: N/A FY09: N/A	SBA is looking forward to the returns on investments from the Geospatial LoB with regard to the efficiency and synergy across the government. The LoB provides more immediate access to geospatial information that would lead to improved productivity, improved mission delivery, and increased service to citizens. Geospatially enabling traditional business data will improve business process efficiency, allow for geographically based work planning and investment processes, assist in infrastructure asset tracking, improve mission delivery, and promote use of business intelligence in the Department's decision support systems. The LoB is intended to establish methods for improved processes of doing business using geospatial information.	N/A

Grants Management (GM) LoB	Department of Health & Human Services (HHS) and National Science Foundation (NSF)	FY08: $28,460 FY09: $28,460	FY08: N/A FY09: N/A	SBA manages 517 grant awards equaling approximately $173,478. SBA anticipates the key benefit will be having a centralized location to download all applications, make awards, and track awards to closeout. Automated business processes available through consortium service providers will decrease agency reliance on manual and paper-based processing. Consortium lead agencies will spread operations and maintenance (O&M) costs, and development, modernization, and enhancement (DME) costs across agencies, decreasing the burden that any one agency must bear. GM LoB will lead to a reduction in the number of systems of record for grants data across SBA and the government and the development of common reporting standards, improving SBA's ability to provide agency- and government-wide reports on grant activities and results. Migrating to a consortium lead agency will help SBA comply with the Federal Financial Assistance Management Improvement Act of 1999 and the Federal Funding Accountability and Transparency Act of 2006.	Service to constituents will be improved through the standardization and streamlining of government-wide grants business processes. The public will receive time savings as a result of quicker notification and faster payments due to an automated system for grants processing. Furthermore, GM LoB will minimize complex and varying agency-specific requirements and increase grantee ease of use on Federal grants management systems. Constituents will benefit as they will have fewer unique agency systems and processes to learn; grantees' ability to learn how to use the system will be improved and reliance on call center technical support will be reduced. Consortium lead agencies will also provide grantees with online access to standard post-award reports, decreasing the number of unique agency-specific reporting requirements.
IT Infrastructure LoB	General Services Administration (GSA)	FY08: $20,000 FY09: $0	FY08: N/A FY09: N/A	The initiative benefits SBA through improved IT performance, greater efficiencies in IT infrastructure investments, and consistency and standardization of infrastructure platforms. The ITI LoB will provide SBA with best practice data and industry-wide performance metrics to validate and/or improve existing performance. SBA stands to benefits from all three IT Infrastructure areas of concentration (End User Systems & Support, Mainframes and Servers Systems & Support, and Telecommunications Systems & Support). Most specifically, as it is a small agency in comparison to other Federal government agencies involved in the ITI LoB, SBA should benefit greatly from information and,	SBA's participation in this program will result in higher service levels at a more effective cost. Large government purchases will establish a baseline for SBA related acquisitions that will prove valuable when negotiating prices for hardware and software. A 10-15% gain in productivity is expected, because of this program. SBA expects to realize significant benefit in improved mission delivery. The bulk of this activity will come as a result of an enhanced infrastructure that takes advantage of direct

				potentially, pricing previously available only to larger agencies.	electronic interface with SBA customers. Infrastructure certification and accreditation will be significantly enhanced above what it is today. At least a 20-25% improvement in mission delivery is expected by taking advantage of this program. Enhanced infrastructure performance will directly result in improved mission delivery to the public.
Integrated Acquisition Environment - Loans and Grants	General Services Administration (GSA)	FY08: $2,222,469 FY09: $2,222,469	FY08: N/A FY09: N/A	All agencies participating in the posting and/or awarding of Loans & Grants are required by the Federal Funding Accountability and Transparency Act (FFATA) to disclose award information on a publicly accessible website. Cross-government cooperation with the Office of Management and Budget's Integrated Acquisition Environment initiative in determining unique identifiers for Loans & Grants transactions furthers the agency in complying with the Transparency Act, which enhances transparency of federal program performance information, funding, and Loans & Grants solicitation.	N/A

E-Gov Initiative	Managing Partner/PM	SBA FY08 Contribution	SBA FY08 Fee for Service	Description of Benefit
Integrated Acquisition Environment (IAE)	General Services Administration (GSA)	FY08: $605,859 FY09: $591,205	FY08: N/A FY09: $3,881	Through adoption of the tools and services provided by IAE, SBA improves its ability to make informed and efficient purchasing decisions and allows it to replace manual processes. If SBA were not allowed to use the IAE systems, they would need to build and maintain separate systems to record vendor and contract information, and to post procurement opportunities. Agency purchasing officials would not have access to databases of important information from other agencies on vendor performance and could not use systems to replace paper-based and labor-intensive efforts. For FY 2007, SBA received estimated benefits of $96,692 based on the processes, personnel, roles, steps, and actions involved. In addition, the agency realized an estimated cost avoidance of $17,407 and estimated operational cost savings of $94,961.

DETAILED DATA FOR IAE

Also, SBA currently manages the Electronic Subcontracting Reporting System (ESRS) for the Federal Government as part of the IAE initiative. This system provides a single point of collection for subcontracting reporting data across the Federal Government and replaced separate systems maintained by individual agencies.

Central Contractor Registration (CCR): Provides SBA a single source of trading partner data. CCR Tools enable SBA access to current socio-economic and financial information as needed for their contractors and grantees without maintenance. In addition, allows SBA to meet its statutory obligations to provide consistent application of Size Determination definition and process; and identify certified Small Disadvantaged Business, HUBZone, and 8(a) firms for all users.

The automated collection and management of CCR-type vendor data for its intended purposes is estimated to avoid the equivalent of 0.9 man-hours per award transaction based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 499 hours for the agency in FY 2007.

Trading Partners: Enables trading partners to provide required information into a central data base for use across the Federal enterprise instead of submitting to each Government office.

Excluded Party Listing Service (EPLS): Access via standard internet browser enables SBA to search for excluded parties prior to contract award.

The automated collection and management of EPLS-type data for its intended purposes is estimated to avoid the equivalent of 0.2 man-hours per subject award transaction based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 111 hours for the agency in FY 2007.

Public/Federal Security: Enables the elimination of excluded parties from receiving contract awards, protecting the taxpayers' investment and Federal contract spending. Users include banks and mortgage companies.

Electronic Subcontract Reporting System (eSRS): For the SBA, the eSRS automates the collection and management of Individual Subcontract Reports (ISR, formerly SF-294) and Summary Subcontract Reports (SSR, formerly SF-295) data. In addition, eSRS has provided an efficient business process to meet SBA statutory obligation to manage the federal subcontracting process. eSRS now provides SBA an automated process for collection and consolidation of agencies' annual summary subcontracting for required reporting to the President and Congress.

The automated collection and management of eSRS-type data for its intended purposes is estimated to avoid the equivalent of 0.3 government man-hours per subject award transaction that requires subcontracting plans based on the processes, personnel, roles, steps, and actions involved.

Small Business/Prime Contractors: Provides an automated filing and reporting capability for contractors using sub-contractors ensuring proper sub-contractor usage.

Federal Business Opportunity (FBO): FBO is a source for contracting opportunities. Enables the SBA to automate management of the competitive notice processes.

Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, postage, maintenance of interested vendor lists; mailing, correction of mailing addresses, settling disagreements over wrong mailings, investigation of returned nondeliveries of notices, etc. The automated management of the competitive notice processes is estimated to avoid the equivalent of 5.5 government man-hours per subject transaction based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 803 hours for the agency in FY 2007.

Small Business/Contractors: Enables contractors and small businesses to access Federal solicitations using standard internet browser capabilities and provides an e-mail notification process for new postings. This further eliminates the need to check websites from every contracting office for bidding opportunities.

Federal Technical Documents System (FedTeDS): FedTeDS provides SBA with a secure service for storage and distribution of secure but unclassified documents for solicitations.

Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, postage, maintenance of interested vendor lists; mailing, correction of mailing addresses, settling disagreements over wrong mailings, investigation of returned nondeliveries of notices, etc. The automated management of the processes is estimated to avoid labor equivalent to 2.5 government man-hours per subject transaction based on the processes, personnel, roles, steps, and actions involved.

Public/Federal Security: Provides a secure facility to protect secure but unclassified technical documentation related to solicitations.

Federal Procurement Data System – Next Generation (FPDS-NG): Provides SBA with an automated capability to directly report awards real time from the SBA contract writing systems and extract reports of award data on demand. In addition, FPDS-NG has provided the single source of authoritative contract accomplishment data. This has allowed SBA an ability to meet its statutory obligation to manage the Federal small business program and generate the annual Small Business Goaling Report. FPDS-NG now provides SBA an automated process for collection and consolidation of agencies' annual small business goaling real time for required reporting to the President and Congress.

Discontinue the SBA manual processing; facilitate real time reporting integrated with agency contract writing systems. ƒ Congress/Public: Automates the dissemination of contract award data and incorporates public access.

Online Representation and Certification (ORCA): Online Representation and Certification replaces solicitation Section K. Automates the previous Section K paper response to solicitations to SBA.

ORCA efficiencies compared to the equivalent manual management of the necessary representations and certifications for subject transactions are estimated to avoid the equivalent of 1.2 government man-hours per contract based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 175 hours for the agency in FY 2007.

Contractors: Reduces time, cost, and inaccuracies for contractors responding to Federal solicitations. ORCA provides for a single annual submission to replace the previous repetitive input in every solicitation.

Wage Determination Online (WDOL): Provides Service Contract Act and Davis Bacon Act labor rates. Makes available the most current labor rates to SBA.

Cost avoidance is realized by eliminating time delays, labor, supplies/resource usage, equipment wear, and expenditures related to: printing, photocopying, ink and paper usage, and postage for corresponding with contractors. The automated management of the processes is estimated to avoid labor equivalent to 1.5 government man-hours per wage determination request based on the processes, personnel, roles, steps, and actions involved. This resulted in a savings of approximately 249 hours for the agency in FY 2007.

Public: Ensures that appropriate labor rates are included in a contract for the labor categories specified in the Service Contract Act and Davis-Bacon Act.

Appendix 6 — FY 2007 Performance Indicators – Summary Results

In FY 2007, the SBA collected performance results across all programs according to 85 performance indicators. The results show 36 percent on target, 16 percent significantly above target and 14 percent significantly below target. Thirteen percent did not have the data available at the time of publication, and 21 percent were not goaled due to the fact that they were new indicators and were “baselined” in FY 2007.

The following tables show FY 2007 performance results for all output and outcome performance indicators and for efficiency measures. Results are organized by strategic goal, type of assistance and program.

<u>Results Key</u>

- Green — On target within +/- 10 percent of goal
- Blue — More than 10 percent over goal
- Red — More than 10 percent below goal
- Baseline — Not goaled for current year
- N/A — Data not available at this time

On target, “green,” means that the goal has been met. If the result is above target, “blue,” this may indicate special circumstances that are noted, or it may indicate that the goal may have been set too low. Below target, “red,” indicates that the goal was not met. N/A indicators occur because the data was not available at the time of collection. Baseline means that it is a new indicator that requires a baseline to be established before goaling for the out years, and could not be goaled for the current year.

<u>Program Manager Rating of the Data Quality for Each Performance Indicator</u>

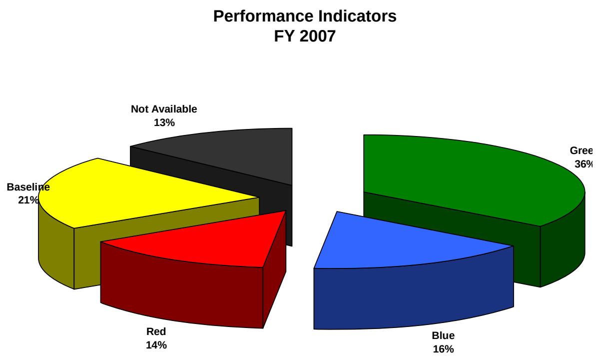
Program offices are responsible for the quality of data that they provide for reporting. Data quality has the following characteristics:

- Valid - The indicator is relevant to program; steps were taken to assure that the data is complete; the data covers the entire fiscal year and; the indicator can be used by decision makers to manage the program.
- Verifiable - Documentation is maintained that allows an independent third party review to conclude that the results are accurately reported.

Accordingly, program managers rate the data quality for each indicator confirming that the data quality is high or disclose any known or suspected weaknesses. Data quality rated:

- High – Has no known weaknesses; accurately represents the results of the program; and may be independently verified.
- Medium – Has some known or suspected weaknesses but is of sufficient quality to manage and/or represent the program results and may be independently verified.
- Low – Has significant weaknesses and cannot be used to manage or represent the results of the program. The SBA does not use any indicators whose data quality is below medium.

Small Business Administration FY 2007 Performance Results



Green Within +/- 10 percent of goal 30 – 36%

Blue More than 10 percent over goal 14 – 16%

Red More than 10 percent below goal 12 – 14%

Baseline Not goaled for current year 18 – 21%

N/A Data not available at this time 11 – 13%

Total Number of Results 85 – 100%

SBA's 85 performance indicators are listed below and are presented along with their type (output, outcome, or efficiency); the FY 2007 results (whether they were on, below or above target); and their data quality (high or medium).

Program	FY 2007 - Performance Indicator	Type	FY 2007 Results	Data Quality
Strategic Goal 1 – *Expand America's ownership society, particularly in underserved areas*				
Financial Assistance				
7(a)	Loans Funded (#)	Output	Green	High
7(a)	Small Businesses Assisted (#)	Output	Green	High
7(a)	Underserved Markets - Loans Funded (#)	Output	Baseline	High
7(a)	Underserved Markets - Small Businesses Assisted (#)	Output	Baseline	High
7(a)	Cost of Loans Funded ($)	Efficiency	Green	High
7(a)	Cost of Small Businesses Assisted ($)	Efficiency	Green	High
504	Small Business Loans Funded (#)	Output	Green	High
504	Small Businesses Assisted (#)	Output	Green	High
504	Underserved Markets* - Small Business Loans Funded (#)	Output	Baseline	High
504	Underserved Markets - Small Businesses Assisted (#)	Output	Baseline	High
504	Cost of Small Business Loans Funded ($)	Efficiency	Green	High
504	Cost of Small Businesses Assisted ($)	Efficiency	Green	High
International Trade	Loans Funded (#)	Output	Green	Medium
International Trade	Small Businesses Assisted (#)	Outcome	Green	Medium
International Trade	Underserved markets assisted (#)	Outcome	Baseline	Medium
International Trade	Cost Per Loan Funded ($)	Efficiency	Red	Medium
International Trade	Cost Per Small Business Assisted ($)	Efficiency	Red	Medium
Microloan	Small Businesses Assisted (#)	Outcome	N/A (1)	Medium
Microloan	Loans Funded ($)	Output	N/A (1)	Medium
Microloan	Cost Per Small Business Assisted ($)	Efficiency	N/A (1)	Medium
Microloan	Cost Per Loan Funded ($)	Efficiency	N/A (1)	Medium

Program	FY 2007 - Performance Indicator	Type	FY 2007 Results	Data Quality
SBIC	Small Businesses Assisted (#)	Outcome	Green	High
SBIC	Underserved Markets - Small Businesses Assisted (#)	Outcome	Baseline	High
SBIC	Cost Per Small Business Assisted ($)	Efficiency	Green	High
Management and Technical Assistance				
SBDC	Long-term Clients Counseled (#)	Output	Baseline	Medium
SBDC	Capital Infusion ($ Billion)	Outcome	Baseline	Medium
SBDC	Small Businesses Created (#)	Outcome	Baseline	Medium
SBDC	Cost Per Small Business Created ($)	Efficiency	Baseline	Medium
SBDC	Cost Per Long-term Client Counseled ($)	Efficiency	Baseline	Medium
WBC	Small Businesses Assisted (#)	Output	Blue	High
WBC	Jobs Created/Retained (#)	Outcome	N/A (1)	Medium
WBC	Small Businesses Created (#)	Outcome	Baseline	Medium
WBC	Cost Per Small Business Assisted ($)	Efficiency	Green	High
WBC	Cost Per Job Created/Retained ($)	Efficiency	N/A (1)	High
SCORE	Small Businesses Assisted (#)	Output	Green	Medium
SCORE	Small Businesses Created (#)	Outcome	Baseline	Medium
SCORE	Cost Per Small Businesses Assisted ($)	Efficiency	Blue	Medium
DFWP	Small Businesses Educated (#)	Output	Blue	Medium
DFWP	Programs Implemented (#)	Output	Blue	Medium
DFWP	Cost Per Small Business Educated ($)	Efficiency	Blue	Medium
Contracting Assistance				
7(j)	Small Businesses Assisted (#)	Output	Blue	High
7(j)	Cost Per Small Business Assisted ($)	Efficiency	Green	High
8(a)	Small Businesses Assisted (#)	Outcome	Green	High
8(a)	Cost Per Small Business Assisted ($)	Efficiency	Green	Medium
HUBZone	Small Businesses Assisted (#)	Outcomes	Green	High
HUBZone	Annual Value of Federal Contracts ($ Billion)	Outcomes	N/A (1)	Medium
HUBZone	Cost Per Small Business Assisted ($)	Efficiency	Blue	High
HUBZone	Cost per Federal Contract Dollar ($)	Efficiency	N/A (1)	Medium
SBG	Total Bid Bonds (#)	Output	Baseline	Medium
SBG	Final Surety Bond Guaranties (#)	Output	Green	High
SBG	Underserved Markets - Final Surety Bond Guaranties (#)	Output	Baseline	Medium
SBG	Cost of Final Surety Bond Guaranties ($)	Efficiency	Green	High
SBG	Cost of Total Bid Bonds ($)	Efficiency	Baseline	Medium
Prime Contracting	Number of Federal Contract Dollars Awarded to Small Businesses ($ Billion)	Output	N/A (1)	Medium
Prime Contracting	Jobs Created/Retained (#)	Outcomes	N/A (1)	Medium
Prime Contracting	Cost Per Job Created/Retained ($)	Efficiency	N/A (1)	Medium
SDB	Small Businesses Certified (#)	Output	Red	High
SDB	Cost Per Small Business Certified ($)	Efficiency	Red	High
District Offices Support - All Assistance Areas				
OFO/8(a)	Annual 8(a) Reviews (%)	Output	Green	High
OFO/DO C&T	Small Businesses Assisted - Counseling and Training (#)	Outcome	Blue	High

Program	FY 2007 - Performance Indicator	Type	FY 2007 Results	Data Quality
OFO/DO C&T	Cost Per Small Business Assisted - C&T ($)	Efficiency	Blue	High
Strategic Goal 2 – *Provide timely financial assistance to homeowners, renters, nonprofit organizations and businesses affected by disaster* **Disaster Assistance**				
Disaster	Small Businesses Sustaining Economic Injury That Remain Operational 6 Months After Final Disbursement (%)	Outcome	Red	High
Disaster	Small Businesses Sustaining Physical Damage Restored Within 6 Months after Final Disbursement (%)	Outcome	Green	High
Disaster	Homeowners Restoring Their Homes Within 6 Months of Final Disbursement (%)	Outcome	Red	High
Disaster	Renters Restored Within 6 Months after Final Disbursement (%)	Outcome	Red	High
Disaster	Customer Satisfaction Rate (%)	Outcome	Green	High
Disaster	Disasters Having Field Presence Within 3 Days (%)	Output	Green	High
Disaster	Loans with Initial Disbursements Within 5 Days of Loan Closing (%)	Output	Green	High
Disaster	Time to Process 85% of Home Applications (Days)	Efficiency	Blue	High
Disaster	Time to Process 85% of Business Physical Applications (Days)	Efficiency	Blue	High
Disaster	Time to Process 85% of EIDL Applications (Days)	Efficiency	Blue	High
Strategic Goal 3 – *Improve the economic environment for small business* **Regulatory Assistance**				
Advocacy	Regulatory Cost Savings to Small Businesses ($ Billion)	Outcome	Red	Medium
Advocacy	Research Publications (#)	Output	Blue	High
Advocacy	Regulatory Agencies with In-House RFA Expertise (#)	Output	Red	High
Advocacy	States Formally Considering Legislative or Executive Action (#)	Output	Blue	High
Advocacy	Research Publications and Data Reports in Curricula (#)	Output	Green	High
Advocacy	Cost Per $1 Million Savings ($)	Efficiency	Red	High
Business Gateway	Hours Saved (# in Millions)	Outcome	Red	High
Business Gateway	Customer Satisfaction (%)	Outcome	Green	High
Business Gateway	Referrals to Partner Sites Per Month (%)	Outcome	Green	High
Business Gateway	Cost Per Hours Saved ($)	Efficiency	Red	High
Strategic Goal 4 – *Ensure management and organizational excellence to increase responsiveness to customers, streamline processes, and improve compliance and controls* **Ensure Management Excellence**				
OCIO	IT Systems Availability	Output	Baseline	High
OCIO	Unauthorized Network or Data Breaches	Outcomes	Baseline	High
OCFO	Unqualified Opinions for Audit Year	Outcomes	Green	High
OCFO	Number of Material Weaknesses	Outcomes	Green	High

* Underserved markets represent small businesses in low to moderate income areas, HUBZones and Empowerment Zone/Enterprise Communities.

N/A [1] Info not available until end of 2nd Quarter, FY 2008.

Appendix 7 — Discontinued Performance Indicators

Program	Performance Indicator	Type	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	Justification
7(a)	Startup New Loans Approved (#)	Output	18,134	29,587	32,983	33,818	33,841	0%	
7(a)	Startup New Loans Funded (#)	Output	15,945	27,522	30,753	30,100	31,470	5%	
7(a)	Startup Small Businesses Assisted (#)	Outcome	15,351	25,806	27,368	28,896	28,765	0%	
7(a)	Existing New Loans Approved (#)	Output	62,999	66,313	64,307	75,301	65,766	-13%	The FY 2007 goal here was established in the Fall of 2006 and the Agency revised the goal in the spring of 2007.
7(a)	Existing New Loans Funded (#)	Output	56,234	61,323	59,730	67,470	61,083	-9%	
7(a)	Existing Small Businesses Assisted (#)	I/O	53,544	57,296	52,935	63,624	55,901	-12%	The FY 2007 goal here was established in the Fall of 2006 and the Agency revised the goal in the spring of 2007.
7(a)	SCOGs New Loans Approved (#)	Output	60,787	74,307	71,326	77,000	N/A (1)	N/A (1)	
7(a)	SCOGs New Loans Funded (#)	Output	54,250	68,540	66,300	68,838	N/A (1)	N/A (1)	
7(a)	SCOGs Assisted (#)	Outcome	52,075	64,390	60,691	65,878	N/A (1)	N/A (1)	
504	Small Business Loans Approved (#)	Output	6,897	7,904	8,343	11,716	9,053	-23%	The FY 2007 goal here was established in the Fall of 2006 and the Agency revised the goal in the spring of 2007.
504	SCOGs Loans Approved (#)	Output	6,207	6,853	6,989	10,280	N/A (1)	N/A (1)	
504	SCOGs Loans Funded (#)	Output	5,742	6,679	6,812	9,371	N/A (1)	N/A (1)	
504	SCOGs Assisted (#)	Outcome	5,637	6,611	6,673	6,023	N/A (1)	N/A (1)	
Int'l Trade	Startup New Loans Approved (#)	Output	N/A	479	801	520	662	27%	The FY 2007 goal for Start-up was underestimated.
Int'l Trade	Startup New Loans Funded (#)	Output	198	444	747	482	620	29%	The FY 2007 goal for Start-up was underestimated.
Int'l Trade	Startup Small Businesses Assisted (#)	Outcome	192	420	686	468	563	20%	The FY 2007 goal for Start-up was underestimated.
Int'l Trade	Existing New Loans Approved (#)	Output	2,113	2,335	2,503	2,569	2,295	-11%	The FY 2007 goal for Existing Businesses was overestimated.

Program	Performance Indicator	Type	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	Justification
Int'l Trade	Existing New Loans Funded (#)	Output	1,938	2,194	2,335	2,250	2,147	-5%	
Int'l Trade	Existing Small Businesses Assisted (#)	Outcome	1,872	2,064	2,165	2,138	1,951	-9%	
Int'l Trade	Existing Small Businesses Counseled (#)	Outcome	3,250	3,788	3,568	3,850	4,052	5%	
Int'l Trade	SCOGs Loans Approved (#)	Output	N/A	2,288	2,584	2,447	N/A (1)	N/A (1)	
Int'l Trade	SCOGs Loans Funded (#)	Output	N/A	2,145	2,404	2,400	N/A (1)	N/A (1)	
Int'l Trade	SCOGs Assisted (#)	Outcome	1,624	2,026	2,227	2,200	N/A (1)	N/A (1)	
Int'l Trade	Participation in Interagency Working Groups	Output	6	16	11	16	12	-25%	The FY 2007 goal was over estimated.
Int'l Trade	Favorable Policies Inclusion in Int'l Trade	Output	5	5	6	5	6	20%	The FY 2007 goal was over estimated.
Microloan	Startup New Loans Funded (#)	Output	1,022	948	895	N/A	866	N/A	
Microloan	Startup Small Businesses Assisted (#)	Outcome	1,022	948	895	N/A	866	N/A	
Microloan	Existing New Loans Funded #)	Output	1,377	1,488	1,500	N/A	1,537	N/A	
Microloan	Existing Small Businesses Assisted (#)	I/O	1,377	1,488	1,500	N/A	1,537	N/A	
Microloan	SCOGs New Loans Funded (#)	Output	1,936	1,833	2,099	N/A	N/A (1)	N/A	
Microloan	SCOGs Assisted (#)	Outcome	1,936	1,833	2,099	N/A	N/A (1)	N/A	
SBIC	SCOGs Assisted (#)	Outcome	405	351	285	674	721	7%	

Program	Performance Indicator	Type	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	Justification
NMVC	Small Businesses Assisted (#)	Outcome	22	14	22	11	30	173%	The goal was set up for established small businesses, not total number of small businesses. There is no separate goal for total number of small businesses.
NMVC	SCOGs Assisted (#)	Outcome	22	20	34	15	26	73%	The goal was set up for established small businesses, not total number of small businesses. There is no separate goal for total number of small businesses.
SBG	Existing Final Bonds (#)	Output	N/A	1,680	1,706	1,664	N/A (1)	N/A (1)	
SBG	SCOGs Bid Bonds (#)	Output	N/A	931	953	1,061	N/A (1)	N/A (1)	
SBG	SCOGs Final Bonds (#)	Output	N/A	530	638	499	N/A (1)	N/A (1)	
WBC	Startup Small Businesses - Total Clients Served (#)	Output	98,170	115,453	103,498	104,647	117,462	12%	Centers outperformed projections
WBC	Small Businesses Created	Outcome	N/A	N/A	Baseline	TBD	N/A (1)	N/A (1)	
WBC	Startup Jobs Created/Retained (#)	Outcome	7,921	9,442	6,879	6,879	N/A (1)	N/A (1)	
WBC	Startup - Total Counseling Hours	Output	N/A	N/A	Baseline	TBD	71,022	N/A	
WBC	Existing Small Businesses - Total Clients Served (#)	Output	24,542	28,863	25,875	26,162	29,366	12%	Centers outperformed projections
SCORE	Startup SB Total Clients Served (#)	Outcome	298,160	257,327	200,090	210,703	216,902	3%	
SCORE	Startup - Number of Online Counseled	Output	90,406	77,764	56,139	59,370	62,319	5%	
SCORE	Small Businesses Created	Outcome	N/A	N/A	N/A	Baseline	19,732	Baseline	
SCORE	Existing - Number of Online Counseled	Output	18,517	15,927	11,498	12,160	12,764	5%	
7(j)	Existing Small Businesses Assisted (#)	Output	5,776	2,107	2,317	2,200	2,627	19%	Overage was due to district office's conducting 34% of overall training
7(j)	SCOGs Small Businesses Assisted (#)	Output	5,776	2,107	2,317	2,200	N/A	N/A	

Program	Performance Indicator	Type	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	Justification
8(a)	Existing Small Businesses Assisted (#)	Outcome	8,900	9,458	9,600	9,600	9,425	-2%	
8(a)	SCOGs Small Businesses Assisted (#)		8,900	9,458	9,600	9,600	N/A	N/A	
HUBZone	Existing Small Businesses Assisted (#)	Outcome	2,294	2,960	5,044	4,900	2,833	-42%	*The HUBZone goal of 4900 Existing SB Assisted through our internet based system was modified internally to 2800. This modification was due to a major system change (introduction of GLS) and the phase in of a new system support contractor. The actual achievement was 2833 (1810 new certifications and 1023 recertification actions).
HUBZone	SCOGs Small Businesses Assisted (#)	Outcome	2,294	2,960	5,044	4,900	N/A	N/A	
HUBZone	Existing Annual Value of Federal Contracts ($Billion)	Outcome	$ 4.8	$ 6.1	Unavailable	$ 8.0	N/A (1)	N/A (1)	
HUBZone	SCOGs Annual Value of Federal Contracts ($Billion)	Outcome	$ 4.8	$ 6.1	Unavailable	$ 8.0	N/A	N/A	
Disaster	Value of Loans Approved (000)	Output	$ 884	$ 2,279	$ 11,627	N/A	$ 59,065	N/A	
Disaster	Original Loans Approved (000)	Output	28,510	62,075	169,992	N/A	$ 819,670	N/A	
Disaster	Applications Processed (#)	Output	104,518	153,072	441,631	N/A	34,401	N/A	
Disaster	Loans Funded (#)	Output	22,264	41,651	137,803	N/A	14,014	N/A	
Disaster	ODA Staff Trained Related to Hazard Mitigation (%)	Output	100%	100%	100%	100%	100%	0%	
Disaster	Loans Containing Disaster Prevention Measures (Mitigation) (#)	Output	230	545	337	312	484	55%	Increase due to unanticipated increased volume for Hurricanes Katrina, Rita and Wilma
Ombuds-man	Comments Referred to Federal Agencies for Response (#)	Output	241	128	152	134	113	-16%	The agency can neither control nor effect the data
Ombuds-man	Interaction with Federal agencies (#)	Output	231	227	236	237	N/A	N/A	

Program	Performance Indicator	Type	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Goal	FY 2007 Actual	FY 2007 Variance	Justification
Ombuds-man	Increase % of Comments Addressed in 90 Business Days	Outcome	17%	12%	26%	49%	N/A	N/A	
Business Gateway	Broken Links Per Month (%)	Output	N/A	N/A	5%	3%	N/A	N/A	Program discontinued collecting this data in FY 2006
Business Gateway	Unique Visitors (Average Number/Month)	Output	N/A	N/A	232,910	200,000	N/A	N/A	Program discontinued collecting this data in FY 2006
OFO/ HUBZone	Program Examinations Completed (#)	Output	510	593	703	680	687	1%	
OFO/DO	Lender Training (# Lenders)	Output	N/A	18,926	15,448	N/A	N/A	N/A	
OFO/DO	Marketing and Outreach (# Activities)	Output	N/A	479,098	460,869	N/A	N/A	N/A	
Agency Outcome	2.1.1 Prospective and Start-up Small Businesses Assisted.	Outcome	948,140	911,222	874,485	349,146	N/A (1)	N/A (1)	
Agency Outcome	2.1.2 % Prospective and Start-ups From Among Those Small Businesses Assisted	Outcome	67%	67%	66%	46%	N/A (1)	N/A (1)	
Agency Outcome	2.2.1 Increase the # of Existing Small Businesses Receiving Assistance.	Outcome	464,813	454,264	447,099	403,697	N/A (1)	N/A (1)	
Agency Outcome	2.3.1 Increase the # of Start-ups and Existing SCOG Small Businesses Receiving Assistance.	Outcome	583,618	563,811	366,161	84,889	N/A (1)	N/A (1)	
N/A(1) Data was not available at time of publication.									
N/A Data Not Available since data was not tracked. (Please note that for FY 2007 SCOGS was replaced by UNDERSERVED, thus SCOGS data is no longer tracked)									

Appendix 8 — Glossary of Acronyms and Abbreviations

504 **504 Loan Program**
Provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings and long-life capital equipment

7(a) **7(a) Loan Guaranty Program**
SBA's primary loan program. It provides general loan financing for a wide variety of purposes. The SBA guarantees small business loans for virtually every business purpose.

8(a) **8(a) Business Development Program**
Assists firms owned and controlled by socially and economically disadvantaged individuals to enter and succeed in the economic mainstream.

AFR **Agency Financial Report**

APR **Annual Performance Report**

BATF **Business Assistance Trust Fund**
A trust fund in the U.S. Treasury maintained to receive and account for donations made by private entities for activities to assist small business. SBA authorizes BATF disbursements in accordance with the donor's intention to assist small business.

BD **Business Development**
Uses SBA's statutory authority to provide business development and federal contract support to small disadvantaged firms.

BLIF **Business Loan and Investment Fund**
The Treasury fund used to maintain the accounting records of loans approved prior to 1992. It includes activity on direct loans, loan guaranties and defaulted guaranties purchased by the SBA. Loans approved subsequent to FY 1991 are maintained in another set of accounts under Federal Credit Reform Act guidelines.

CDC **Certified Development Company**
Refers to the Section 504 Certified Development Company debenture program. A participating CDC issues debentures to private investors to finance transactions with small business borrowers. SBA's guaranty covers 100 percent of the debenture financing, and the Agency honors its guarantee to the investor through a single Central Servicing Agent.

CFO **Chief Financial Officer**
The Chief Financial Officer is responsible for the financial leadership of the Agency. This includes responsibility for all Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes.

CFR **Code of Federal Regulations**
The codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government.

CIO **Chief Information Officer**
The Chief Information Officer is responsible for the management of information technology for the Agency, including the design, implementation and continuing successful operation(s) of information programs and initiatives.

DCMS **Disaster Credit Management System**
The electronic system used by the SBA to process loan applications for all new disaster declarations.

DLF **Disaster Loan Fund**
Assists eligible applicants impacted by disasters.

FASAB **Federal Accounting Standards Advisory Board**
Promulgates accounting principles for Federal Government reporting entities.

FCRA **Federal Credit Reform Act**
The Federal Credit Reform Act of 1990 was enacted to provide a more realistic picture of the cost of U.S. Government direct loans and loan guaranties. The credit subsidy cost of direct loans and loan guaranties is the net present value of the estimated long-term cost to the government for these credit activities, exclusive of administrative expenses.

FECA **Federal Employees Compensation Act**
Provides compensation benefits to federal civilian employees for work-related injuries or illnesses and to their surviving dependents if a work-related injury or illness results in the employee's death.

FEMA **Federal Emergency Management Agency**
A former independent agency that became part of the Department of Homeland Security in March 2003. It is tasked with responding to, planning for, recovering from and mitigating against disasters.

FERS **Federal Employees' Retirement System**
FERS became effective in 1987, and most federal civilian employees hired after 1983 are covered by this retirement system.

FFMIA **Federal Financial Management Improvement Act**

FMFIA **Federal Managers Financial Integrity Act**
Requires ongoing evaluations and reports on the adequacy of the internal accounting and administrative control systems of executive agencies.

FY **Fiscal Year**
The SBA fiscal year begins on October 1 and ends on September 30.

GAO **U.S. Government Accountability Office**
The audit, evaluation and investigative arm of Congress. GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and ensure the accountability of the Federal Government.

HUB-Zone **Historically Underutilized Business-Zone**
Encourages economic development by the establishment of federal contract award preferences for small businesses located in historically underutilized business zones.

IT **Information Technology**
Refers to matters concerned with the design, development, installation and implementation of information systems and applications.

LMS **Loan Monitoring System**
Aids the SBA in managing its core loan guaranty programs and serves as one of the building blocks in the overall systems modernization project.

MD&A **Management's Discussion and Analysis**
The MD&A is considered required supplementary information for federal financial statements and is designed to provide a high level overview of the Agency.

MRF **Master Reserve Fund**
SBA's fiscal and transfer agent maintains this reserve fund to facilitate the operation of the 7(a) secondary market program.

N/A **Not Applicable**

OCA **Office of Capital Access**
SBA office responsible for small business program loans, lender oversight, the investment company program, the surety bond program and international trade.

OCFO **Office of the Chief Financial Officer**
The office responsible for the financial activity of the Agency. This includes Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes.

OCIO **Office of the Chief Information Officer**
Supports and provides guidance for SBA's nationwide computer automation and information technology efforts.

ODA **Office of Disaster Assistance**
SBA office that assists economic recovery in disaster ravaged areas. SBA's disaster loans are the primary form of federal assistance for non-farm, private sector disaster losses for individuals and businesses.

OFA **Office of Financial Assistance**
SBA office that administers various loan programs to assist small businesses.

OGC **Office of General Counsel**
Provides legal advice for senior management, as well as legal support for all Agency programs, initiatives and administrative responsibilities.

OIG **Office of Inspector General**
Conducts and supervises audits, inspections and investigations relating to SBA programs and operations.

OMB **U.S. Office of Management and Budget**
Presidential office that oversees preparation of the federal budget and supervises its administration in Executive Branch agencies.

OPM **U.S. Office of Personnel Management** The Federal Government's human resources agency.

PAR **Performance and Accountability Report**

PART **Program Assessment Rating Tool**

PCECGF **Pollution Control Equipment Contract Guarantee Fund**
Supports costs associated with the credit portfolio of pre-October 1991 pollution control equipment loans and guaranties being liquidated by the Agency.

PLP **Preferred Lender Program**
Covers certified or preferred lenders that receive full delegation of lending authority.

PMA **President's Management Agenda**

RFA **Regulatory Flexibility Act**

SAS **Statement on Auditing Standards**
Establishes standards and provides guidance on the design and selection of an audit sample and the evaluation of the sample results.

SBA **Small Business Administration**
A federal agency of the Executive Branch whose mission is to aid, counsel and protect the interests of small businesses and help families and businesses recover from disasters.

SBDC **Small Business Development Center**
Delivers management and technical assistance, economic development and management training to existing and prospective small businesses through cooperative agreements with universities and colleges and government organizations.

SBG **Surety Bond Guarantee**
Provides guaranties, bid, performance and payment bonds for contracts up to $2 million for eligible small businesses that cannot obtain surety bonds through regular commercial channels.

SBGRF **Surety Bond Guarantee Revolving Fund**
Provides assistance to small business contractors in obtaining bid, performance and payment bonds for construction, service and supply contracts.

SBIC **Small Business Investment Company**
Provides equity capital, long-term loans, debt-equity investments and management assistance to small businesses, particularly during their growth stages.

SBLC **Small Business Lending Company**
Non-depository small business lending companies listed by the Office of Capital Access.

SBPRA **Small Business Paperwork Relief Act of 1992**

SBREFA	**Small Business Regulatory Enforcement Fairness Act**
SCORE	An organization that offers counseling and training for small business owners who are starting, building or growing their businesses. Sponsored by the SBA, SCORE's services are free of charge and are provided by retired or active business volunteers.
SDB	**Small Disadvantaged Business** Small business owned and controlled by individual(s) who are socially and economically disadvantaged.
SOP	**Standard Operating Procedure** Standard Operating Procedures are the primary source of the Agency's internal control.
SSBIC	**Specialized Small Business Investment Company** Provides equity capital, long-term loans, debt-equity investments and management assistance to socially or economically disadvantaged small businesses.
WBC	**Women's Business Center** Provides long-term training and counseling to women owning or managing a business, including financial, management, marketing and technical assistance, and procurement.

Office of the Inspector General Budget Request

U.S. Small Business Administration
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Fiscal Year 2009 Budget Request

Congressional Submission

February 4, 2008

U.S. Small Business Administration
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Executive Summary

OIG Mission

The Small Business Administration (SBA) Office of Inspector General (OIG) is an independent and objective oversight office created within SBA by the Inspector General Act of 1978, as amended (IG Act). The OIG provides auditing, investigative, and other services to support and assist SBA in achieving its statutory mission to maintain and strengthen the Nation's economy by protecting the interests of, and assisting, small businesses, and helping families and businesses recover from disasters. Under the authority of, and in fulfillment of, the IG Act, the OIG:

- Promotes economy, efficiency, and effectiveness in the management of SBA programs and supporting operations;
- Conducts and supervises audits, investigations, and reviews relating to the Agency's programs and supporting operations;
- Detects and prevents fraud and abuse;
- Reviews existing and proposed legislation and regulations and makes appropriate recommendations; and
- Keeps the SBA Administrator and Congress informed of serious problems and recommends corrective actions and implementation measures.

The OIG also carries out other significant statutory responsibilities and Government-wide mandates. These include responsibilities under the Small Business Act and the Small Business Investment Act.

Highlights of the Budget Request

For Fiscal Year (FY) 2009, the OIG requests a total of **$16.5 million** – **$15.5 million** in direct appropriations and **$1.0 million** to be transferred from SBA's Disaster Loan program account for work on disaster program issues. This funding request compares with total monetary recoveries and savings during FY 2007 of almost **$130 million** from disallowed costs agreed to by management, recommendations that funds be put to better use agreed to by management, court ordered and other investigative recoveries and fines, and loans/contracts not made as a result of investigations and name checks – a sizable return on investment. The funding level requested for FY 2009 is essential for the OIG to: (1) investigate and deter loan fraud and other wrongful conduct, including widespread fraud by loan agents involved with SBA assisted financing; (2) perform effective oversight of multiple SBA programs through audits and other work; and (3) continue to pay for SBA's financial statement audit, which alone accounts for about 12 percent of the amount requested.

While SBA's non-disaster staffing has decreased by about 28 percent since 2001, the Agency's total loan portfolio has increased by 59 percent during this same period. In FY 2007 alone, a total of 103,000 new Section 7(a) and Section 504 loans were funded – the most in the Agency's history – representing $19.8 billion in new lending. In addition, even prior to the significant disaster assistance provided in connection with the Gulf Coast hurricanes of 2005, the number and dollar value of SBA disaster loans for FY 2005 were nearly double the amount in the previous year as a result of the series of hurricanes in Florida during 2004. The Agency's portfolio of loans receivable has also grown significantly. Credit program receivables, including business and disaster direct loans and defaulted business loans purchased per the terms of SBA's loan guaranty programs, were valued at $8.3 billion at the end of FY 2007, an increase of 31 percent over the previous year.

With significantly more taxpayer dollars at risk, coupled with the Agency's diminished oversight capabilities as a result of its reduced staffing levels, there is greater potential than ever for waste, fraud and abuse in SBA's financial assistance programs. An example of this is an ongoing case that is developing into one of the most significant fraud schemes ever investigated by the OIG. This conspiracy, which is being investigated jointly with the U.S. Secret Service, involves at least 76 fraudulent SBA-guaranteed loans totaling over $76 million. To date, the investigation has resulted in the indictment of 31 individuals, including the former executive vice president of the participating SBA non-bank lender, as well as a bank vice president who aided in the scheme by providing false financial documents to assist in the approval of these loans. To date, recoveries and cost savings total approximately $16 million.

As SBA and its resource partners increasingly rely on Information Technology (IT), the need for close scrutiny of the security of information systems and related privacy data has also increased dramatically. An OIG review of SBA's protection of sensitive information determined that SBA had not fully implemented the required data protection safeguards outlined in Office of Management and Budget (OMB) Memorandum 06-16, *Protection of Sensitive Agency Information,* by the specified deadline. The review also found that SBA was vulnerable to unauthorized disclosure of personally identifiable information, particularly information stored on mobile computers and devices.

The SBA directs significant efforts toward helping small businesses obtain Federal contracts and providing other business development assistance. During FY 2006, more than $77.7 billion in contracts were awarded to small businesses, including over $12.5 billion in contracts under the Section 8(a) program. Current issues affecting SBA's Government Contracting and Business Development programs require a continued high-level of focus by the OIG. For example, major vulnerabilities within the Section 8(a) program include limited program oversight; inequitable distribution of contracting opportunities among participants; a lack of implemented measurable, consistent, and mandatory criteria pertaining to all aspects of economic disadvantage; a lack of implemented criteria defining business success for purposes of program graduation; inadequate emphasis on business development; and a primary database that does not contain the information needed to successfully manage the program.

While there continues to be substantially more work than the OIG can undertake within current or even requested resources, the funding requested for FY 2009 will enable us to maintain an auditing and investigative focus on the most critical areas by:

- Conducting audits and reviews of high-risk SBA activities, continuing to focus on systemic programmatic and operational vulnerabilities;

- Reviewing and providing comments on statutory changes, regulations, policies and procedures, and other issuances proposed by SBA or affecting SBA programs or operations, with a continued emphasis on limiting wasteful, confusing, or poorly-planned initiatives;

- Working an active caseload of approximately 200 investigations of potential loan and contracting fraud and other wrongdoing, continuing the OIG's successes in prosecuting complex, multimillion dollar fraudulent financial schemes;

- Contracting with a certified public accounting (CPA) firm to perform the audit of SBA's financial statements for transactions related to the Agency's $84.5 billion guaranteed and direct loan portfolio;

- Performing required background investigations for SBA employees in public trust and national security positions in order to achieve a high level of integrity in the Agency's workforce;

- Promoting the prosecution of civil fraud cases, debarment, and administrative enforcement actions to foster integrity in Agency programs; and

- Conducting name checks and, where appropriate, fingerprint checks on program applicants to prevent known criminals and wrongdoers from participating in SBA programs.

The OIG will continue to focus on three critical risks facing SBA, as discussed in the OIG's FY 2006 – 2011 Strategic Plan.

- Risks of financial losses due to SBA's downsizing, centralization, and limited oversight and controls.

- Risks to SBA's performance of its statutory mission to promote small business development and government contracting.

- Risks associated with SBA's IT and financial management systems, and other internal operations.

OIG Strategic Goals

The OIG's FY 2006 – FY 2011 Strategic Plan contains two strategic goals that are aligned with the office's central mission under the IG Act.

- Improve the economy, efficiency, and effectiveness of SBA programs and operations.

- Promote and foster integrity in SBA programs and operations.

The OIG seeks to improve SBA programs by identifying key issues facing the Agency, ensuring that corrective actions are taken, and promoting a high level of integrity. The OIG focuses on serving the needs of its customers and stakeholders and safeguarding SBA resources from waste, fraud, and abuse. The following table shows the resources requested in FY 2009 for each of the OIG's strategic goals and the anticipated impact/outcomes.

Strategic Goal	FY 2009 Request	Anticipated Impact/Outcomes
Goal 1: Improve the economy, efficiency, and effectiveness of SBA programs and operations.	$8.25 million	➢ Improvement of efficiency and effectiveness in the delivery of SBA programs. ➢ Resolution of OIG-identified Management Challenges. ➢ Enhancement of internal controls. ➢ Reduction of risks to, and increased integrity of, Agency programs and operations. ➢ Reduction of fraud and abuse in SBA programs and operations.
Goal 2: Promote and foster integrity in SBA programs and operations.	$8.25 million	
Total	**$16.5 million**	

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Summary of the Budget Request

Dollars in Thousands	**FY 2007 Actual**	**FY 2008 Estimate**	**FY 2009 Request**	**FY 2009 Increase/ (Decrease)**
New Budget Authority	$13,855	$15,000	$15,500	$500
Transfer from Disaster	1,485	500	1,000	500
Total	**$15,320**	**$15,500**	**$16,500**	**$1,000**

These funding levels include activities required by various statutes and directives, as well as projects and activities that will further the OIG's achievement of its strategic goals. Funding for each project or function includes salary and benefits (about 83 percent of the total amount requested), including Law Enforcement Availability Pay for the OIG's criminal investigators; the annual audit of the Agency's financial statements by a CPA firm (about 12 percent of the total amount requested); background investigations for SBA employees in public trust and national security positions; and required travel, training, and equipment for auditors and investigators.

Critical Risks Facing SBA

In an era of tight budgets, the OIG must focus on the most significant risks to SBA and the taxpayer, and on improving program and operational processes. The OIG's activities during FY 2009 will focus on assisting SBA in meeting the challenges that it faces and accomplishing its mission in the most effective, efficient, and economical manner possible. Critical risks currently facing the Agency include the following.

Risks of Financial Losses Due to SBA's Downsizing, Centralization, and Limited Oversight and Controls

The SBA faces an increased risk of losses and unnecessary payments due to its growing reliance on the actions of parties outside of the Agency over which it does not always exercise adequate oversight. This risk has been further heightened as a result of Agency efforts to expand its loan portfolio while downsizing and centralizing lender oversight activities in recent years. For example:

- The Section 7(a) and Section 504 programs, which are designed to facilitate loans to small businesses, now rely on more than 5,000 lenders and other entities across the country to make loans, many of which are made without direct SBA oversight. Currently, about 80 percent of loans guaranteed annually by SBA are made by SBA lenders under delegated authority. The OIG's review of the Agency's delegation to lenders of virtually all loan processing and administration functions indicated that the Agency does not have sufficient controls to detect fraud and prevent unnecessary losses. The OIG has identified Management Challenges relating to the Agency's controls in the guaranty purchase process, oversight of lenders, and efforts to deter fraud by loan agents. OIG audits and reviews have further identified other areas where insufficient controls are in place over SBA financial assistance programs.

- Under the Small Business Investment Company (SBIC) program, SBA licenses venture capital firms to provide financial assistance to small firms. SBA is exposed to significant losses under this program due to the large dollar amount of Agency obligations, and in recent years has experienced billions of dollars in losses. The OIG has identified a Management Challenge relating to SBA's oversight of the SBIC program.

- The Disaster Loan program is another key SBA lending program, which provides direct Federal assistance for non-farm private-sector disaster losses. This highly visible program is vulnerable to fraud and unnecessary losses because loan transactions are often expedited using significant numbers of inexperienced employees in order to provide relief to disaster victims as quickly as possible.

Risks to SBA's Performance of Its Statutory Mission to Promote Small Business Development and Government Contracting

The Small Business Act directs that SBA promote the award of Government contracts to small businesses and firms owned by less privileged groups (such as minorities, service-disabled veterans, women, firms from areas of low economic activity, and others). Recently, Federal agencies have streamlined their acquisition practices by using, for example, multiple award contracts, Federal supply schedules, and credit card purchases, thereby making it more challenging for small businesses to compete. Various studies by the Government Accountability Office (GAO), the OIG, and others have also highlighted government-wide flaws in procurement processes and regulations that can result in large businesses performing contracts intended for small businesses. The OIG has identified Management Challenges that address deficiencies in SBA's program management relating to the oversight of small business awards and promotion of business development and procurement opportunities for minority-owned firms.

Risks Associated with SBA's IT and Financial Management Systems, and Other Internal Operations

The SBA depends on a complex IT environment, which includes a number of mission critical systems running on a mix of legacy mainframe, client-server, and minicomputers. SBA has had difficulty producing reliable and timely financial and management information to support its operations, primarily because of reliance on outdated IT systems that are not integrated with other systems. Although the Agency continues its efforts to enhance existing applications, improvements are still required in a number of key areas. Other factors that affect IT infrastructure and increase control risks include the age of core operating systems, deficiencies with Agency computer security programs, consolidation of operations, the complexity of models and programs, increased reliance on third party providers, and failure and/or inability to address OIG audit recommendations.

The Agency has taken steps to improve its financial management and reporting. These efforts have been focused primarily on improving the Agency's models for estimating subsidy costs, improving controls over financial statement preparation, and correcting accounting errors related to loan sales and subsidy cost allowances. For FY 2007, SBA received an unqualified opinion on its financial statement audit; however, the auditors identified a number of other areas where improvements were needed. Thus, despite considerable improvement, IT and financial management issues continue to present significant challenges for the Agency.

Aging information systems, coupled with changing Federal financial reporting and security standards, increase the risk that SBA's fragmented financial processes may hinder the Agency's capability to carry out its mission and maintain the security of its information and assets. For example, SBA's FY 2007 financial statement audit reported a significant deficiency related to security controls to provide reasonable assurance that IT resources such as data files, application programs, and IT-related facilities/equipment are protected against unauthorized modification, disclosure, loss, or impairment.

Risks Associated with Disaster Assistance

As a general rule, SBA's practice of processing disaster loans as quickly as possible, using significant numbers of inexperienced employees, places the Disaster Loan program at risk. Specific risks include:

- *Loan Decisions* – Loan approval and decline decisions are made quickly and frequently by inexperienced loan officers.

- *Loan Disbursement and Repayment* – The loan disbursement process frequently involves progress payments, and SBA may not identify misuse of proceeds or defaults until one year from the date of the note for the loan under deferred payment requirements.

- *Loan Servicing and Liquidation* – Historically, loan servicing has been understaffed, thereby lessening controls over liquidation of collateral, charge-offs, and debt collection activities. Furthermore, collateral supporting loans may have other mortgages ahead of SBA's lien position.

- *Potential for Duplication of Benefits* – The scope and breath of damage may increase aid and assistance at the Federal, State and local levels, thereby exacerbating potential duplication of benefits.

- *Loan Fraud* – Based on referrals to the OIG, individuals have claimed property damage that never occurred or for property not owned during the disaster; made false statements about criminal records; wrongfully collected payments from the Federal Emergency Management Agency (FEMA) while applying for an SBA loan; attempted to bribe SBA officials; misused SBA loan funds for gambling or other unauthorized purposes; and overstated financial losses.

Strategic Goals and Objectives

The two goals in the OIG's Strategic Plan are designed to align available resources and manage auditing, investigative, and other activities in the light of SBA's most significant challenges and risks.

Strategic Goal 1: Improve the Economy, Efficiency, and Effectiveness of SBA Programs and Operations

Through audits, investigations and other efforts, the OIG reviews all aspects of SBA's operations to improve Agency efficiency and effectiveness. The subject areas examined are determined in response to legislative mandates or requests from sources outside the OIG, or through OIG assessments of SBA's risks and vulnerabilities. An important aspect of this work is developing and following up on the major Management Challenges facing SBA in accordance with the Reports Consolidation Act. In addition, the OIG increasingly focused available resources on specific legislative and other mandates.

Objectives

- Identify systemic weaknesses and solutions in critical SBA programs and operations.

- Assist SBA in improving the security over, and accuracy of, SBA accounting and performance information.

Implementation Strategies

- Conduct audits and reviews of high-risk activities and conduct follow-up reviews to assess implementation.

- Periodically analyze audits and reviews, as well as investigations of complaints and program participants, to identify trends and systemic weaknesses.

- Regularly work with the Agency to identify, update, and resolve the top Management Challenges.

- Focus audits and reviews to identify improper payments, unnecessary losses, and questionable expenditures.

- Respond in a timely and effective manner to inquiries, complaints, and clearances.

- Review proposed and existing Agency legislation, regulations and directives, and provide timely and relevant recommendations to Agency decision makers.

FY 2007 Accomplishments

During FY 2007, the OIG devoted considerable time and resources to auditing three critical high-risk activities of SBA: (1) providing oversight of lenders who are authorized to make SBA-guaranteed loans; (2) processing loans to victims of recent disasters; and (3) providing oversight of the Section 8(a) Business Development program and government contracting programs to ensure contractor compliance with program requirements.

Lender Oversight

Annually, approximately 80 percent of SBA's guaranteed loans are made by lenders to whom SBA has delegated loan-making authority. Under this delegation, lenders are allowed to originate, service, and liquidate loans with little oversight from SBA. SBA's growing reliance on delegating loan-making authority to commercial lenders has increased the risk of financial losses for the Agency, resulting in an increased need for audit attention.

During FY 2007, the OIG issued 12 reports that identified major deficiencies in SBA's oversight of its lenders (4 of these reports addressed various lender oversight activities and 8 related to specific SBA-guaranteed loans). For example, the OIG's review of SBA's purchase process for honoring guaranties on SBA*Express* and Community*Express* loans estimated that SBA purchased up to $130.6 million in guaranties without ensuring that the lenders properly managed the loans. The audit identified instances where lenders failed to verify borrowers' use of loan proceeds, verify the accuracy of financial information, or properly determine their eligibility and creditworthiness. Similarly, a review of the guaranty purchase process for 7(a) loans at the National Guaranty Purchase Center disclosed instances where SBA purchased guaranties without adequately analyzing available documentation or obtaining sufficient information needed to assess whether lenders originated, serviced, and liquidated loans in accordance with SBA requirements and prudent lending practices. Based on the results of this review, the OIG estimated that SBA made approximately $36 million in erroneous payments on loans with purchase reviews completed between October 2004 and May 2005.

The OIG also audited SBA's process for assessing lender performance to determine whether the Agency implemented appropriate and timely actions to correct identified lender deficiencies. The review found that, while SBA had an adequate rating system for assessing lender risk, it arbitrarily limited the number of lenders that could be considered "high-risk" to no more than 10 percent of the total lenders evaluated. Based on OIG recommendations, SBA agreed to reconsider how risk ratings are used to determine which lenders are high-risk. The OIG also found that SBA conducted on-site examinations of only about one-third of its lenders and generally was not timely in notifying them of deficiencies discovered during the examination process.

Disaster Loans

The size and magnitude of SBA's Gulf Coast hurricane disaster relief effort has required the OIG to provide timely, effective, and proactive oversight to minimize potential fraud, waste, and abuse. The OIG has dedicated substantial resources to audits and investigations related to disaster loans, including loans for the 2005 Gulf Coast hurricanes and the series of hurricanes in Florida during 2004. The OIG's audit and investigation plans for the 2005 Gulf Coast hurricanes are outlined in a five-year work plan that summarizes anticipated projects based on risks identified in past disasters and risks arising from the unique aspects of these hurricanes.

After the 2005 Gulf Coast hurricanes, SBA faced significant challenges in meeting the demand to process an unprecedented number of loans. Loan approval and decline decisions were made quickly and frequently by inexperienced loan officers. In the fall of 2006, as public criticism mounted about SBA's slow progress in disbursing Gulf Coast disaster loans, SBA launched a campaign to expedite loan disbursements. Based on several employee complaints and Congressional inquiry into these activities, the OIG issued a series of reports examining issues that surfaced during the Agency's expedited disbursement initiative. For example, the OIG reported that loans generally were not being disbursed against borrowers' wishes, as alleged by employee complaints. The OIG also assessed whether disbursements occurred without obtaining the necessary documentation from borrowers to secure the loans. The OIG reported that SBA disbursed an estimated $368 million in loan proceeds on about 3,113 secured loans without perfecting liens on property used as collateral or completing UCC filings, increasing the Agency's risk of losing its lien position to other creditors. Additionally more than half of the Gulf Coast loans totaling over $3.7 billion were processed under the SBA's Expedited Loan Program, which was established to reduce the processing time for underwriting disaster loans. After examining loans made under expedited procedures, the OIG estimated that $1.5 billion may have been awarded to applicants who lacked repayment ability. Consequently, there is a high probability that a significant number of loans processed under expedited procedures will default.

Government Contracting and Business Development

The OIG also issued several key audit reports concerning SBA's government contracting programs. For example, an audit found that SBA did not follow its own regulations when determining whether companies qualified as small for 8(a) procurements. In response to the audit report, SBA developed a strategic plan to ensure that size determinations were correctly made. In another audit of Section 8(a) contracting related to Gulf Coast reconstruction, the OIG identified issues with the completeness and accuracy of procuring agency reports on 8(a) contracts, impairing SBA's ability to effectively monitor 8(a) program participants. Another audit determined that two 8(a) mentor protégé program participants were improperly awarded sole-source contacts and, ultimately, failed to perform the contracts in compliance with 8(a) program laws and regulations. Review of the contract awards and performance disclosed that large businesses performed 86 to 98 percent of the contract work and materially benefited from the contracts that were sole-sourced to 8(a) participants, contrary to the intent of the 8(a) and mentor-protégé programs. Finally, another important audit found that SBA performed only limited oversight of large prime contractors' subcontracting plans, which resulted in billions of dollars of subcontracts escaping oversight. In FY 2006, only 968 (less than half) of an estimated 2,200 large prime contractors were reviewed, and most of the reviews were off-site or relied heavily on contractors' self-reported achievements. In addition, SBA had sharply curtailed active marketing and matchmaking activities of its Commercial Market Representatives (CMRs), and revised its regulations to eliminate the matchmaking function. The OIG recommended that the Agency develop an annual performance plan for the Subcontracting Assistance Program that establishes performance goals that more directly measure program effectiveness, and annually report the number and dollar value of subcontracts to small businesses, as required by law.

Other Accomplishments

- The OIG also reviewed SBA's protection of sensitive information and its IT security processes. One review determined that SBA had not fully implemented the required data protection safeguards outlined in OMB Memorandum 06-16, *Protection of Sensitive Agency Information,* by the specified deadline. This review also found that SBA is vulnerable to unauthorized disclosure of personally identifiable information, particularly those stored on mobile computers and devices. Other IT audits also found additional vulnerabilities and deficiencies.

- Pursuant to the Chief Financial Officers Act of 1990, the audit of SBA's FY 2007 financial statements was performed by KPMG LLP under a contract with the OIG. The independent auditors' report concluded that SBA's consolidated financial statements presented fairly, in all material respects, the financial position of SBA as of and for the years ended September 30, 2007 and 2006. The financial statements also presented fairly, in all material respects, SBA's net costs, changes in net position, and combined statements of budgetary resources for the years then ended. With respect to internal control over financial reporting, KPMG reported a significant deficiency related to IT security controls, but did not consider this deficiency to be a material weakness. In addition, the auditors' test for compliance with certain laws, regulations, contracts, and grant agreements determined that SBA did not fully comply with the Debt Collection Improvement Act (DCIA) of 1996 because the Agency did not consistently follow Treasury guidelines when referring delinquent debts for collection.

- The OIG's FY 2007 report on SBA's Management Challenges was again singled out for praise by the Mercatus Center at George Mason University, which stated "The SBA report provides the best example by far of an insightful inspector general assessment and should serve as a model for other inspectors general." For each Management Challenge, the OIG identified the steps needed to resolve it and used a color coded "scorecard" system to rate the Agency's progress under each of the steps. OIG staff met with program offices to discuss the challenges and provide the OIG's current assessment of Agency progress in addressing them. This approach provided clear communication of the Management Challenges and the recommended actions to overcome them. It also provided interested parties outside of SBA with a way to know the extent of progress made. Lastly, program managers were provided with an incentive to overcome the challenges by achieving favorable color scores.

The OIG's activities and accomplishments are discussed in more detail in the office's Semiannual Reports to Congress. Statistical highlights are also provided in the OIG's FY 2007 Performance Report later in this document.

FY 2008 – FY 2009 Planned Performance

During FY 2008 and FY 2009, in addition to conducting audits and reviews that are required by statutes and other directives, the OIG will focus on the most critical risks facing SBA, as discussed above, and on improving program and operational processes. Several areas of emphasis are discussed below. Additional activities and strategies for accomplishing this strategic goal are contained in the OIG's FY 2008/2009 Performance Plan later in this document.

Financial Management

The Chief Financial Officers Act of 1990 requires each Federal agency to have annual audited financial statements. In addition, a key Administration initiative is to have agencies improve their financial management activities, to include providing financial statements and financial performance information in a timelier manner. A five-year contract was awarded to KPMG to conduct the audits of SBA's financial statements, as well as the FISCAM reviews, beginning in FY 2006. This contract accounts for 12 percent of the total amount requested by the OIG for FY 2009.

Performance Measurement

Managing for results and producing annual performance plans and reports requires valid, reliable and high-quality performance measures and data. The OIG will review selected SBA performance data to determine its accuracy and completeness and assess the process used to ensure the quality of such data. The results of these reviews will provide valuable information to decision makers who rely on the information to assess SBA's performance and accountability.

Information Technology

As SBA and its resource partners increasingly rely on IT, the need for close scrutiny of the security of information systems and related privacy data has also increased. For example, the OIG was requested by OMB to monitor SBA's controls over Personally Identifiable Information as part of its annual review of SBA's compliance with FISMA. The OIG will conduct audits to assess the controls and security of SBA's computer operating system and network by reviewing SBA's commitment to providing sufficient resources in order to manage computer security, maintain SBA systems, provide technical support, and administer security training. The OIG will also identify ways to improve the quality of data collected through the loan accounting and loan application tracking systems. These loan tracking and financial reporting systems play a key role in SBA oversight of its $84.5 billion guaranteed and direct loan portfolio, and provide information for performance measurement. The OIG will continue periodic audits of the Agency's main information systems including the recently upgraded Disaster Credit Management System. These audits will look for IT security weaknesses and determine whether the IT systems meet users' needs and contain accurate data. As threats to disrupt cyber-based systems continue to occur throughout the world, the Agency must take steps to improve controls to prevent such disruptions and ensure the continuity of mission critical operating systems.

Financial Assistance

As the Agency has downsized, centralized its operations, and increasingly turned more loan processing and administration responsibilities over to lenders, often with limited guidance and oversight, the risks of lender non-compliance and negligence have increased. The OIG will continue to review internal controls over the business loan programs, specifically the 7(a) and 504 loan programs. Efforts will emphasize on determining whether the Agency is reducing improper payments in its purchases of guaranteed loans and properly liquidating loans prior to charge-off. Reviews will also include assessments of SBA's collateral valuations and appraisal oversight. The OIG will also continue to conduct audits of business loans and disaster assistance loans that go into default quickly because past work has shown that, frequently, such loans were not properly originated and effective controls and procedures were not in place to prevent improper payments. In addition, the OIG will continue to review the Agency's oversight of the SBIC program, with emphasis on the examination, licensing, and funding processes.

Government Contracting and Business Development

The SBA directs significant effort towards helping small businesses obtain Federal contracts and providing other business development assistance. SBA's Office of Government Contracting and Business Development is tasked with helping small businesses obtain a fair proportion of Federal contracting opportunities, and helping small, disadvantaged, and women-owned businesses build their potential to compete more successfully in a global economy. During FY 2008 and FY 2009, the OIG will focus on SBA's oversight of, and current issues affecting, Government Contracting and Business Development programs. For example:

- There has been a high level of Congressional interest in ensuring that small businesses receive a fair share of Federal contracts. The OIG will continue to assess whether SBA is taking adequate steps to ensure the integrity of small business contracting, with an emphasis on issues such as the accuracy of reporting small business contract activity, large businesses being classified as small businesses, failure to always follow regulations to protect small businesses, training of government contracting personnel, deterring fraudulent acquisition of government contracts, and contract bundling.

- The purpose of the Section 8(a) program is to "assist eligible small disadvantaged business concerns compete in the American economy through business development." Major vulnerabilities within this program include limited program oversight; inequitable distribution of contracting opportunities among participants; a lack of implemented measurable, consistent, and mandatory criteria pertaining to all aspects of economic disadvantage; a lack of implemented criteria defining business success for purposes of program graduation; inadequate emphasis on business development; and a primary database which does not contain the information needed to successfully manage the program. The OIG will continue to review these issues and SBA's management of the 8(a) program.

Disaster Assistance

During FY 2008 and FY 2009, the OIG will initiate or continue ongoing reviews to determine whether: loan recipients are receiving duplicate benefits from other agencies or from insurance proceeds and, if so, if the SBA loans are being appropriately reduced; SBA has controls in place to effectively process and monitor loan modifications associated with relocations; SBA adequately monitors disaster loans with deferred repayment to allow maximum collections by SBA; disaster staff levels are appropriate and staff are properly trained and deployed; loan progress payments are adequately supported and made in accordance with the SBA procedures; loan servicing centers adequately service and transfer loans to liquidation in a timely manner; cash flow processes and procedures for assessing loan repayment ability are reasonable; SBA is efficiently and effectively liquidating disaster loans; and disaster loans that fail within 18 months of the first loan payment received adequate screening and credit evaluation during the application process and were serviced in accordance with loan provisions and regulations.

Management Challenges

As required by the Reports Consolidation Act of 2000, the OIG annually develops a report of the most serious Management Challenges facing SBA. The OIG's report on SBA's top Management Challenges is included in the Agency's Performance and Accountability Report (PAR). The Management Challenges focus on areas that are particularly vulnerable to fraud, waste, error, and mismanagement, or otherwise pose a significant risk, and generally have been the subject of one or more OIG or Government Accountability Office reports. In FY 2009, the OIG will continue to identify serious Management Challenges facing the Agency and will work throughout the year with SBA management to resolve identified issues as quickly and efficiently as possible.

Strategic Goal 2: Promote and Foster Integrity in SBA Programs and Operations

The OIG directly supports the Agency's mission by detecting, investigating, and deterring fraud and other wrongdoing in SBA programs and operations. OIG activities strive to ensure that SBA employees, loan applicants, and program participants possess a high level of integrity. This is critical to the proper administration of SBA's programs because it helps ensure that SBA resources are utilized by those who deserve and need them the most.

Objective

- Detect and deter fraud and other criminal activity, misconduct and abuse.

Implementation Strategies

- Give priority to investigations with a potentially broad systemic impact.
- Assess trends, target areas of greatest vulnerability and gaps in controls, and recommend systemic control improvements.
- Develop proactive investigations to uncover fraud and other wrongdoing.
- Emphasize the use of debarment and other administrative actions to deter fraud and other wrongdoing.
- Expand outreach with lenders and SBA officials to educate them on how to identify and prevent potential fraud and other wrongdoing.
- Provide Agency decision makers with timely background information about program participants and Agency employees to identify potential risks.
- Respond in a timely and effective manner to complaints and referrals.

FY 2007 Accomplishments

The OIG continued a nationwide focus on promoting a high level of integrity in SBA programs and safeguarding SBA resources from fraud, waste, and abuse. During FY 2007, OIG investigations resulted in 79 indictments, 60 convictions, almost $21 million in potential recoveries and fines, and almost $10 million in loan/contracts not approved or canceled.

The SBA Disaster Loan program was the focus of much effort during FY 2007. In order to address fraud allegations associated with the 2005 Gulf Coast hurricanes, the OIG opened a new Southern Regional Office in New Orleans at the end of FY 2006. Working in conjunction with the Hurricane Katrina Fraud Task Force, the OIG made 26 arrests and obtained 29 indictments and 22 convictions from the Task Force's inception through September 30, 2007. As disaster loans come due after the initial 12-month deferral of payments, the OIG anticipates more allegations of fraud and potential loss to SBA. The types of allegations being investigated include unauthorized use of loan proceeds, material false statements in the application process, false/counterfeit supporting documentation, and false assertions regarding primary residency in affected areas at the time of the disaster. In one case, a CPA made false statements to several lenders in Louisiana so that they would approve four loans totaling approximately $2.9 million. She impersonated an SBA employee and falsely represented that SBA disaster loans had been approved and committed for businesses controlled by her employer. The CPA pled guilty to making false statements relating to loan and credit applications. The OIG has also investigated and prosecuted multiple subjects who applied for disaster assistance claiming that their primary residences were in the affected hurricane areas when, in fact, they were not.

Although the disaster loan program generated many cases in FY 2007, SBA's largest potential exposure to loss is in the Section 7(a) and Section 504 business loan programs. The OIG continued to uncover numerous fraudulent schemes in this area involving false statements, counterfeit documents, misuse of proceeds, and a range of other violations. One such case involved a borrower who inflated his Personal Financial Statement and failed to disclose a prior bankruptcy when he applied for an SBA-guaranteed loan of $1.5 million to purchase a cabinet making business. As a result of the OIG investigation, he was sentenced to 12 months in prison, 5 years supervised release, and was ordered to pay restitution of $886,506. In another case, a hotel owner was sentenced to 6 months home detention, 3 years supervised release, and was ordered to pay $263,000 in restitution for failing to disclose that he was a convicted felon when applying for a $1.15 million SBA-guaranteed loan to buy the hotel.

Another focus during FY 2007 was loan agent fraud. A loan agent is employed and compensated by an applicant or lender to prepare an SBA loan application and/or refer the applicant to a lender (or vice versa). One loan agent manipulated the Section 7(a) loan program by recruiting unqualified borrowers to falsely obtain nine SBA-guaranteed loans, valued at $9.5 million, for convenience stores. As a result of the OIG investigation, the loan agent was sentenced to 5 years probation and ordered to pay $8.8 million in restitution jointly with four other defendants.

The OIG has also been actively combating corruption in the government. In one case during FY 2007, the former Assistant District Director of SBA's 8(a) Business Development Program in Puerto Rico was sentenced to 4 years in prison for accepting bribe payments in exchange for using his authority to award over $16 million in SBA 8(a) sole source contracts to an engineering firm. In another case, a business owner pled guilty to bribery charges relating to his application for a $594,000 loan through SBA's 504 loan program. The applicant falsely claimed he was a U.S. citizen on the application. When the SBA requested evidence of naturalization, he admitted he was not a U.S. citizen but requested a meeting with an SBA official. At the meeting (staged by SBA OIG agents), the applicant again admitted he was not a U.S. citizen, but presented a counterfeit certificate of naturalization for the SBA loan file and offered a $5,000 cash bribe to an undercover SBA OIG agent to influence an official act. The applicant's sentencing is pending.

The OIG's Office of Security Operations ensures that participants in programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guarantees, small business investment companies, and certified development companies meet SBA character standards. To accomplish this, the security staff utilizes name checks and, where appropriate, fingerprint checks to determine criminal background information. During FY 2007, the OIG processed 3,344 external name check requests for these programs. Based on data from its on-line connection with the FBI, the OIG also refers applicants who appear ineligible because of character issues to program officials for adjudication. As a result of OIG referrals during this reporting period, SBA business loan program managers declined 83 applications totaling over $29 million and disaster loan program officials declined 148 applications totaling over $10 million.

The OIG continues to use its Early Fraud Detection Working Group to proactively identify loans that may indicate fraud and to determine trends involving specific lenders or geographical areas. In another proactive effort to prevent future dollar losses, the OIG has issued a fraud alert to SBA employees and lenders about schemes affecting the SBA*Express* loan program. The OIG also conducted 18 fraud awareness presentations for representatives of lending institutions, SBA, other federal and local agencies, and law enforcement organizations.

The OIG believes that it is in the public interest to debar parties who have a history of fraud, or otherwise lack business integrity, from conducting business with the Federal Government. Accordingly, the OIG has adopted a proactive program to identify SBA program participants that have demonstrated a lack of business integrity and submit debarment recommendations to the SBA. During FY 2007, the OIG recommended 17 debarments. The Agency issued 6 final debarments.

The OIG's activities and accomplishments are discussed in more detail in the office's Semiannual Reports to Congress. Statistical highlights are also provided in the OIG's FY 2007 Performance Report later in this document.

FY 2008 – FY 2009 Planned Performance

During FY 2008 and FY 2009, in addition to conducting audits and reviews that are required by statutes and other directives, the OIG will focus on the most critical risks facing SBA, as discussed above, and on improving program and operational processes. Several areas of emphasis are discussed below. Additional activities and strategies for accomplishing this strategic goal are contained in the OIG's FY 2008/2009 Performance Plan later in this document.

Loan Agent Fraud

The OIG will continue its national initiative to detect fraud committed by loan agents, such as packagers and brokers. As previously mentioned, a loan agent is sometimes hired by an applicant or lender to assist the applicant in obtaining an SBA loan. Although honest loan agents can help small businesses gain access to capital, some dishonest ones have perpetrated fraudulent schemes involving tens of millions of dollars in loans. These fraudulent loans often default for non-payment, and SBA is forced to use taxpayer funds to purchase the guaranteed portions of the loans.

As an example of the scope of this issue, the OIG is working a case involving multiple loan agents that is developing into one of the most significant fraud schemes ever investigated by the OIG. This conspiracy, which is being investigated jointly with the U.S. Secret Service, involves at least 76 fraudulent SBA-guaranteed loans totaling over $76 million. To date, the investigation has resulted in the indictment of 31 individuals, including the former executive vice president of the participating SBA non-bank lender, as well as a bank vice president who aided in the scheme by providing false financial documents to assist in the approval of these loans. To date, recoveries and cost savings total approximately $16 million.

Due to the increased criminal activity seen through the above mentioned investigation, the OIG established a new office in Detroit, Michigan. Through work with other law enforcement agencies in the Detroit area, the OIG has gained additional knowledge of the methods, practices, and culture of organized groups, at times involving loan agents and corrupt lending officials, who are committing fraud against the SBA. The OIG's ability to quickly develop multi-subject investigations, involving millions of dollars in SBA-guaranteed loan funds, indicates there is a significant fraud problem for the SBA in this area of the country. Through ongoing investigative efforts (e.g., analysis of loan files, development of informants, and expansion of intelligence) and by working closely with the U.S. Attorney's Office, the Joint Terrorism Task Force, and other law enforcement agencies, the OIG's case inventory has increased so significantly that the OIG regularly has had up to three agents from other cities working on temporary assignments in Detroit. These fraud trends are expected to continue in the Detroit area for years to come.

Disaster Loans

The Disaster Loan program provides low-interest loans to disaster victims. Some unscrupulous applicants attempt to defraud this program, taking advantage of the fact that the loans are made in emergency situations requiring immediate assistance. The OIG will continue to devote substantial resources to identifying and prosecuting fraud related to loans made as a result of the 2004 hurricanes in Florida, the 2005 Gulf Coast hurricanes, and other disasters around the country. For example, because of the threat of hurricanes impacting Florida and the surrounding states on an annual basis, as well as the crime statistics for this state, the OIG established a new office in Miami, Florida, to better respond to fraud referrals involving SBA loans.

SBAExpress Loans

The SBA*Express* program allows qualified lenders to use their own procedures to make loans up to $350,000 with a maximum SBA guaranty of 50 percent. While such latitude can expedite credit to small businesses, the limited level of SBA oversight has created opportunities for organized individuals or groups to secure multiple loans, often under $50,000 each, by having relatives, friends, and associates apply on behalf of shell or non-existent businesses using false identities and inflated business incomes. Across the country, the OIG has seen an increased number of cases, with millions of dollars at risk, involving the SBA*Express* loan program.

In one case, over 50 fraudulent SBA*Express* loan applications, possessing common fictitious information, were submitted to multiple lenders by an organized group hoping to obtain funds for illicit purposes. Prior to the disbursement of the majority of the loans, the OIG made contact with the involved banks allowing the lenders to deny most of these fraudulent applications. Investigation of the loan agent and borrowers associated with this case is continuing.

Government Contracting

One serious government contracting issue involves companies that misrepresent themselves as small, minority-owned or disadvantaged businesses to gain an unfair advantage in the Federal marketplace. Another area of concern relates to corrupt contractors who attempt to influence the award process by paying bribes and gratuities to government officials involved in the contracting process. In a recent joint case involving 8(a) contractors, six subjects were indicted and have pled guilty for their role in a multimillion dollar bribery scheme centered on steering Department of Defense contracts to a company owned by one of the subjects.

Security Operations

The OIG's Office of Security Operations will continue processing name checks and, where appropriate, fingerprint checks to ensure that applicants meet certain character standards before participating in programs involving business loans, disaster assistance loans, Section 8(a) certifications, surety bond guaranties, SBICs, and certified development companies. Almost $288 million in loans have been declined during the last 10 years due to character eligibility issues, thereby making credit available to other applicants with no such issues. The OIG also performs background investigations for SBA employees in public trust and national security positions.

U.S. Small Business Administration
Office of Inspector General

Fiscal Year 2008/2009 Performance Plan & Fiscal Year 2007 Performance Report

OIG Vision

The OIG strives to identify significant issues and provide recommendations and solutions to correct, reduce or eliminate problem areas or fraudulent schemes that could adversely impact the efficiency, effectiveness or integrity of SBA's programs and operations.

Performance Plan Alignment

This 2-year Performance Plan aligns with the statutory responsibilities of the OIG under the IG Act, the Small Business Act, the Small Business Investment Act, an increasing number of Government-wide mandates, and with the OIG's FY 2006 – 2011 Strategic Plan. The Strategic Plan reflects a rethinking and refining of earlier strategic goals and planning framework in order to focus OIG efforts on identifying the larger systemic problems in SBA's programs and operations. In an era of tight budgets, the OIG must focus on the most significant risks to SBA and the taxpayer, and on improving program and operational processes. Audit and Investigative plans are designed to assist SBA in meeting the challenges it faces and accomplishing its mission in the most effective, efficient, and economical manner possible.

The two goals in the OIG's Strategic Plan are designed to align available resources and manage auditing and investigative activities in the light of SBA's most significant challenges and risks. For FY 2008 and FY 2009, strategies and performance indicators/measures have been developed for each of these goals to guide the OIG's auditing and investigative efforts.

The role of the OIG is to provide value to customers and stakeholders. The role of performance measurement is to deliver insights about that value. The OIG's goals encompass measures that will assist in evaluating the OIG's success in achieving its goals and objectives; however, a critical indicator of the OIG's accomplishments in fulfilling the requirements of the IG Act and other mandates will be the results demonstrated twice a year in the OIG's *Semiannual Reports to Congress*. These reports are located at http://www.sba.gov/IG/igsemiannual.html.

Fiscal Year 2008/2009 Activities and Strategies for Accomplishing OIG Strategic Goals

- Give priority to complex projects focusing on SBA activities that pose the greatest risk of financial losses, or that need controls to improve the integrity or effectiveness of program service delivery.

- Perform oversight of the FY 2008 and 2009 SBA financial statement audits – a statutory requirement – and reviews of Federal Information Systems Controls related to the financial operations, both of which are conducted by an external auditor.

- Conduct Federal Information Security Management Act reviews – a mandatory annual requirement – including assessing controls over Personally Identifiable Information.

- Assess the effectiveness of and controls over disaster assistance loan making, servicing, collection, and liquidation processes to identify processing problems, duplication of benefits, and potential fraud.

- Perform Gulf Coast hurricane related audits focusing on prevention of problems, including reviewing internal controls, monitoring and advising department officials on precedent-setting decisions, and assessing the quality of loans.

- Review the effectiveness of SBA's oversight of selected financial assistance programs.

- Identify serious Management Challenges facing the Agency and work throughout the year with SBA management to resolve identified issues as quickly and efficiently as possible.

- Give priority to investigations where fraud is committed by loan agents and lenders.

- Focus on criminal investigation and prosecution of fraudulent activities committed within SBA programs that possess a potential for high risk: the Disaster Loan, SBIC, 7(a) Business Loan, and SBA*Express* Programs.

- Expand outreach with Lenders and SBA officials to deter fraud and abuse.

- Continue efforts to work in cross-divisional teams to analyze data, assess trends, target areas of vulnerability and recommend systemic control improvements.

- Recommend debarments and other administrative enforcement actions to foster program integrity.

- Conduct character screenings on certain SBA program participants and complete required background checks on SBA employees and contractors to ensure the integrity of operations.

- Protect the integrity of SBA programs through recommendations that assistance be denied to those found to be of poor character.

- Review selected data systems supporting the collection of SBA's performance data.

- Monitor SBA's implementation of replacement systems and components of its core financial legacy-based Loan Accounting System (LAS).

- Assess the effectiveness of SBA's business loan liquidation activities.

- Assess the effectiveness of, and controls over, the collection of business loan program receivables.

- Assess the reliability of data input into the LAS and its impact on SBA's risk management and mitigation efforts.

- Perform selected reactive audits and investigations based on complaints received.

- Review the SBIC examination and funding processes.

- Review selected outsourcing by SBA of its functions and activities to determine whether the projected savings were realized.

- Conduct a follow-up review of selected past significant audit reports completed at least 3 years ago to assess the effectiveness of the corrective action implemented by SBA.

- Assess effectiveness of SBA oversight of its various Government contracting programs.
- Conduct mandated audits and reviews of selected SBA programs and activities, including preferred sureties, and use of cosponsorships and gifts.
- Review proposed legislation, regulations, and Agency directives proposed by or affecting SBA and provide salient comments to reduce confusion, waste, and inefficiency.

OIG Operational Strategies

The OIG also uses the following operational strategies to achieve its goals.

- Attract, develop, and retain a highly skilled OIG workforce, and provide them with the tools, services, and processes necessary to continuously improve productivity.
- Develop an internal work environment that allows OIG employees to understand how their work is important in meeting OIG strategic goals.
- Ensure the integrity and reliability of work products by subjecting OIG operations to internal review, as well as to external “peer” reviews by other Federal OIGs.
- Use the annual planning and budget processes to manage OIG operations effectively and efficiently.
- Ensure effective two-way communication with customers, stakeholders, employees, and interested parties to identify opportunities for improvement.

Performance Measures/Indicators

Measures/Indicators[1/] (In addition to the OIG's Semiannual Reports)	**FY 2007 Actual**	**FY 2008 Estimate**	**FY 2009 Estimate**
Quality			
Value of monetary recoveries and savings resulting from audits, other reports, investigations and security checks.	$129.7 million	$59.2 million[2/]	$68.8 million[2/]
Percent of all report recommendations agreed to by management within 6 months of report issuance.	90%	77%	78%
Percent of all investigative cases opened during the fiscal year that involve fraud with potential dollar losses of $100,000 or more committed against SBA.	53%[3/]	60%[3/]	60%[3/]
Percent of all investigative cases closed during the fiscal year that were referred for criminal or civil prosecution, or SBA administrative action.	74%	80%	80%
Timeliness			
Percent of audit projects completed within budgeted hours and milestones, or in established timeframe.	90%	87%	88%
Percent of all investigative cases accepted by prosecutors, referred for Agency action, or closed during the fiscal year in which the acceptance, referral or closure occurred within 18 months of case initiation.	74%	70%	75%

1/ Achievement of the OIG's goals is subject to a number of external factors (see the "Performance Measurement Limitations" section of this document).

2/ The out-year estimates for this measure are the averages for the previous five years. This measure includes:

Disallowed costs agreed to by management;
Recommendations that funds be put to better use agreed to by management;
Potential investigative recoveries and fines; and
Loans/contracts not made as a result of investigations and name checks.

3/ Percentage of cases over $100,000 has decreased due to lower dollar losses involving Gulf Coast hurricane cases.

Anticipated Impact/Outcomes of OIG Efforts under Strategic Goals

- Reduction of risks to, and increased integrity of, Agency programs and operations.
- Resolution of OIG-identified Management Challenges.
- Improvement of efficiency and effectiveness in the delivery of SBA programs.
- Enhancement of internal controls.
- Reduction of fraud and abuse in SBA programs and operations.

Highlights of Fiscal Year 2007 OIG Activities

During FY 2007, the OIG's efforts resulted in nearly $130 million in cost avoidances and potential recoveries and fines, as shown in the following table.

Office-wide Dollar Accomplishments
October 1, 2006 – September 30, 2007

Potential Investigative Recoveries and Fines	$20,791,370
Loans/Contracts Not Made as Result of Investigations	$9,717,113
Loans Not Made as Result of Name Checks	$39,680,038
Disallowed Costs Agreed to by Agency Management	$27,567,922
Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	$31,980,000
Total	**$129,736,443**

OIG efforts can be broken down into two main categories that are generally aligned with the OIG's two strategic goals: (1) efficiency and effectiveness of SBA programs; and (2) fraud deterrence and detection in SBA programs.

Efficiency and Effectiveness of SBA Programs

During the first 6 months of FY 2007, the OIG issued 17 reports with significant recommendations for improving Agency operations, reducing fraud and unnecessary losses, and recovering funds.

Efficiency and Effectiveness Activities
October 1, 2006 – September 30, 2007

Reports Issued	34
Recommendations Issued	138
Dollar Value of Costs Questioned	$28,009,202
Dollar Value of Recommendations that Funds Be Put to Better Use	$31,980,000

Follow-up Activities
October 1, 2006 – September 30, 2007

Recommendations for which Management Decisions were made during the Reporting Period	155
Disallowed Costs Agreed to By Agency Management	$27,567,922
Dollar Value of Recommendations that Funds Be Put to Better Use Agreed to by Agency Management	$31,980,000
Recommendations without a Management Decision at the End of the Reporting Period	28

Legislation/Regulations/Standard Operating Procedures (SOPs)/Other Reviews
October 1, 2006 – September 30, 2007

Legislation Reviewed	6
Regulations Reviewed	17
Standard Operating Procedures and Other Issuances* Reviewed	113
Total	**136**

*These include policy notices, procedural notices, Administrator's action memoranda, and other Agency initiatives, which frequently involve the implementation of new programs and policies.

Fraud Detection and Deterrence in SBA Programs

The OIG conducts a nationwide program to prevent and detect illegal and/or improper activities involving SBA programs, operations, and personnel. This function is fulfilled through the performance of criminal, civil, and administrative investigations. OIG staff utilize a full range of investigative techniques including arrest warrants, search warrants, and electronic monitoring. OIG also performs a deterrent function through educational outreach to lenders and employees.

Fraud Detection and Deterrence Activities
October 1, 2006 – September 30, 2007

Cases Opened	99
Cases Closed	65

Indictments and Convictions
October 1, 2006 – September 30, 2007

Indictments from OIG Cases	79
Convictions from OIG Cases	60

Recoveries and Management Avoidances
October 1, 2006 – September 30, 2007

Potential Recoveries and Fines as a Result of OIG Investigations	$20,791,370
Loans/Contracts Not Approved as a Result of OIG Investigations	$9,717,113
Loans Not Approved as a Result of the Name Check Program	$39,680,038
Total	**$70,188,521**

Performance Measurement Limitations

The achievement of the OIG's goals is subject to a number of external factors. For example, the majority of the OIG's work is in response to referrals of suspected fraud, complaints, requests for auditing and investigative services, and an increasing number of statutory and other requirements. Further, decreases in personnel or funding resources would adversely affect achievement. In addition, implementation of OIG recommendations for program improvements rests with the Agency. The OIG also cannot control the results of judicial or administrative proceedings, or collect monetary sanctions imposed by the courts or the Agency as a result of its reviews or investigations. Due to these and other external factors, actual accomplishments may vary from year to year.

Data Validation and Verification

Designated OIG staff is responsible for collecting, maintaining, and reporting performance data. As appropriate, quantitative data is collected and stored in Management Information Systems. Results are reported in accordance with legislative requirements. OIG management will review reported data for consistency with general performance observations. Each year, the OIG will reevaluate whether measures are effectively designed, useful, and results-oriented. Based on this evaluation, the OIG will determine whether performance measures should be revised for the next planning cycle.

U.S. Small Business Administration
Office of Inspector General

Organizational Structure

The OIG is composed of the Immediate Office of the Inspector General and four Divisions: Auditing; Investigations; Counsel; and Management and Policy. The OIG has staff located in the following locations: Atlanta, GA; Chicago, IL; Dallas, TX; Denver, CO; Detroit, MI; Houston, TX; Herndon, VA; Kansas City, MO; Los Angeles, CA; Miami, FL; New Orleans, LA; New York, NY; Philadelphia, PA; Tacoma, WA; and Washington, DC.

The Auditing Division performs program performance reviews, internal control assessments, and financial, IT, and mandated audits, and oversees audits by contractors to promote the economical, efficient, and effective operation of SBA programs.

The Investigations Division manages a program to prevent and detect illegal and/or improper activities involving SBA programs, operations, and personnel. Criminal investigators carry out a full range of traditional law enforcement functions. The Security Operations staff ensures that all SBA employees and contractors have the appropriate background investigations and security clearances for their duties and conducts the name check program, which provides SBA officials with character-eligibility information on loan applicants and other potential program participants.

The Counsel Division provides legal and ethics advice to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, assists with the prosecution of civil enforcement matters, processes subpoenas and Freedom of Information and Privacy Act requests, and reviews and comments on proposed Agency policies, regulations, legislation, and procedures.

The Management and Policy Division provides business support (e.g., budget, financial management, human resources, IT, and procurement) for the various OIG functions, coordinates preparation of the OIG's *Semiannual Report to Congress*, the *Report on the Most Serious Management Challenges Facing SBA*, and OIG strategic and annual plans.

SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERA