

MESSAGE FROM THE ADMINISTRATOR

November 15, 2005



I am pleased to present the U. S. Small Business Administration's (SBA) FY 2005 Performance and Accountability Report. This annual report is available to the general public, Congress and our customers—our Nation's small business community. It provides information on the previous year's accomplishments and operations, including a detailed accounting of costs.

FY 2005 was one of the most eventful years in the SBA history. The fiscal year saw continued record-setting progress by the Agency, even as, in its closing weeks, nature unleashed the country's most destructive hurricane upon the Gulf Coast.

I couldn't be more proud of the urgency and dedication the SBA employees have shown in bringing relief to the victims of Hurricanes Katrina and Rita. Following the disasters, the SBA Office of Disaster Assistance has quadrupled in size to over 3,600 employees and is working seven days a week to help small businesses recover.

As of October 24, 2005, the SBA has approved \$182,854,800 in disaster loans to aid the victims of Hurricanes Katrina and Rita.

The SBA broke another lending record in FY 2005, funding almost 100,000 loans in our 7(a) and 504 programs. That represents an increase of almost 22% from the year before, even as the 7(a) program's transition to a zero-subsidy model saved the American taxpayer approximately \$100 million.

In conjunction with the SBA's resource partners (SBDCs, SCORE, and WBCs), the Agency estimates that almost 1.3 million people received training in FY 2005. In addition to "formal" counseling and training of clients, more than 12 million web users benefited from information and other electronic resources located on the SBA's Web site—www.sba.gov.

The Agency broke new ground in this fiscal year through its successful Business Matchmaking initiative, which helps increase small business access to Federal contracting opportunities. In the wake of Hurricanes Katrina and Rita, the SBA also created the Gulf Coast Business Matchmaking program, providing small businesses in the affected region with access to clean-up and reconstruction contracting opportunities with Federal, State and local government agencies, their prime contractors and major corporations.

The SBA continues to act as a powerful advocate for small business on such topics as tax policy, health care, and regulatory reform. The Agency estimates that through the efforts of the Office of Advocacy, small businesses have realized some \$4 billion in regulatory cost savings this year.

The SBA is proud to have met the accelerated financial reporting schedule for the second year in a row and to have earned an unqualified opinion from our independent auditors. This accomplishment demonstrates our commitment to strong financial management and proper stewardship of the taxpayers' dollars. While the Agency strives to meet the needs of the Nation's small businesses—at

the same time the SBA is committed to ensuring that we have proper internal controls in place to safeguard the public's resources.

In FY 2005, the SBA substantially improved its credit subsidy and financial reporting processes and because of these efforts, we received an unqualified opinion. However, the independent auditors identified a material internal control weakness—the SBA's financial reporting. While this is a vast improvement over last year's "qualified" opinion with two material internal control weaknesses, our goal is to have no material weaknesses. I am confident the SBA will continue to make significant progress in this area, particularly in our accounting for budgetary activity, in FY 2006. In addition, I feel confident stating that the financial and performance data presented herein are complete and reliable and in compliance with Federal guidance.

As the independent auditor's report demonstrates this year, the SBA has continued to make major progress in improving financial reporting, particularly for our credit programs. However, since one material internal control weakness was identified, I am providing a qualified statement of assurance, with exceptions explicitly noted in the section of this report titled "Internal Controls FMFIA Assurance Statement FY 2005." This assurance is required under the Federal Managers' Financial Integrity Act (FMFIA), which states that the Agency's management controls and financial systems must meet the objectives of FMFIA.

The SBA's performance objectives have been aligned to support the President's Small Business Agenda and the President's Management Agenda. The Agency's performance indicators are designed to measure both outcomes for its clients and key program outputs. Although data quality challenges remain, the SBA is continuing to improve the completeness and reliability of the performance data for credit and procurement programs and advice provided to small business through the SBA's resource partners. The Agency has engaged a third party to initiate the validation of the performance indicators being used to measure the SBA's impact on the formation and growth of small businesses, and the SBA plans to build on the findings from that analysis with additional program evaluations. The management controls section of this report provides further details on data validation and verification.

It is my privilege to serve the American public as the SBA Administrator. I invite you to visit the Internet website (www.sba.gov) for more information about the SBA and its programs.

Sincerely,



Administrator