

STRATEGIC GOAL FOUR

Ensure that all SBA programs operate at maximum efficiency and effectiveness by providing them with high quality executive leadership and support services.

This Strategic Goal recognizes that the SBA was created for the purpose of fulfilling its programmatic responsibilities for serving the interests of small business. The SBA's non-programmatic areas of general management and administration, and the various other support functions, exist primarily to support the SBA program areas in meeting their 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.

These are the major offices contributing to this Strategic Goal:

- The Office of Human Capital Management (OHCM) contributes to this goal by recruiting, sustaining and effectively deploying a skilled, knowledgeable, diverse and high-performing workforce and executive cadre, capable of executing high-quality programs and activities that meet the current and emerging needs of the Agency.
- The Office of the Chief Financial Officer (OCFO) contributes to this goal by providing financial management systems to support both strategic management and financial accountability, and by producing financial information that is useful, relevant, timely and accurate, and which assists in maximizing program performance and accountability. This office also leads the Agency efforts in strategic planning, performance reporting and internal controls and is integrating budgetary with performance.
- The Office of the Chief Information Officer (OCIO) contributes to this goal by ensuring that technology is managed effectively and securely, and by leveraging data and systems to support program execution. This includes ensuring optimal infrastructure, equipment, technology and customer support. This office is also responsible for the Agency's participation in E-Government initiatives.
- The Office of Management and Administration (OMA) contributes to this goal by planning and managing procurement and contracting services to support program management, and by assisting in competitive sourcing of certain activities performed by the Agency.

LONG-TERM OBJECTIVE 4.1

The SBA's general planning and management will result in clearly defined goals and effective strategies, and the coordination of operational support systems, so as to maximize the Agency's mission performance through a comprehensive performance management system.

One good measure of continuous improvement of the management functions in the SBA is its performance in the President's Management Agenda Scorecard. In FY 2005, the SBA maintained its Green Status in Performance and Budget integration, regained its Green Status in E-Government and received the Green Status for Competitive Sourcing. Additionally, the Human Capital and Financial Management initiatives have shown progress as evidenced by their Green rating in Progress.

To facilitate its interaction with small businesses, the SBA published Guidelines for Size Determinations. The Guidelines serve as a helpful aid to making Office of Hearings and Appeals' (OHA) case law more accessible, and to understanding what "eligible small business" means for the SBA programs. The Guide to Size Case Law is a comprehensive outline of substantive size determination issues and procedural issues at both the protest (Area Office) and the appeals (OHA) level of the size determination process.

Related Financial Reporting

Independent Auditor's Report/SBA Financial Statements for FY 2004: No significant related issues.

Management Issues

OMB PART Evaluation: Programs under this objective have not been evaluated by OMB using the Program Assessment Rating Tool.



Inspector General Reports: The following OIG report covers issues that have an impact on accomplishment of this Objective:

- OIG Report 5-17. Audit of the SBA's Continuity of Operations Planning Program (see Appendix 2)

Government Accountability Office (GAO) Reports: GAO has issued a report with recommendations that have an impact on accomplishment of this Objective:

- GAO-05-866, The Small Business Administration: Agencies have taken key steps to protect privacy in selected efforts, but significant compliance issues remain. (see Appendix 4)

OIG-Identified Management Challenges: The OIG has identified a major management challenge that impacts accomplishment of this Objective:

- Challenge 10. The SBA needs to update its system of directives to provide proper guidance and control over its operations. (see Appendix 5)

Agency Response to Management Challenges:

- Challenge 10. Challenge 10: The SBA needs to update its system of directives to provide proper guidance and control over its operations. (see Appendix 5)

The OIG has judged that the SBA is making Some Progress on two actions and Substantial Progress on one action, and No Progress on one action ("Implement a regular review mechanism to maintain SOPs so that they are up-to-date"). The Agency disagrees with the OIG's assessment of No Progress on this action. Late in the fiscal year, the SBA issued Procedural Notice 0000-1872 requesting that offices certify to the Office of Administration, by individual SOP, that the SOP is either "under review," "currently being revised," or that, in the opinion of the office, "does not require revision." However, the SBA recognizes the OIG's position that a permanent system is needed. Once the Directives SOP is finalized and published in FY 2006, it will include language to give the SBA a more permanent, systematic mechanism to maintain SOPs up-to-date.

The SBA also thinks that it continues to make progress in fully implementing a revision of the SBA's Directives system, particularly in dealing with outdated Notices and reliance on draft SOPs, two issues highlighted by the OIG. For over a year, a Directives Task Force met regularly to work on the draft Directives SOP, to include receiving clearance from program offices on two separate attempts. Specifically, the SBA achieved the following:

- 1) Drafted and put into clearance a new Directives SOP on two separate dates (10/29/05 & 5/31/05)
- 2) Issued Procedural Notice 0000-1872: SOP Certification (9/14/05) requesting that all offices provide certification of the status of their SOPs by 9/27/05; nearly all offices responded
- 3) Updated numerous SOPs with others in the clearance process; others were identified as obsolete and will be cancelled and removed from SBA's system
- 4) Discontinued processing Procedural and Policy Notices that make changes to an SOP unless they are also accompanied by the SOP change pages
- 5) Instructed program offices not to rely on draft SOPs

- 6) Refused to post SOPs or Notices until they are properly cleared and adhere to the new procedures
- 7) Convened the Directives Task Force to work on the new Directives SOP and other directives issues, reaching a resolution of many of the concerns raised by the OIG with the draft SOP
- 8) Electronically posted copies of all SOPs currently in use (obsolete SOPs have not been posted, pending their cancellation, to avoid confusion).

In FY 2006, the Agency will resolve the few remaining outstanding issues with the OIG and publish the SOP.



PETS SLEEP BETTER WITH SBA

With the help of an SBA guaranteed 504 loan, Drs. Ed Mitchell and Hannah Guishard can provide 24-hour veterinary care for pets at south Atlanta's Union City Veterinary Medical Center and Emergency Clinic.

"Dr. Mitchell and Dr. Guishard epitomize what the 504 Program is all about," said Ronn Tigner, President of Georgia Certified Development Corporation. "These two professionals worked for someone else, gained needed experience and saw a need in the market. They provided all their personal resources but a **504 loan** gave them additional capital to start their business."

Loan proceeds for the clinic were used to purchase 1/3 acre of land and to build a 3,427 square foot facility to house the veterinary medical center. The center, opened four years ago, also received a revolving loan from the Economic Development Corporation of Fulton County.

The clinic partners, who both graduated from the School of Veterinary Medicine at Tuskegee University, also took small business courses at the **Small Business Development Center** at nearby Clayton College in Morrow, Georgia. "They [the SBDC] were a big help with our business plan," said Mitchell. "We knew the medical side of treating small animals, but running your own business is a totally different situation."

Guishard also received free counseling from Ray Silva, a member of the Atlanta **SCORE** chapter, who reviewed their business plan and coached her on presentation skills to use in meeting with their banker, US Bank.

LONG-TERM OBJECTIVE 4.2

The SBA will recruit, sustain and effectively deploy a skilled, knowledgeable, diverse workforce and executive cadre capable of executing high quality programs and activities that meet the current and emerging needs of its customers.

In FY 2005, the SBA, through OHCM, made significant process in the Agency's efforts on transformation. First, the SBA established a workforce transformation group that led the effort in developing, implementing and communicating a transformation strategy to all employees. Second, it developed and implemented an analysis tool for all reorganization proposals and re-engineered the Compensation and Benefits Committee process to implement the Administrator's Transformation Strategy. Third, it developed a process to evaluate Headquarters organizational structure to ensure optimization in addressing future staffing challenges.

Related Financial Reporting

Independent Auditor's Report/SBA Financial Statements for FY 2004: Independent Auditor's Report on Internal Control, Credit Reform Controls (FY 2004 PAR, pages 258-259) and Financial Management and Reporting Controls (FY 2004 PAR, pages 260); Independent Auditor's report on compliance with Laws and Regulations (FY 2004 PAR, (pages 284-287).

Management Issues

OMB PART Evaluation: Since this is a support function, there are no relevant PART evaluations.

Inspector General Reports: The following OIG report covers issues that have an impact on accomplishment of this Objective:

- OIG Report 5-13. FY 2004 Financial Statements Management Letter (see Appendix 2).

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges:

- Challenge 4. Maximizing program performance requires that the SBA fully develop, communicate, and implement its human capital management/transformation strategy (see Appendix 5)

Agency Response to Management Challenges:

- Challenge 4. Maximizing program performance requires that the SBA fully develop, communicate, and implement its human capital management/transformation strategy (see Appendix 5)

The OIG eliminated one rating of No Progress, and provided four ratings of Substantial Progress and three ratings of Some Progress. In FY 2006, the Agency will continue to improve its human capital plan, finalize and communicate its transformation strategy for all employees, in the coming months, and implement a comprehensive succession planning process for all staff levels. The SBA anticipates receiving a rating of Green from OMB on the PMA Strategic Management of Human Capital by December 31, 2005.

LONG-TERM OBJECTIVE 4.3

Financial management systems will support both the SBA strategic management and financial accountability by providing financial information that is useful, relevant, timely and accurate and which assists the SBA in maximizing program performance and accountability.

During the year, the Agency completed actions to address all of the issues raised by the external auditor in the FY 2004 financial audit. This and other efforts resulted in an unqualified audit opinion in FY 2005 and the elimination of the designation of credit subsidy modeling as an area of material weakness. This marks the Agency's achievement of two significant objectives and puts the Agency in a strong position to move forward towards removing the remaining material internal control weakness—financial reporting. These results are a major achievement for the Agency and the Agency will build upon it to fulfill its mission effectively.

In FY 2005, the SBA continued to implement its Loan and Lender Monitoring System (L/LMS) by developing and testing Lender Risk Ratings, allowing the SBA to monitor its lenders off-site on a quarterly basis and providing an important internal financial management internal control. In addition, the continued use of the Portfolio Analysis Committee provides a forum to present and discuss 7(a) and 504 portfolio performance trends among senior management, based on monthly loan portfolio reports. The introduction of the Lender Oversight Committee adds another important control in overseeing, evaluating and managing the SBA's lender partners. The Lender Oversight Committee is composed of executive management that provides guidance and directions on oversight activities and accountability of 7(a) and 504 lenders.

Related Financial Reporting

Independent Auditor's Report/SBA Financial Statements for FY 2004: No significant issues.

Management Issues

OMB PART Evaluation: Since this is a support function, there are no relevant PART evaluations.

Inspector General Reports: The following OIG report covers issues that have an impact on accomplishment of this Objective:

- OIG Report 5-05. Audit of the SBA's FY 2004 Financial Statements (see Appendix 2).

Government Accountability Office (GAO) Reports: GAO has issued a report with recommendations that have an impact on accomplishment of this Objective:

- GAO-05-606R, Small Business Administration: Financial Audit: The Small Business Administration's Fiscal Year 2004 Management Representation letter on its Financial Statements. (see Appendix 4)

OIG-Identified Management Challenges: The OIG has identified a major management challenge that impacts accomplishment of this Objective:

- Challenge 2. The SBA faces significant challenges in financial management and reporting, which affect its ability to provide reliable, timely and accurate financial information (see Appendix 5).

Agency Response to Management Challenges:

- Challenge 2. The SBA faces challenges in financial management and reporting, which affect its ability to provide reliable, timely and accurate financial information (see Appendix 5).

The OIG judged that the SBA is continuing to achieve Substantial Progress on the 15 actions recommended in this challenge. The SBA will receive an unqualified audit opinion this year, will continue to implement procedures to meet the more rigorous internal control requirements imposed on every agency, and ensure that quality assurance procedures over financial reporting continue to be implemented.

LONG-TERM OBJECTIVE 4.4***Information and related technology will be managed effectively and securely through the SBA leveraging data and systems to support program execution and promote cost efficiency.***

The SBA increased and improved the delivery of information and services to small businesses via the Internet, most notably through completion of E-Tran (electronic loan application), improvements to the SBA.gov Website, the launch of the first phase of the Business Gateway (www.business.gov), implementation of an online 8(a) eligibility and certification application, and expanded distance learning through the Small Business Training Network.

Related Financial Reporting

Independent Auditor's Report, Agency-Wide Information Systems Controls (FY2004 PAR, page 277)

Management Issues

OMB PART Evaluation: Since this is a support function, there are no relevant PART evaluations

Inspector General Reports: The following OIG reports cover issues that have an impact on accomplishment of this Objective:

- OIG Report 5-02. Advisory Memorandum Report—Independent Evaluation of the SBA's Information Security Program (see Appendix 2).
- OIG Report 5-12. Audit of the SBA's FY 2004 Information System Controls (see Appendix 2).
- OIG Report 5-19. Advisory Memo Consolidation of the SBA Systems (see Appendix 2).
- OIG Report 5-25. Audit of the SBA's Informs Electronic Forms System (see Appendix 2).
- OIG Report 5-29. Management Advisory Report—The SBA needs to Implement a Viable Solution to its Loan Accounting System Migration Problem.

OIG-Identified Management Challenges: The OIG has identified a major management challenge that impacts the accomplishment of this Objective:

- Challenge 3. Information systems security needs improvement (see Appendix 5).

Agency Response to Management Challenges:

- Challenge 3. Information systems security needs improvement (see Appendix 5).

The OIG has judged that the SBA has successfully implemented two actions, making Some Progress on two actions, Substantial Progress on six actions, and No Progress on three actions (i.e., "access controls and systems software controls are in place and operating effectively, and (new) the SBA timely mitigates audit and system risk assessment weaknesses.")

The SBA has continued to review and monitor its risk in order to improve its information technology and application control environment. Given available resources and assessment of risk, monitoring, and mitigation of its IT environment, the SBA will continue to make progress during FY 2006 in creating an IT security environment that complies with Federal standards as published by NIST and OMB.

LONG-TERM OBJECTIVE 4.5

Procurement and contracting services will be planned and managed to support the SBA program management and the achievement of the Agency's goals.

During FY 2005 the SBA achieved a rating of Green in Status for Competitive Sourcing.

The SBA, through the Office of Administration worked closely with program and support offices during FY 2005 to continue the rent initiative that will produce annual savings of \$1.6 million.

Management Issues

OMB PART Evaluation: Since this is a support function, there are no relevant PART evaluations.

Inspector General Reports: The following OIG reports cover issues that have an impact on accomplishment of this Objective:

- OIG Report 5-16. Review of Selected Small Business Procurements (see Appendix 2).
- OIG Report 5-23. Audit of the SBA's Administration of its Special Appropriation Grants (see Appendix 2).

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges: No significant related issues.

Agency Response to Management Challenges: No significant related issues.