

## STRATEGIC GOAL TWO

### Increase small business success by bridging competitive opportunity gaps facing entrepreneurs

This strategic goal is intended to benefit those small businesses that deal directly with the SBA and its established network of resource partners. In FY 2005, the SBA empowered individual entrepreneurs to take advantage of the opportunities the market offers by providing knowledge, skills and technical assistance, access to loans and equity, and procurement opportunities either directly or through its partners. The goal is defined as bridging gaps because of the belief that the Agency should focus its resources on those challenges faced by small businesses that are not being addressed by the private market or local government.

The Long-Term Objectives under this goal focus on prospective, nascent, start-ups and existing small businesses. The intention is to address the SBA's contribution to small business through all of the stages of the small business life cycle. While the SBA programs benefit all entrepreneurs seeking its assistance, the Agency places particular emphasis on groups that own and control little productive capital because they have limited opportunities for entrepreneurship and small business ownership.

Studies<sup>6</sup> have concluded that every year 10 million entrepreneurs contemplate starting a new business. Of those 10 million, only two million actually start a business. And according to the Bureau of the Census and the IRS, approximately 80% of those two million new starts are proprietorships. Generally, proprietorships have limited financial resources and are therefore less capable of paying for the kind of management and technical assistance they need to succeed. The outcomes set to measure the success of the SBA should clearly demonstrate the value of the SBA's financial, educational, counseling and training programs in:

- Increasing the capability of entrepreneurs to launch a start-up business.
- Increasing the capacity of those start-ups and existing businesses to survive and thrive, better than the national average.

The SBA is dedicated to delivering services that impact customers' decision to go into business or, to make decisions that help their companies grow—and achieve a 90% customer satisfaction rating. The SBA provides three basic types of assistance: financial, technical and management, and procurement. It fulfills these functions through the offices of Capital Access, Entrepreneurial Development, Government Contracting and Business Development, and Veterans Business Development.

The following table shows a summary by region of SBA types of assistance. A breakdown by State within a region can be found in Appendix 1.

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6. The National Federation of Independent Businesses (NFIB) Foundation and the Kauffman Foundation's National Commission on Entrepreneurship.

SBA Activity by Assistance Type and Region

Region	7(a) and 504 Loans Funded (\$ in millions) <sup>a</sup>		SBIC Financings (\$ in millions) <sup>b</sup>		Federal Procurement Contracts (\$ in millions) <sup>c</sup>		Clients Counseled/Trained in SBDC, SCORE, WBC, BIC <sup>d</sup>	
	FY 2004	FY 2005	FY 2004	FY 2005	FY 2003	FY 2004 <sup>e</sup>	FY 2004	FY 2005
Region I	\$827	\$936	\$259	\$467	\$19,053	UNAVAIL.	82,672	62,796
Region II <sup>f</sup>	\$1,216	\$1,676	\$527	\$873	\$11,262	UNAVAIL.	156,221	136,271
Region III	\$1,062	\$1,325	\$257	\$402	\$63,916	UNAVAIL.	141,782	112,854
Region IV	\$2,157	\$2,708	\$309	\$373	\$39,825	UNAVAIL.	220,389	226,931
Region V	\$2,294	\$3,003	\$277	\$564	\$20,898	UNAVAIL.	183,426	193,983
Region VI	\$1,675	\$1,961	\$275	\$265	\$40,472	UNAVAIL.	208,725	164,281
Region VII	\$610	\$733	\$75	\$91	\$10,907	UNAVAIL.	83,342	49,504
Region VIII	\$873	\$1,007	\$129	\$173	\$8,733	UNAVAIL.	73,703	65,587
Region IX	\$4,128	\$4,673	\$643	\$645	\$46,992	UNAVAIL.	244,500	199,841
Region X	\$754	\$891	\$84	\$137	\$7,495	UNAVAIL.	86,486	64,492
<b>Total</b>	<b>\$15,596</b>	<b>\$18,913</b>	<b>\$2,835</b>	<b>\$3,990</b>	<b>\$269,533</b>	<b>UNAVAIL.</b>	<b>1,481,246</b>	<b>1,276,540</b>

a. Data derived from Loan Accounting Tracking System.

b. Data derived from reporting by Small Business Investment Companies on Form 1031. The SBICs financing reflect the total amount the small Businesses received.

c. Data obtained from Federal Procurement Data System. FY 2004 Data was not available from this source at the time the FY 2005 PAR document was produced.

d. Data derived from Office of Entrepreneurial Development estimates. BICs were not functional in FY 2005.

e. The FPDS did not have this data available as of 11/15/05.

f. Data obtained from Federal Procurement Data System for FY 2004 and FY 2005 was not available from this source for Puerto Rico at the time this document was produced.



**MARRS SERVICES**

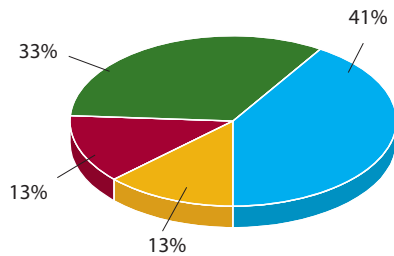
Rubina Chaudhary, president of MARRS Services, Inc., established her company in 1989. She entered the **8(a) Business Development** program in 1997. As an Asian-Indian, woman-owned, minority business enterprise, MARRS faced a number of challenges during its early years. Today, the company specializes in civil engineering, program management, construction management, environmental management, project controls and design-build support.

MARRS Services has done work for the U.S. Navy and other Department of Defense agencies in Southern California. Its non-Federal clients a number of municipal water departments in the California area. MARRS has outgrown the elementary size standard for engineering services, but remains small for environmental remediation and for general construction.

The firm recently became the mentor for Entech Consulting Group of Temecula. The two 8(a) firms have an SBA-approved **mentor-protégé** relationship in which skills developed by MARRS will be passed on to the younger firm.

The following charts displays a summary of how successful the SBA was in achieving its goals under the various Long-Term Objectives and functional areas that compose Strategic Goal 2. In FY 2005, the SBA exceeded 41% of its goals, met 33%, substantially met 13%, and did not meet 13% of its goals under Strategic Goal 2. Support of this Strategic Goal cost \$365,100,000.

**Strategic Goal Two  
Summary of FY 2005 Performance Results<sup>a</sup>**



	Number of Indicators			
	Blue	Green	Yellow	Red
LTO 2.1	5	2	6	1
LTO 2.2	11	9	1	4
LTO 2.3	6	7	0	2
<b>Total</b>	<b>22</b>	<b>18</b>	<b>7</b>	<b>7</b>

Blue: Exceeding goal by 10% or more.  
Green: Meeting or exceeding goal by less than 10%.

Yellow: Missing goal by less than 10%.  
Red: Missing goal by 10% or more.

**Financial Assistance**

The Office of Capital Access (OCA) helps small businesses get the loans they need to begin or grow by serving as a gap lender for small businesses that would otherwise not qualify for un-guaranteed financing, obtain equity or be able to take advantage of procurement opportunities.

The OCA contributed to accomplishing Strategic Goal 2 through various programs that address different market gaps:

- The 7(a) loan program requires the 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 Microloan program makes very small loans and provides technical assistance to entrepreneurs.
- The Surety Bond Guarantee program serves as a gap surety bonds instrument provider, expanding the capacity of small contractors who would not otherwise be able to compete for public and private work.
- Small Business Investment Company program (SBIC) financings generally support smaller businesses that may not otherwise receive funding from private venture firms or financial institutions.
- The SBA also provides products and services to help small businesses enter and grow in international markets.

a. Chart does not include those indicators that were baselined in FY 2005

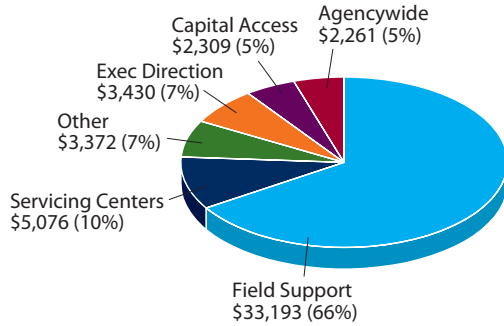
The SBA's tremendous financial assistance accomplishments in FY 2005 have been achieved by making the SBA's loan programs more responsive to those small businesses most in need, as well as by streamlining the Agency's own financing operations to make them more efficient. As a result, the SBA was able to assist more small businesses with fewer resources:

- **Zero Subsidy.** In 2005, the SBA moved to a zero subsidy rate for its 7(a) loan program. With a zero subsidy rate, the 7(a) loan program pays for itself with guaranty fees.
- **SBAExpress Loan Program.** The SBAExpress loan product is an enormous success for the Agency. It represents a win-win-win situation for the SBA, the small business borrower and the lender. Use of the SBAExpress program allows the SBA to reach more small businesses through smaller-sized loans that are processed more quickly and efficiently by the lender. SBAExpress continues to grow in numbers as part of the SBA's overall loan production with 65% of the total number of 7(a) loans approved in 2005 coming from this program.
- **E-Tran.** Streamlined products are only one side of the equation. The ease of delivery of the loan products is the other. E-Tran is the SBA loan guaranty origination solution that leverages best-practice Internet technology to reduce the turnaround time on loan guaranty requests and provides the Agency with high-quality, timely data to support the management and oversight of its portfolio. Generally, lenders using E-Tran report that they are able to get financing into the hands of small business entrepreneurs 36 to 48 hours sooner than with the paper-based method of loan guaranty processing.
- **Continued Streamlining and Centralization.** During FY 2005, the SBA continued the transformation of its operations to achieve a more efficient and effective Agency. As an example, in FY 2004 the SBA centralized lending backroom functions, such as 7(a) loan liquidation, which was formerly performed at 70 district offices. This process is now performed at one central facility, resulting in estimated annual savings of \$25M in FY 2005. SBIC operations were also evaluated in FY 2005 for process improvements, particularly as they relate to liquidation activities.
- **Lender Oversight.** The role of Lender Oversight within the agency was enhanced with clear authorities and responsibilities established. Lender Oversight provides a key internal control for the Agency's loan operations providing both portfolio management reports and lender performance reports on a regular and recurring basis for improved portfolio analysis and evaluation. In addition, the introduction of lender risk ratings has streamlined the oversight process, allowing for quarterly off-site monitoring of the SBA's approximately 6,000 lenders.

The following charts illustrate the major components of the full cost of OCA's financial assistance programs in FY 2005. These costs include administrative costs, subsidy costs, and any grants.

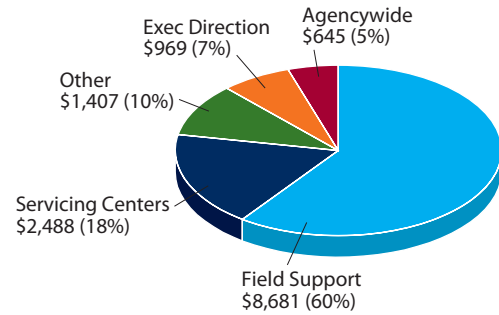
**7(a) Loan Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



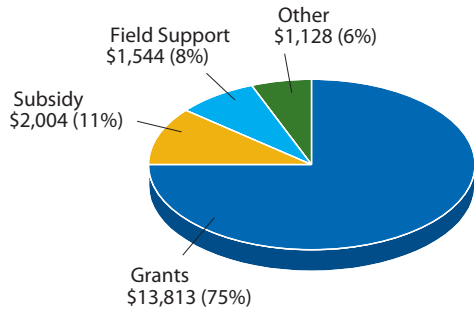
**504 Loan Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



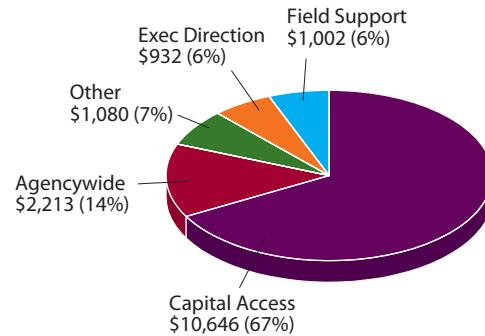
**Microloan Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



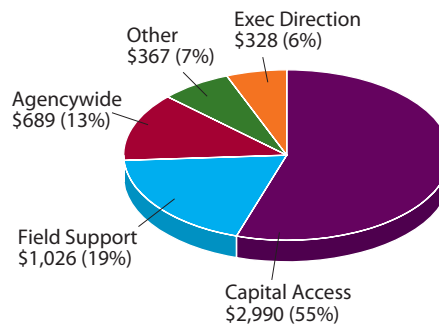
**Small Business Investment Company Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



**International Trade Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



### **Technical Assistance**

The main mission of the Entrepreneurial Development Office (ED) is to coordinate and provide management assistance to current, prospective and nascent small business owners. The SBA relies largely on three programs to achieve these results: the Small Businesses Development Centers (SBDC), the SCORE program, and the Women's Business Centers (WBC). Each of these focuses on a different segment of the small business community.

The SBDC program provides management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations. The program is a cooperative effort with the private sector, the education community, and Federal, State and local governments.

As an the SBA resource partner for over 40 years, SCORE is one of the most highly integrated, well known and visible of all the SBA resource partners. This volunteer corps of approximately 10,500 working and retired executives and small business owners annually donate over 1.3 million client hours of real-life, hands-on experience to America's entrepreneurial community. SCORE's primary market is nascent and start-up businesses, which complements SBDC's service segment of more established businesses, and allows the SBA to efficiently cover the whole spectrum of small businesses.

Women's Business Centers (WBCs) constitute the third component of the SBA's strategy for providing technical assistance to small businesses. These centers provide beginning-level classes for prospective, nascent and start-up entrepreneurs, with a special emphasis on women, particularly those who are socially and economically disadvantaged. The centers offer evening and weekend hours to meet the needs of their clients, many of whom require creative scheduling and services.

One of the Agency's main objectives is to continue improving the quality of the management and technical assistance data collected. This is important because complete, consistent and accurate data is the first requirement for measuring the effectiveness and efficiency of the SBA's assistance. Towards this end, the SBA implemented the first year of the revised ED client definitions. This made the definitions uniform for all ED programs, with the exception of SCORE, which was not required to use them until FY 2006. For FY 2005, these changes are causing marked differences in program data when compared to previous years, but the net effect will be to improve the SBA's ability to compare and contrast efficiencies and effectiveness among ED programs.

During FY 2005, the SBA continued to increase its use of technology to improve the effectiveness and efficiency of its programs. An example is the Entrepreneurial Development Management Information System (EDMIS2.) In FY 2005, the SBA completed the design, development, and testing of EDMIS2. This system is designed to enable online reporting of counseling, training and other related activities to field managers and headquarters staff. EDMIS2 will systematically capture client output data from within the SBA's ED partners (SCORE, the SBDC and the WBC), and from the SBA field offices, including the services provided to prospective and nascent businesses.

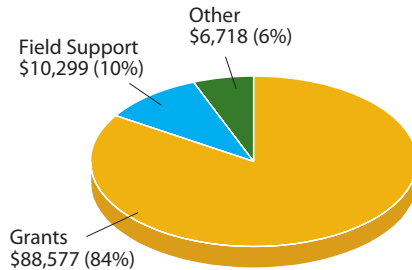
The SBA has recognized the growing need to provide its clients with information when and where the small business needs it, and technology has made this possible. SCORE was the first of the ED partner programs to use online counseling, beginning in 1997. This Web presence continues to meet entrepreneurs on their terms and demonstrates SCORE's response to a 24/7 economy. SBDC now requires that each lead center complete a self-assessment of the online service delivery that it makes available to small businesses. As a result of this initiative, SBDCs have expanded their use of Web-based tools and services, including business planning tools, online training courses, and online resources.

The SBA has also taken a big step toward achieving its electronic initiatives with its Small Business Training Network (SBTN), which serves a dramatically growing segment of the SBA's market. Both SBTN and the Web-enabled counseling and training provided by the SBA's resource partners provide an efficient means for nascent entities and the newest small businesses to acquire information and support.

The following charts illustrate the major components of the full cost of ED's technical and management assistance program in FY 2005. These costs include administrative costs and any grants:

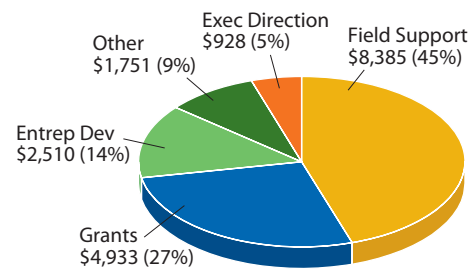
**Small Business Development Centers**

**FY 2005 Budgetary Resources**  
*(Dollars in Thousands)*



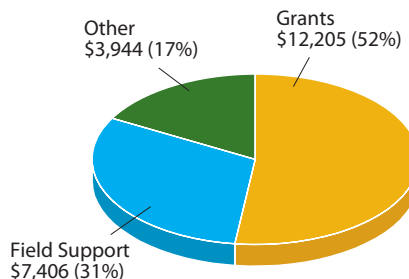
**SCORE Program**

**FY 2005 Budgetary Resources**  
*(Dollars in Thousands)*



**Women's Business Centers**

**FY 2005 Budgetary Resources**  
*(Dollars in Thousands)*



### **Procurement Assistance**

Small businesses traditionally have had difficulty accessing Federal procurement opportunities. Two offices assist small businesses in accessing this large source of potential revenues: the Office of Government Contracting and Business Development (GCBD), and the Office of Capital Access (OCA).

The SBA administers two business assistance programs especially for small disadvantaged businesses (SDBs): The 8(a) Business Development Program and the Small Disadvantaged Business Certification Program. The 8(a) Program offers a broad scope of assistance to socially and economically disadvantaged firms; the SDB certification pertains strictly to benefits in Federal procurement. Companies that are 8(a) firms automatically qualify for SDB certification.

The HUBZone program encourages economic development in historically underutilized business zones—"HUBZones"—through the establishment of preferences. The HUBZone Empowerment Contracting Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses.

The availability of bonds has been identified as vital to the procurement process for small business. The SBA increases contracting opportunities by providing guaranteed bonding through the Surety Bond Guarantees program.

Small businesses in need of procurement assistance are also benefiting from the SBA's growing use of technology. For example, the SBA implemented the 8(a) program electronic application process, which increases staff efficiency by about 30% and reduces processing cycle time for applicants by nearly 50%. The SBA also began development of an electronic annual review process for the 8(a) program that allows 8(a)-certified firms to easily comply with program requirements.

The HUBZone program was designed from its inception as an electronic-based program. In FY 2005, HUBZone took advantage of its electronic nature to conduct a customer survey in a short time and at a low cost. The survey questioned approximately 13,000 small businesses to assess the effect of certification as a "Qualified HUBZone small business concerns" on employment, employment of HUBZone residents, and capital investment. Results of the survey clearly demonstrate substantive economic development results. Approximately 27% of all HUBZone-certified firms responded. These firms report that capital investment attributable to HUBZone certification aggregated more than half a billion dollars; that employees hired as a result of HUBZone certification exceeded 11,000; and that HUBZone residents hired as a result of certification totaled more than 7,000.

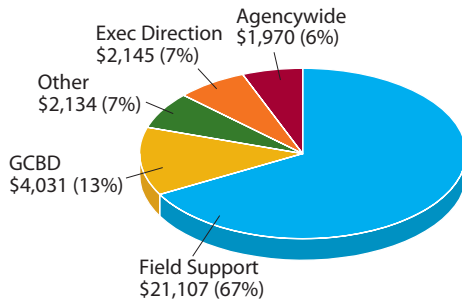
The SBA relies on government-wide contracting information gathered by the Federal Procurement Data System-Next Generation (FPDS-NG) as the authoritative source for determining levels of achievement in award of Federal contracts under procurement preference programs. Therefore, the SBA's ability to effectively monitor and evaluate agencies performance against contracting goals is functionally related to the relevance, reliability, and timeliness of information contained in FPDS-NG.



The following charts illustrate the major components of the full cost of OCA and GCBD procurement assistance programs in FY 2005. These costs include administrative costs and any grants.

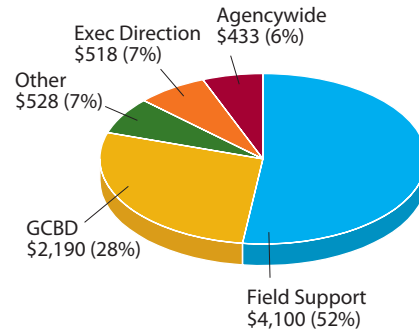
**8(a) Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



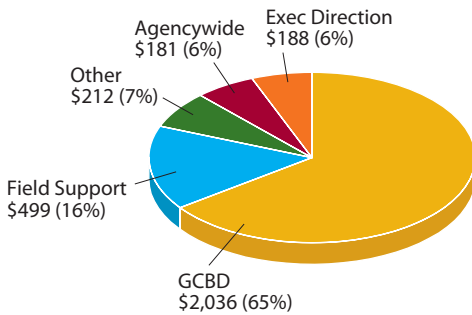
**HUBZone Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



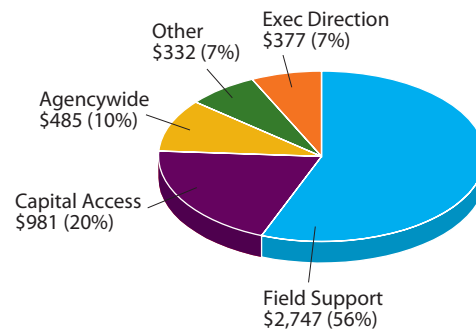
**7(j) Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



**Surety Bond Guaranty Program**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)

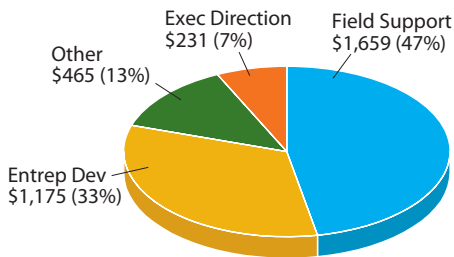


**Targeted Assistance**

Some of the SBA's programs focus on specific small business populations facing special competitive opportunity challenges. Two of these programs are the Native American Outreach program and the Veterans Business Development Program. The following charts illustrate their cost components.

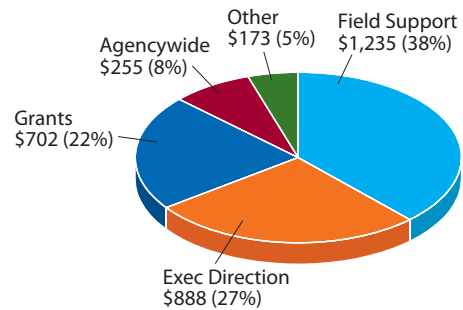
**Native American Outreach**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



**Veterans Business Development**

**FY 2005 Budgetary Resources**  
(Dollars in Thousands)



**SBA PROMOTES WOMAN-OWNED BUSINESS**

Betsy Allgeyer, owner of Business by Promotion, says she is in the relationship-building business. Her company, established in March 1997, specializes in warehousing and fulfilling corporate catalog programs for promotional items. Although she had 12 years experience in the promotions industry, she was turned down by banks before getting financing through an **SBA guaranteed loan**.

In 2001, Business by Promotion completed an office and warehouse in Independence, MO, and has experienced healthy growth each year.

As a mother of two, Allgeyer says that, "One advantage of owning your own business is the flexibility. I am able to schedule my day and be available to go to school functions without getting it cleared by a supervisor. The down side is the long hours." She states. Her advice to entrepreneurs: Make sure you have the support from your family and friends. In 2004, Allgeyer was given the SBA Business Champion Award for Advocacy of Women in Business.

## LONG-TERM OBJECTIVE 2.1

**Increase the positive impact of the SBA assistance upon the number and success of small business start-ups.**

### Key Results and Cost-Related Performance

<b>Performance Statement</b>						
<b>Agency Level Assistance</b>						
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i>						
<i>Long-Term Objective 2.1: Increase the positive impact of SBA assistance upon the number and success of small business start-ups.</i>						
<b>SBA Outcome Measures</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Goal</b>	<b>FY 2005 Actual</b>	<b>FY 2005 % Goal Variance</b>
2.1.1 Prospective and start-up small businesses assisted. <sup>a</sup>	1,050,130	1,146,793	1,098,542	216,960 <sup>b</sup>	920,548 <sup>c</sup>	N/A <sup>d</sup>
2.1.2 Percentage of prospective and start-ups from among those small businesses assisted. <sup>e</sup>	72.8%	73.0%	72.6%	N/A	70.4%	N/A
2.1.3 By FY2008, the percentage of successful business start-ups lasting at least one year that were assisted will exceed the national average for successful start-ups as measured by firm births, firm terminations, change in revenue. <sup>f</sup>						
2.1.4 Median customer satisfaction rate <sup>g</sup>	85.3%	81.5%	86.5%	82.7%	79.0%	-4.5%
<b>SBA Output Measures</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Goal</b>	<b>FY 2005 Actual</b>	<b>FY 2005 % Goal Variance</b>
Total Financial Assistance Provided <sup>h</sup>	16,179	18,962	21,350	25,643	32,571	27.0%
Total Technical Assistance Provided <sup>i</sup>	1,035,923	1,130,468	1,080,138	215,188 <sup>j</sup>	891,799	N/A
<b>SBA Costs</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2005 Actual</b>	<b>FY 2005 % Cost Variance</b>
Total Financial Assistance Cost (\$000)	\$73,357	\$70,487	\$64,679	\$30,372	\$33,564	10.5%
Total Technical Assistance Cost (\$000)	\$104,295	\$95,404	\$112,986	\$103,881	\$104,115	0.2%

a. Includes start-ups assisted in the form of financial and technical assistance.

b. Total does not include the target from the main technical assistance programs. Due to changes in ED client definitions, FY 2005 goal was set as base year for technical assistance programs.

c. Total does not include a full accounting of ED FY 2005 start-ups assisted due to ED change in client definitions.

d. Variance could not be calculated due to distortion of FY 2005 values that resulted from ED client definition changes.

e. Represents the average percentage of small business start-ups receiving SSB technical assistance.

f. Currently values are being developed for this outcome measure.

g. Currently, only ED Technical Assistance programs for SCORE, SBDC, and WBC track this indicator. The other programs that contribute to this outcome will be added as measures are developed.

h. This total is based on number Gross Loans Approved, from the 7(a), 504, programs, net loans approved by the Microloan program, and the number of small business start-ups assisted through the SBIC and NMVC programs. Gross and net numbers are equivalent for the Microloan program. One small business may have received more than one loan or financing.

i. This total represents clients counseled and attendees trained from SCORE, SBDC, WBC, BIC, and businesses receiving technical assistance from the Microloan program.

j. Change in ED client definitions resulted in ED goals not included in Total Technical Assistance provided for FY 2005 Goal.

As seen in the above chart, the FY 2005 goal for the number of small business assisted is significantly lower than the actual achievement for this fiscal year because it does not include the target from the main technical assistance programs. FY 2005 is the base year for the technical assistance programs for ED because of the change in client definition. As such, no goal is being reported for these programs for FY 2005 and they were not included in the sum of the contributions to this outcome. Additionally, this is the first year that the Agency is reporting the actual number of small businesses receiving financial assistance. Therefore, they were not included in the FY 2005 target either.

The SBA assisted over 920,000 prospective, nascent or start-up small businesses during FY 2005. It is not possible to compare this year's performance to previous years because of the changes in client definitions by the Office of Entrepreneurial Development explained previously. Because FY 2005 is the base year for the new definitions for clients receiving technical assistance, the goal for FY 2005 only reflects small businesses receiving financial assistance or counseled by SCORE. Additionally, FY 2005 was the first year that the SBA developed a methodology for single-counting the businesses receiving financial assistance; consequently, no goal was established.

The SBA continued to support small businesses by providing needed financing to 28,743 start-up businesses, in FY 2005. This compares to 18,404 assisted in FY 2004, an increase of 56%. These businesses represent 32,571 instances of access to capital. These achievements reflect improvements in program delivery and the allocation of resources at district office level to marketing and outreach. This is the fourth year in a row that the SBA has reported record growth in its capital access programs, doubling the number of small business start-ups provided financial assistance since 2002.



During FY 2005, the SBA gave technical and management assistance to close to 892,000 clients starting or considering starting a small business. Of them, 38% received assistance from SCORE and 48% from SBDCs.

#### Looking Forward

The Small Business Training Network helps define the SBA's commitment to expanding electronic government and offers the lowest per-client training costs of all OED technical assistance programs. However, the online initiative is challenged by operating without a learning management system that can register clients and track individual progress. This makes it difficult to fully evaluate the success of the initiative, or more specifically, to accurately measure outputs and outcomes.

Future plans for SBTN include alignment with a learning management system, such as *golearn.gov*, and offering a wider variety of targeted courses.

### Related Financial Reporting

Independent Auditor's Report/SBA Financial Statements for FY 2004: Independent Auditor's Report (FY2004 PAR, pages 255-257); 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); Notes to Financial Statements, Note 6 E, Subsidy Expense for Direct Loans by Program and Component (FY 2004 PAR, page 317); Notes to Financial Statements, Note 19, Disclosure Related to Restatement of FY 2003 Financial Statements (FY 2004 PAR, pages 351-355).

### Management Issues

OMB PART Evaluation: Appendix 6 contains the details of Program Assessment Rating Tool evaluation of the SBA programs that support accomplishment of this objective. These programs received the effectiveness ratings shown below:

Program	Rating
7(a) Guaranteed Loans	Adequate
504 Loans	Adequate
Small Business Investment Company	Adequate
Small Business Development Centers	Moderately Effective
SCORE	Moderately Effective

Inspector General Reports: No significant related issues.

Government Accountability Office (GAO) Reports: GAO has issued reports with recommendations (see Appendix 4) that may have an impact on accomplishment of this objective:

- GAO-04-610, Small Business Administration: New Service for Lender Oversight Reflects Some Best Practices, but Strategy for Use Lags Behind.
- GAO-03-90, Small Business Administration: Progress Made but Improvements Needed in Lender Oversight.

OIG-Identified Management Challenges: The OIG has identified major management challenges (see Appendix 5) that may impact accomplishment of this objective:

- Challenge 5. The Guarantee Purchase Center needs better controls over the business loan purchase process.
- Challenge 6. The SBA needs to continue improving lender/participant oversight.
- Challenge 8. The practices of the SBIC program place too much risk on taxpayer money
- Challenge 9. Preventing loan agent fraud requires additional measures.

## Agency Response to Management Challenges:

- Challenge 5. The Guarantee Purchase Center needs better controls over the business loan purchase process.

Based on the SBA progress in addressing this challenge, OIG provided a rating of Green in two actions, Substantial Progress in five actions, Some Progress in one action, and No Progress in one action (i.e., providing adequate resources to the purchase process).

Recognizing the importance of the NGPC staffing issue, the SBA continues to analyze current needs against projections of anticipated shifts in workload. Currently, the SBA has identified a staffing level of 65 for the NGPC, with 25 devoted to the purchase process. This should be adequate to handle an estimated 4,000 purchase requests annually. The Agency intends to fill every vacancy at the NGPC in the near future with a re-evaluation of resource-level adequacy scheduled for January 2006. To help handle the workload, the SBA developed and enhanced an online guaranty purchase tracking system (GPTS) to process, track and monitor all purchases. Additional improvements to the system are underway to further assist with the purchase process.

- Challenge 6. The SBA needs to continue improving lender/participant oversight.

The OIG revised a number of actions in this Challenge, moving away from a focus on establishing a lender oversight plan toward implementation of the plan that the SBA has adopted. While OIG "downgraded" a number of ratings due to this revised emphasis on implementation, the Agency continues to execute its oversight strategy, receiving ratings of four Greens, eight Yellows, and four Oranges. With the introduction of lender risk ratings, which leverage the credit scores included as part of the Loan and Lender Monitoring System (L/LMS), the SBA now "risk rates" all lenders on a quarterly basis. Many of these lenders were never evaluated in a meaningful way in the past. In addition, the SBA's largest lenders receive on-site reviews. For example, in FY 2005, the SBA conducted 75 on-site reviews/examinations. The results of both risk ratings and on-site reviews are used to monitor lender performance and make determinations regarding a lender's involvement in the SBA lending programs.

The SBA has also proposed and will publish in FY 2006 regulations governing oversight, enforcement, lender risk ratings and lender review fees. In addition, the SOP for On-Site Lender Reviews is in clearance and will be submitted in the near future to the Administrator for final approval. The SBA has also increased its emphasis on training, particularly for contractors who assist with on-site reviews, various trade groups, and new-participant training (coordinated through the SBA's District Office).

- Challenge 8. The practices of the SBIC program place too much risk on taxpayer money.

OIG has judged that the SBA is making some or substantial progress on eight of nine actions recommended. The sole exception of No Progress on one action relates to "providing documented analysis justifying the capital impairment percentages."

Despite our continuing concerns regarding the value of the analysis proposed by the OIG to set the maximum capital impairment percentages (CIP), a statistical breakdown will be performed, separating the debenture program from the participating securities program (equity based). The SBA will also look at projected recovery values in the Office of Liquidation in relation to the last recorded CIP prior to an SBIC being transferred to that office.

- Challenge 9. Preventing loan agent fraud requires additional measures.

The OIG judged that the SBA is making some progress on four actions and substantial progress on one action. The SBA believes that it has implemented many of the OIG recommendations, albeit after the end of year cut-off for the OIG report in two instances. Specifically, the SBA has instituted the SBA Form 159 with newly required information and added data fields to E-Tran, established through E-Tran a mechanism for OLO to capture loan agent information linked to loan files, and required lenders to provide the SBA Form 159 at the time of guaranty purchase.



### FROM WASTE TO FUEL WITH SBA'S HELP

In May 2005, President Bush recognized Maui-based Pacific Biodiesel as a leading innovator in the alternative fuel industry. The firm was started in 1993 by Bob and Kelly King as a pilot project at Maui County's Central Maui Landfill. The objective was to convert used cooking grease into a useful, environmentally-friendly product. Bob King applied his extensive experience with diesel engines to develop a new

process for clearing the grease of contaminants and turning it into a fuel similar to petroleum-based diesel.

The Kings worked closely with David Fisher of the Hawaii **SBDC** network. Fisher provided hands-on assistance with developing a strategic plan, identifying funding sources, and establishing an overall plan for business growth. The Kings credit the **SBDC** program as a key component in the realization of their business goals and objectives.

Pacific Biodiesel has built four plants, recently opened the Nation's first retail biodiesel pump, and is recognized as a leader in this emerging international industry. The company has contracted to consult in the development of biodiesel plants on Oahu and in Nagano, Japan, and plans expansion of its refinery in Virginia.

## LONG-TERM OBJECTIVE 2.2

### Maximize the sustainability and growth of existing small business assisted by the SBA.

#### Key Results and Cost-Related Performance

<b>Performance Statement</b>						
<b>Agency Level Assistance</b>						
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i>						
<i>Long -Term Objective 2.2: Maximize the sustainability and growth of existing small business assisted by SBA.</i>						
<b>SBA Outcome Measures</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Goal</b>	<b>FY2005 Actual</b>	<b>FY 2005 % Goal Variance</b>
2.2.1 Increase the number of existing small businesses receiving SBA assistance. <sup>a</sup>	410,932	449,870	487,478	54,489 <sup>b</sup>	470,893	N/A <sup>c</sup>
2.2.2 By FY2008, SBA-assisted small businesses in existence for 1-3 years, will exceed the national average for survivability of firms within that same time frame. <sup>d</sup>						
2.2.3 By FY2008, SBA-assisted small businesses will exceed the national average rate for job creation by small firms. <sup>d</sup>						
2.2.4 By FY 2008, SBA-assisted small businesses will exceed the national average rate for revenue growth by small firms. <sup>d</sup>						
2.2.5 Median customer satisfaction rate <sup>e</sup>	85.3%	85.0%	86.5%	82.7%	79.9%	-3.3%
<b>SBA Output Measures</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Goal</b>	<b>FY2005 Actual</b>	<b>FY 2005 % Goal Variance</b>
Total Financial Assistance Provided <sup>f</sup>	45,369	60,334	72,970	72,139	77,278	7.1%
Total Technical Assistance Provided <sup>g</sup>	362,040	388,144	416,587	51,555 <sup>h</sup>	388,809	N/A <sup>c</sup>
Total Procurement Assistance Provided <sup>i</sup>	10,371	10,769	11,194	2,900 <sup>j</sup>	14,098	N/A <sup>k</sup>
<b>SBA Costs</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY2005 Actual</b>	<b>FY 2005 % Cost Variance</b>
Total Financial Assistance Cost (\$000)	\$200,320	\$221,925	\$186,774	\$90,917	\$87,436	-3.8%
Total Technical Assistance Cost (\$000)	64,668	57,004	65,937	65,274	65,551	0.4%
Total Procurement Assistance Cost (\$000)	53,176	42,688	45,587	45,384	44,038	-3.0%

- a. Calculation based on number of unique small businesses assisted by programs contributing to this outcome. SBTN is not included in this calculation.
- b. FY 2005 goal does not include the target from the main technical assistance programs. Due to changes in ED client definitions, FY 2005 goal was set as base year for ED technical assistance programs.
- c. Variance could not be calculated due to distortion of FY 2005 values that resulted from ED client definition changes.
- d. Currently values are being developed for this outcome measure.
- e. This rate represents the overall average satisfaction rate from the SCORE, SBDC, and WBC programs. The other programs that contribute to this outcome will be added as measures are developed.
- f. This total is based on number gross loans approved, from the 7(a), 504, programs, net loans approved by the Microloan program, and the number of financings through the SBIC and NMVC programs to existing small businesses. Gross and net numbers are equivalent for the Microloan program. One small business may have received more than one loan or financing.
- g. This total represents clients counseled and attendees trained from SCORE, SBDC, WBC, BIC, International Trade, and businesses receiving technical assistance from the DFWP, Microloan and 7(j) programs. It does not include clients assisted by SBTN.
- h. Due to changes in ED client definitions, FY 2005 goal was set as base year for ED technical assistance programs. FY 2005 goal for Total Technical Assistance Provided does not include the target from ED technical assistance programs.
- i. This total represents assistance provided by Final Surety Bonds Guaranteed, HUBZone Certification Actions, and 8(a) Participants Served.
- j. Low FY 2005 Goal results from the introduction of a new 8(a) indicator, for which no goal had been established.
- k. Variance could not be calculated due to high FY 2005 actual values resulting from the addition of a new indicator.



As seen in the above chart, the FY 2005 goal for the number of small business assisted is significantly lower than the actual achievement for this fiscal year because it does not include the target from the main technical assistance programs. FY 2005 is the base year for the technical assistance programs for ED because of the change in client definition. As such, no goal is being reported for these programs for FY 2005 and they were not included in the sum of the contributions to this outcome. Additionally, this is the first year that the Agency is reporting the actual number of small businesses receiving financial assistance. Therefore they were not included in the FY 2005 target either.

In FY 2005 the SBA assisted over 467,000 existing small businesses through its financial, technical, and procurement assistance programs. Because the SBA adopted FY 2005 as its base year for new definitions for clients receiving technical assistance, the goal for FY 2005 only reflects small businesses receiving financial and procurement assistance, as well as those counseled by SCORE. No real comparison can be made between FY 2005 goal and FY 2005 performance.

During FY 2005, the SBA supported existing small businesses by providing 67,986 of them with financing. Since FY 2004, the SBA increased the number of small businesses receiving financing by 8%. These businesses received 77,278 instances of access to capital. As discussed under the section on start-ups, these achievements reflect improvements in program delivery and the allocation of resources at district office level to marketing and outreach.

The SBA also provided approximately 385,021 existing small businesses with technical assistance in FY 2005. Of these, 71% represented existing small businesses receiving assistance through the SBDC program. In addition, over 14,000 small businesses received procurement opportunities from the SBA. The majority of these opportunities came from the 8(a) program.

**Related Financial Reporting**

Independent Auditor’s Report/SBA Financial Statements for FY 2004: Independent Auditor’s Report (FY2004 PAR, pages 255-257); 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); Notes to Financial Statements, Note 6 E, Subsidy Expense for Direct Loans by Program and Component (FY 2004 PAR, page 317); Notes to Financial Statements, Note 19, Disclosure Related to Restatement of FY 2003 Financial Statements (FY 2004 PAR, pages 351-355).

**Management Issues**

OMB PART Evaluation: Appendix 6 contains the details of PART evaluation of the SBA programs that support accomplishment of this objective. These programs received the effectiveness ratings shown below:

<b>Program</b>	<b>Rating</b>
7(a) Guaranteed Loans	Adequate
504 Loans	Adequate
Small Business Investment Company	Adequate
Small Business Development Centers	Moderately Effective
SCORE	Moderately Effective

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

- OIG Report 5-22. Audit of SBIC Liquidation Process (see Appendix 2).

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges: The OIG has identified major management challenges that impact accomplishment of this objective:

- Challenge 5. The Guarantee Purchase Center needs better controls over the business loan purchase process.
- Challenge 6. The SBA needs to continue improving lender/participant oversight.
- Challenge 8. The practices of the SBIC program place too much risk on taxpayer money.
- Challenge 9. Preventing loan agent fraud requires additional measures. (see Appendix 5)

Agency Response to Management Challenges:

- Challenge 5. The Guarantee Purchase Center needs better controls over the business loan purchase process (see response in Long Term Objective 2.1).
- Challenge 6. The SBA needs to continue improving lender/participant oversight (see response in Long Term Objective 2.1).
- Challenge 8. The practices of the SBIC program place too much risk on taxpayer money (see response in Long Term Objective 2.1).
- Challenge 9. Preventing loan agent fraud requires additional measures (See response in Long Term Objective 2.1).



## SBA HELPS KEEP BUSINESS AFLOAT AFTER HURRICANE KATRINA

Pelican Funding is a life safety company providing security, fire and medical monitoring and emergency dispatch services to more than 6,800 homes, businesses and public institutions throughout Louisiana, Mississippi, Alabama and Texas. The company has eight employees.

Based in Baton Rouge, LA, Pelican Funding was severely impacted by Hurricane Katrina, which wiped out up to 2000 of their customers virtually overnight. The storm destroyed the voice/data services that the company relied upon to monitor alarm systems or dispatch emergency services. This prevented them from providing services to any of their customers because the alarm systems could not transmit data signals to the central monitoring stations. The hurricane also shut down their bank lock box service with a bank in New Orleans, leaving them unable to collect customer payments and completely halting cash flow.

Through the SBA's **Disaster Assistance loan program**, Pelican Funding Corporation received a loan of almost three-quarters of a million dollars to cover working capital needs and pay various accounts payable. This loan will allow the company to stay afloat until the business climate begins to return to normal.

### LONG-TERM OBJECTIVE 2.3

**Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOG).**

**Key Results and Cost-Related Performance**

Long-Term Objective 2.3 is a subset of LTOs 2.1 and 2.2. The Performance Statement below displays achievements and costs already captured under Performance Statements in LTO 2.1 and 2.2. These values should not be used for reconciliation purposes.

<b>Performance Statement</b> <b>Agency Level Assistance</b>						
<i>Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.</i> <i>Long -Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps.(SCOGs)</i>						
SBA Outcome Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
2.3.1 Increase the number of start-ups and existing small businesses facing special competitive opportunity gaps (SCOGs) receiving SBA assistance. <sup>a</sup>	311,325	337,132	585,912	4,934 <sup>b</sup>	544,202	N/A <sup>c</sup>
2.3.2 By FY 2008, small businesses facing special competitive opportunity gaps that were assisted by SBA, will exceed the national survivability rate for comparable small businesses within the first 2 years of existence. <sup>d</sup>	28,857	41,605	N/A	N/A	N/A	N/A
2.3.3 By FY 2008, small businesses facing special competitive opportunity gaps that were assisted by SBA, will exceed the national average rate of comparable small business job creation within 2 years of that assistance. <sup>e</sup>	3,004	3,962	N/A	N/A	N/A	N/A

a. This total represents the number of SCOGs assisted through financial assistance programs 7(a), 504, SBIC, Microloan, NMVC; technical assistance. programs SCORE, SBDC,WBC, Microloans, and 7(j); and procurement assistance programs Surety Bonds, HUBZone, and 8(a).

b. FY 2005 ED goals were revised due to changes to ED client definitions. As a result, ED goals were not included in this total.

c. Variance could not be calculated due to distortion of FY 2005 values that resulted from ED client definition changes.

d. SBA is currently evaluating the calculation of this indicator.

e. SBA and an outside contractor are currently re-evaluating calculation of values for this indicator.

## Performance Statement

### Agency Level Assistance

*Strategic Goal 2. Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.*

*Long-Term Objective 2.3: Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps (SCOGs).*

SBA Output Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Goal	FY 2005 Actual	FY 2005 % Goal Variance
Total Financial Assistance Provided <sup>a</sup>	36,482	51,601	71,536	74,875	83,715	11.8%
Total Technical Assistance Provided <sup>b</sup>	271,309	285,021	514,643	2,000 <sup>c</sup>	458,049	N/A <sup>d</sup>
Total Procurement Assistance Provided <sup>e</sup>	10,371	10,769	11,194	2,900 <sup>f</sup>	12,948	N/A <sup>g</sup>
SBA Costs	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2005 Actual	FY 2005 % Cost Variance
Total Financial Assistance Cost (\$000)	\$14,345	\$152,465	\$115,327	\$73,127	\$83,153	13.7%
Total Technical Assistance Cost (\$000)	\$93,903	\$91,946	\$79,476	\$53,460	\$57,782	8.1%
Total Procurement Assistance Cost (\$000)	\$48,973	\$39,023	\$41,769	\$40,025	\$40,696	1.7%

a. Total is based on number Gross Loans Approved by the 7(a) and 504 programs, net loans approved by the Microloan program, and the number of small business startups assisted through the SBIC and NMVC programs. Gross and net numbers are equivalent for the Microloan program. One small business may have received more than one loan or financing.

b. This program represents training and counseling assistance provided by the SCORE, SBDC, WBC, 7(j), and Microloan programs. It excludes Microloan Hours of Technical Assistance.

c. FY 2005 Technical Assistance goal was revised due to changes to ED client definitions. As a result, ED goals were not included in this total.

d. Variance could not be calculated due to distortion of FY 2005 values that resulted from ED client definition changes.

e. This indicator summarizes procurement assistance from Final Surety Bonds Guaranteed, Hubzone Certification Actions, and 8(a) Participants Served.

f. Low FY 2005 Goal results from the introduction of a new 8(a) indicator, for which no goal had been established.

g. Variance could not be calculated due to high FY 2005 actual values resulting from the addition of a new indicator.

As seen in the above chart, the FY 2005 goal for the number of small business assisted is significantly lower than the actual achievement for this fiscal year because it does not include the target from the main technical assistance programs. FY 2005 is the base year for the technical assistance programs for ED because of the change in client definition. As such, no goal is being reported for these programs for FY 2005 and they were not included in the sum of the contributions to this outcome. Additionally, it is the first year that the Agency is reporting the actual number of small businesses receiving financial assistance. Therefore they were not included in the FY 2005 target either.

During FY 2005, over 544,200 start-up and existing small businesses facing special competitive opportunity gaps received assistance through the SBA financial, technical, and procurement assistance programs. The establishment of new definitions for clients receiving technical assistance did not permit a full comparison between the overall FY 2005 Agency-wide goal and FY 2005 achievement.

Approximately 83,715 financing opportunities went to over 73,205 small businesses in this segment. Close to 88% of this assistance was in the form of 7(a) loans.

The SBA also provided approximately 458,049 existing small businesses with technical assistance in FY 2005. Of these, 58% represented small businesses in this segment receiving assistance through the SBDC program.

An additional 12,948 small businesses facing special competitive opportunity gaps received procurement opportunities from the SBA. The 8(a) program accounted for 73% of these opportunities.

**Related Financial Reporting**

Independent Auditor’s Report/SBA Financial Statements for FY 2004: Independent Auditor’s Report (FY2004 PAR, pages 255-257); 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); Notes to Financial Statements, Note 6 E, Subsidy Expense for Direct Loans by Program and Component (FY 2004 PAR, page 317); Notes to Financial Statements, Note 19, Disclosure Related to Restatement of FY 2003 Financial Statements (FY 2004 PAR, pages 351-355).

**Management Issues**

OMB PART Evaluation: Appendix 6 contains the details of PART evaluation of the SBA programs that support accomplishment of this objective. These programs received the effectiveness ratings shown below:

<b>Program</b>	<b>Rating</b>
7(a) Guaranteed Loans	Adequate
504 Loans	Adequate
Small Business Investment Company	Adequate
Small Business Development Centers	Moderately Effective
SCORE	Moderately Effective

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

- OIG Report 5-04. Review of the Small Disadvantaged Business Certification Program (see Appendix 2).
- OIG Report 5-11. Cooperative Agreement to HP Small Business Foundation (see Appendix 2).
- OIG Report 5-18. Mentor Protégé (see Appendix 2).
- OIG Report 5-24. Social Disadvantage in the 8(a) Business Development Program (see Appendix 2).
- OIG Report 5-28. Review of the SBA Procedures for Cash Gifts (see Appendix 2).

Government Accountability Office Reports: No significant related issues.

OIG-Identified Management Challenges: The OIG has identified major management challenges that impact accomplishment of this objective:

- Challenge 1. Flaws in the procurement process allow large firms to receive small business awards and agencies to receive small business credit for contracts performed by large firms. (see Appendix 5)
- Challenge 7. The Section 8(a) Business Development program needs to be modified so more firms receive access to business development, standards for determining economic disadvantage are clear and objective, and more eligible firms receive contracts. (see Appendix 5)

Agency Response to Management Challenges:

- Challenge 1. Flaws in the procurement process allow large firms to receive small business awards and agencies to receive small business credit for contracts performed by large firms. (see Appendix 5)

The OIG judged that the SBA is continuing to achieve some progress on three actions and substantial progress on one action. Overall, the SBA continued to address flaws in Federal procurement practices that 1) permit agencies to claim credit for small business set-asides for firms that can no longer qualify as a small business, and 2) allow a business that is no longer small to receive small business awards. In response to this work, the OIG raised its assessment of the SBA actions from No Progress to Some Progress in two actions. With one exception, the SBA has included OIG suggested improvements in its draft Rule.

- Challenge 7. The Section 8(a) Business Development program needs to be modified so more firms receive access to business development, standards for determining economic disadvantage are clear and objective, and more eligible firms receive contracts. (see Appendix 5)

The OIG has judged that the SBA is making Some Progress on four actions, Substantial Progress on two actions, and No Progress on one action (i.e., graduate participants once they reach those levels defined as “business success”). The SBA continues to highlight and emphasize the increased business development focus of the program. It is not a contracting program—a contract is merely one of the tools used for developing business ownership among groups that own and control little productive capital. The SBA also agrees that it needs to increase the reliability and validity of its database. To this end, in FY 2005, the SBA implemented the first of three phases to replace the program’s primary database. During FY 2006, the SBA will implement the second phase and develop the final phase, marking increased efficiency improvements to the program. Finally, the SBA has revised and will enforce in FY 2006 the current 8(a) participation agreement between 8(a) participants and the SBA relating to graduation, where the firm agrees to be graduated once it has met or exceeded the industry mean in four of seven categories (e.g., total assets, current ratio, debt/net worth ratio, net worth, net sales, pre-tax profit, sales/working capital ratio) for two consecutive years.



### MAKING A GOOD CONNECTION WITH SBA

Sam McCline, president of Total Info Technology Solutions, launched Netsis L.L.C. in 1999 to deliver total information technology solutions to his clients. Netsis services focus on providing infrastructure connectivity from the wall plate to wide area networks, as well as desktop, technical instruction and e-learning solutions.

Netsis is certified by SBA as **8(a)** and as a **small disadvantaged business**. It is also certified as a disabled veteran-owned small business under the Department of Veteran Affairs. This makes the firm eligible for consideration for Federal contract set-asides for disabled veteran businesses.

Netsis has been awarded eight separate contracts worth \$21 million from various Federal agencies. The company was recently awarded a GSA Schedule 70 contract. It also has developed relationships with a number of Fortune 500 companies including HP, Cisco Systems and Lucent, and has built alliances with several Federal prime contractors including Computer Science Corporation, IBM, CDW, SYNEX, General Dynamics and Northrop Grumman.

Long-term goals for Netsis include opening additional offices around the State and country, increasing its presence in Federal, State, commercial and education sectors, and developing its own computer brand.