

APPENDIX 4 – GOVERNMENT ACCOUNTABILITY OFFICE (GAO) RECOMMENDATIONS

Strategic Goal One	Improve the economic environment for small business.
	There are no open recommendations from GAO for any of the Long-Term Objectives for Strategic Goal One.
Strategic Goal Two	Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.
Long-Term Objective 2.1	Increase the positive impact of the SBA assistance upon the number and success of small business start-ups.
GAO-04-610	Small Business Administration: New Service for Lender Oversight Reflects Some Best Practices, but Strategy for Use Lags Behind
Recommendation	The SBA should expedite the development of policies for taking enforcement actions against all lending partners to address noncompliance issues identified through the loan monitoring service and to address safety and soundness issues among SBLCs and CDCs, for whom the SBA is the only regulator.
SBA Comments	In December 2004, Congress gave specific oversight and enforcement powers to the SBA with regard to SBLCs. In April 2005, the Administrator delegated specific authorities to the Office of Lender Oversight and the Lender Oversight Committee with regard to oversight and enforcement of the SBA lenders including SBLCs and CDCs. A proposed regulation is under development to implement the new legislation and the delegations of authority including supervisory and enforcement provisions.
Recommendation	The SBA should ensure that resources within the SBA are devoted to developing policies for the use of the loan monitoring service, so that the overall time line for completion–April 2005–is met.
SBA Comments	The SBA is devoting resources to its lender oversight activities
GAO-03-90	Small Business Administration: Progress Made but Improvements Needed in Lender Oversight
Recommendation	To improve PLP and SBLC oversight, the SBA Administrator should provide, through regulation, clear policies and procedures for taking enforcement actions against preferred lenders and SBLCs in the event of continued noncompliance with the SBA's regulations. Specifically, the Administrator of the SBA should adopt regulations that would clearly define the SBA authority to take enforcement actions and specify conditions under which supervisory actions would be taken.
SBA Comments	A proposed regulation is under development to implement the new legislation and the delegations of authority including supervisory and enforcement provisions.
Long-Term Objective 2.2	Maximize the sustainability and growth of existing small businesses assisted by the SBA.
	There are no open recommendations from GAO for this Long-Term Objective.
Long-Term Objective 2.3	Significantly increase successful small business ownership within segments of society facing special competitive opportunity gaps.
	There are no open recommendations from GAO for this Long-Term Objective.

Strategic Goal Three	Restore homes and businesses affected by disaster.
Long-Term Objective 3.1	Maximize the timely restoration of businesses and homes following disaster.
GAO-05-409	The SBA Disaster Loan Program: Accounting Anomalies Resolved but Additional Steps Would Improve Long-Term Reliability of Cost Estimates.
Recommendation	<ol style="list-style-type: none"> 1. Develop additional documentation of the new disaster cash flow model to help facilitate proper operation, maintenance, and updating of the model. 2. Study the value of incorporating additional variables in the new disaster cash flow model, such as detailed information on the financial strength of borrowers. 3. Establish policies and procedures to routinely test the new disaster cash flow model's ability to predict loan performance by comparing the model's predictions to actual loan performance and to identify and address the causes of any significant variances. 4. Consider possible revisions to the model and/or alternative methodologies that would simplify the estimation process. 5. Establish additional procedures to test and document the reliability of the data used in the new cash flow model for the disaster loan program.
SBA Comments	Generally, the SBA agrees that these are reasonable recommendations. Indeed, these recommendations would be appropriate for virtually all Federal credit models. The SBA already has work underway which will address several of the recommendations, including: expanding the documentation of the model and related data, testing model assumptions, and obtaining loan data directly from the SBA's Electronic Loan Information Processing System.

Strategic Goal Four	Ensure that all the SBA programs operate at maximum efficiency and effectiveness by providing them with high-quality executive leadership and support services.
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, so as to maximize the Agency's mission performance through a comprehensive performance management system.
GAO-05-866	Data Mining: Agencies Have Taken Key Steps to Protect Privacy in Selected Efforts, but Significant Compliance Issues Remain.
Recommendation	Amend the system of records notice regarding its data mining effort to clearly identify the individual responsible for the effort, the process by which individuals can request notification that the system includes records about them, and the procedures individuals should use to review records pertaining to them.
SBA Comments	The SBA believes the Agency System of Records is comprehensive but will review the system of records for the Loan System to determine if clarifications are necessary.
Recommendation	Complete a privacy impact assessment (PIA) for the data mining effort that complies with OMB guidance, including analysis of the information to be collected, the purposes of the collection, the intended use of the information, how the information is to be secured, opportunities for impacted individuals to comment, and the choices made by the Agency as a result of the assessment.
SBA Comments	The SBA plans to issue a revised privacy impact assessment for the Loan and Lender Monitoring System later this fiscal year that will address GAO's recommendation.
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 current and emerging needs of its customers.
	There are no open recommendations from GAO for this Long-Term Objective.
Long-Term Objective 4.3	Financial management systems will support both 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.
GAO-05-606R	Financial Audit: The Small Business Administration's Fiscal Year 2004 Management Representation Letter on Its Financial Statements.
Recommendation	Recommended to the SBA's CFO that in the future the management representation letter include a complete summary of unadjusted misstatements, if there are any uncorrected misstatements, that also distinguish between misstatements affecting intragovernmental accounts and misstatements affecting accounts with the public.
SBA Comments	The SBA will modify its FY 2005 Management Representation Letter to include this GAO recommendation. Coordination has already occurred between the CFO, IG and the SBA's auditor to make this change. (6/7/05).
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.
	There are no open recommendations from GAO for this Long-Term Objective.
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.
	There are no open recommendations from GAO for this Long-Term Objective.