



APPENDICES

*Did
you
know*



Small business is a big contributor to the nation's economy, generating 50 percent of the private, non-farm gross domestic product, according to a study released in April 2007 by the Office of Advocacy of the Small Business Administration. The study covers the period 1998 - 2004, and confirms the findings of earlier research.

APPENDIX 1 – SBA'S ACTIONS IN RESPONSE TO OMB'S PART EVALUATIONS

PART Program Updates for FY 2007 AFR

Strategic Goal Two Increase small business success by bridging competitive opportunity gaps facing entrepreneurs.	
Program Name	Section 7 (a) Guaranteed Loan Program
Ratings	FY 2002 FY 2003 FY 2004 Adequate FY 2007 Moderately Effective
Major Findings	<ul style="list-style-type: none"> ■ The program is generally successful in extending financial assistance to small businesses that would ordinarily not be eligible for traditional loans. SBA's portfolio is made up of borrowers that are more risky (evidenced by lower credit scores) than comparable private sector lending small business portfolios. ■ The program has increased its loan volume and has contributed significantly to the Agency's goal of meeting the needs of small businesses that ordinarily cannot gain access to capital. However, while the program tracks and reports on its long-term measures, the program does not have performance targets. ■ Cost efficiencies have been realized through relying on lenders to originate, service, and liquate loans, along with the elimination of credit subsidy and administrative improvements. From 2003 to 2006, unit cost per loan decreased from \$2,778 to \$461.
Actions Taken/Planned	The SBA has completed or is taking the following actions to improve the performance of the program: <ul style="list-style-type: none"> ■ Revised the Standard Operating Procedure (SOP) for loan processing and approval. ■ Updated rules and regulations for the SBA Express program to replace the existing program guide. ■ Collecting data and setting targets for new outcome performance measures.
Program Name	SCORE
Ratings	FY 2002 Moderately Effective FY 2003 Moderately Effective FY 2004 Moderately Effective
Major Findings	<ul style="list-style-type: none"> ■ The program has successfully brought together volunteers with entrepreneurs for mentoring. ■ Due to the use of volunteers, the cost per client under the SCORE program was low relative to similar programs. ■ While client satisfaction is high, there are no other data to show that the program has resulted in long-term benefits to recipients.
Actions Taken/Planned	The SBA has completed or is taking the following actions to improve the performance of the program: <ul style="list-style-type: none"> ■ The SBA now has data to show that the program has resulted in long-term benefits to recipients. The Agency developed and administered an Impact Study of Entrepreneurial Development Resources. This OMB approved study is a random sample of three separate study groups of counseled clients served within the 4th quarter of FY 2003, 2004 and 2005. The study surveyed clients at nascent, start-up and in-business stages. Study areas included relationship between the assistance provided and the client's business having a positive financial impact on job creation and retention and increase in sales. Findings include growth in SCORE clients' sales from \$90,596 in FY 2003 to \$254,463 in FY 2005 and increase in firm size from 2.9 employees in FY 2003 to 3.8 employees in FY 2005.
Program Name	Small Business Development Centers
Ratings	FY 2002 Moderately Effective FY 2003 Moderately Effective FY 2004 Moderately Effective
Major Findings	<ul style="list-style-type: none"> ■ Hourly costs of counseling services vary significantly across Small Business Development Centers without any evidence that the quality of services or outcomes differed. ■ Funds are allocated to Small Business Development Centers based upon formulas rather than performance. ■ An independent evaluation of the program estimated that each \$1 spent on counseling resulted in \$2.78 in tax revenue.

Actions Taken/Planned	<p>The SBA has completed or is taking the following actions to improve the performance of the program:</p> <ul style="list-style-type: none"> ■ Implementing a new five-year strategic plan with meaningful annual and long-term outcome-oriented measures. ■ Conducting a multi-year study of all technical assistance programs. The first survey was undertaken in FY 2005. ■ Proposing legislation that would make lead center grants competitive to help promulgate best practices.
Program Name	Small Business Investment Companies Debentures
Ratings	FY 2007 Moderately Effective
Major Findings	<ul style="list-style-type: none"> ■ The program is successful in extending financial assistance to small businesses. In the last two years, SBIC debentures have made \$3.3 billion in financing loans to small businesses looking for expansion, later stage and bridge type financing. ■ The program maintains strong financial management practices and uses financial performance data effectively to analyze trends and assess risk. The program tracks cost effectiveness and utilizes rigorous financial practices with regard to licensing, operations, funding and administration, and liquidations. The SBA continues to respond to IG reports concerning management and programmatic challenges. ■ The program should attempt to better address and define that it serves a specific existing need. Although SBIC debentures perform financing across a more dispersed geographic area and across more industries than private venture capital, the SBA should develop measures to evaluate and ensure the effectiveness of the program in addressing potential market failures or opportunity gaps.
Actions Taken/Planned	<p>The SBA has completed or is taking the following actions to improve the performance of the program:</p> <ul style="list-style-type: none"> ■ Enhanced financial monitoring systems to improve reestimates and guarantee continuance of zero subsidy. ■ Improved response time in operations and licensing in order to expedite approvals necessary for SBICs. ■ Tracking and monitoring the established timelines for processing licensing actions, management changes and overline and conflict of interest requests.
Program Name	Section 504 Certified Development Company Guaranteed Loan Program
Ratings	<p>FY 2002 Adequate</p> <p>FY 2003 Adequate</p> <p>FY 2004 Adequate</p> <p>FY 2007 Moderately Effective</p>
Major Findings	<ul style="list-style-type: none"> ■ The program has strong loan oversight and management practices. Through a new lender monitoring system, the SBA can differentiate between well-performing and lagging CDCs, and respond appropriately. Further, cost efficiencies have been gained. ■ Competition among CDCs has increased, resulting in improved borrower access to loans. Regulatory changes implemented in 2004 allowed CDCs to expand their area of operations to the state they are located in, giving borrowers and lenders more choices. ■ Since the 504 regulatory changes in November 2003, the 504 program has experienced significant increase in its loan volume. All CDCs now have statewide authority and subsequently all have the ability to expand into their contiguous states either as a multi-state expansion (the entire state) or as a Local Economic Area Expansion (contiguous counties in a contiguous state). Since the change in the regulations, there have been approximately 60 expansions by CDCs into contiguous state. Also the Agency has certified 21 new CDCs. ■ As of 8/3/2007 there have been 8,857 loans approved for the year as compared to YTD information prior to the change in August 3, 2003 of 5,402. This represents an increase of 64 percent in number of loans processed as compared to volume prior to the regulatory changes. In dollars for FY 07 YTD \$5,189,642,000 has been approved compared to FY 03 YTD \$2,486,231,000, representing an increase of 109 percent.
Actions Taken/Planned	<p>The SBA has completed or is taking the following actions to improve the performance of the program:</p> <ul style="list-style-type: none"> ■ Revised standard operating procedures to improve loan processing and approval. ■ Collecting data and setting standards for the program’s outcome performance measures.
Program Name	Women’s Business Centers
Ratings	FY 2006 Moderately Effective
Major Findings	<ul style="list-style-type: none"> ■ In 2005, the SBA developed new baselines for its annual goals and updated its definition of clients. This will eliminate duplication in counting the number of clients assisted. ■ An independent study has shown that the Women’s Business Center program is effective in reaching its target audience. As compared to similar technical assistance programs, WBC serves a higher percentage of minority and economically disadvantaged clients. ■ Frequent statutory changes impact the Agency’s ability to effectively manage the program. For example, the percentage of funding allocated annually for sustainability of existing centers fluctuates widely in appropriations language, making it difficult to plan and open new centers in underserved areas.

Actions Taken/ Planned	The SBA has completed or is taking the following actions to improve the performance of the program: <ul style="list-style-type: none"> ■ Conducting a study to determine whether the program duplicates or complements other technical assistance. ■ Undertaking a further study to establish a link between the program and the Agency's outcomes.
Program Name	Small Business Surety Bonds
Ratings	FY 2005 Adequate
Major Findings	<ul style="list-style-type: none"> ■ Program enhancements are needed to maximize effectiveness and achieve performance goals. In particular, the SBA needs to develop an Internet-based electronic application and claims processing system and restructure its program outreach. ■ A rigorous program evaluation is necessary to determine whether the program supplements or supplants private surety bonding activities.
Actions Taken/ Planned	The SBA has completed or is taking the following actions to improve the performance of the program: <ul style="list-style-type: none"> ■ Restructured the field component of the program and linked district office goals to program performance. ■ Implemented an Internet-based application and claim processing system. ■ Undertook evaluations of the program.
Program Name	Hub-Zone
Ratings	FY 2002 Moderately Effective FY 2003 Moderately Effective FY 2004 Effective FY 2005 Moderately Effective
Major Findings	<ul style="list-style-type: none"> ■ The HUBZone Program is targeted to provide expanded federal contract opportunities to firms located in approximately 11,600 metropolitan census tracts, 1,400 non-metropolitan counties, Indian Lands, and 150 areas affected by base closures and realignments. These are areas that suffer high unemployment and/or low household income. ■ The Inspector General found some ineligible companies certified under the program.
Actions Taken/ Planned	The SBA has completed or is taking the following actions to improve the performance of the program: <ul style="list-style-type: none"> ■ Implementing program procedures to verify economic disadvantage of groups automatically assumed to qualify for the program. ■ Reviewing 5 percent of the portfolio annually for compliance with program requirements. ■ Improving the timeliness of decertification of ineligible firms.
Program Name	8(a) Business Development Program
Ratings	FY 2002 Moderately Effective FY 2003 Moderately Effective FY 2004 Effective FY 2005 Adequate
Major Findings	<ul style="list-style-type: none"> ■ The Inspector General has recommended that the SBA adopt a detailed definition of what it means to be economically disadvantaged and to reconsider the current exclusion of residential and business equity in the computation of an individual's net worth. ■ A new information system is needed to replace the ineffective and inefficient Servicing and Contracts System/Minority Enterprise Development Central Office Repository data system. ■ The program should be repositioned as a business development program for culturally and economically disadvantaged entrepreneurs rather than focusing on federal procurement.
Actions Taken/ Planned	The SBA has completed or is taking the following actions to improve the performance of the program: <ul style="list-style-type: none"> ■ Refocusing the 8(a) program to emphasize "business development." ■ Developing and implementing new information technology management systems. ■ Developing tracking mechanisms to improve application processing timeframes and the ability to communicate with customers.

Strategic Goal 3 Restore homes and businesses affected by disaster	
Program Name	Disaster Loan Program
Ratings	FY 2002 Moderately Effective FY 2003 Moderately Effective FY 2004 Effective
Major Findings	<ul style="list-style-type: none"> ■ The program complements rather than duplicates other disaster assistance programs. ■ At the time of the original PART review, the SBA lacked reliable credit models for measuring the federal government’s costs. The Agency developed a new, loan-level credit subsidy model that more accurately predicts taxpayer costs. ■ Loan-making costs, due to fraud prevention and the requirement to deploy staff to the disaster area, are high.
Actions Taken/ Planned	The SBA has completed or is taking the following actions to improve the performance of the program: <ul style="list-style-type: none"> ■ Continual enhancements were made to the Office of Disaster Assistance integrated loan management system throughout FY 2007 and have been implemented to maximize its efficiency. ■ ODA launched a comprehensive campaign to improve the responsiveness and efficiency of its core disaster loan processes, systems and organization. Through the Action Commitment and Excellence campaign ODA identified 155 Action Projects to enhance program delivery, and within the year has completed and implemented 100 of those projects.

APPENDIX 2 – IMPROPER PAYMENTS

Improper Payments

As required by the Improper Payments Information Act, the SBA reviewed its payment programs during FY 2007. From this analysis, the SBA identified the 7(a) guaranty purchase program as medium risk under IPIA guidelines issued by the OMB. The SBA also included three other major credit programs in this report in accordance with guidance in OMB Circular A-136, as these programs were previously identified in the former Section 57 of OMB Circular A-11 as subject to improper payment reporting. The four SBA credit programs included in this report are the 7(a) business loan program, the Section 504 Certified Development Company loan program, the Small Business Investment Company program and the Disaster Assistance loan program. OMB guidance was modified during FY 2006 to include guaranty approvals as well as payments on guaranty defaults in improper payment reporting, and this new requirement was implemented for the 7(a) and CDC programs in FY 2007. Guaranty issuances have historically been included in the reporting for SBIC program improper payments.

An Agency should:

- I. *Describe the risk assessment(s), performed subsequent to completing its full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of Circular A-11 (now located in Circular A-123, Appendix C).*

Response: The SBA has four credit programs previously identified under Section 57 of Circular A-11. The credit programs are (1) 7(a) business loan program, (2) Certified Development Company program, (3) Small Business Investment Company program and (4) Disaster loan program.

The delegation of responsibility for 7(a) guaranty program to SBA participating lenders nationwide for making, servic-

ing and liquidation of 7(a) loans causes a medium risk of improper payments in the guaranty purchase process that is subject to SBA oversight, monitoring and attention to identified discrepancies. As a result, the 7(a) guaranty purchase process has been designated as medium risk under IPIA guidelines. The 7(a) guaranty purchase process utilizes a random selection of disbursed purchases to monitor and report improper payments in 7(a) purchase centers. The 7(a) purchase centers include the National Guaranty Purchase Center in Herndon, Virginia that purchases defaulted 7(a) guaranteed loans as well as centers in Fresno, California and Little Rock, Arkansas that purchase defaulted SBAExpress guaranteed loans. The 7(a) guaranty loan origination process is considered to be low risk with regard to the approval of loans that are deemed to be ineligible for the 7(a) program.

The risk of FY 2007 improper payments in the CDC program is deemed by SBA to be low due to extensive controls that exist in the loan origination process that include reviews by program and legal professionals. This includes both CDC debenture issuance and financings by CDCs to the small business.

SBIC program improper payment risk is minimal due to extensive operational controls, including legal review over guaranty issuance and default purchase activities. In addition, the SBIC examination program subjects SBIC's to at least a biennial review of the SBIC company investments in small business ventures.

The risk of Disaster improper payment is minimal due to extensive, thorough operational controls over the Disaster application, damage verification, credit review and loan closing activities. Disaster improper payments have historically been well under 1 percent, and Disaster is only included in this report because it was previously reported under Circular A-11 Section 57 reporting requirements.

- II. *Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.*

Response: 7(a) loan purchase statistical sampling utilized OMB guidance in Appendix C of OMB Circular A-123. The sample size of guaranty purchases reviewed consisted of 186 cases. This sample size is appropriate for a projected improper payments rate of approximately 4.5% according to OMB guidance. The sample cases were chosen through a random selection process overseen by SBA's Office of Chief Financial Officer from all purchases approved during the year ended March 31, 2007, including purchases processed at the National Guaranty Purchase Center in Herndon, Virginia and the Commercial Loan Servicing Centers located at Fresno, California and Little Rock, Arkansas. Of the 186 purchases reviewed, 53 were from those processed at the NGPC, 54 from Fresno and 79 from Little Rock. The SBA's previous improper payments rate was calculated at 1.56 percent for FY 2006. Since the minimum sample size of purchases needed to yield an improper payment estimate of 2 percent (with a 90 percent confidence interval of plus or minus 2.5 percent) is approximately 85, the SBA used a very conservative approach and employed a larger sample size equivalent to an improper payments estimate that was almost three times higher – approximately 4.5 percent. The sample size determination is consistent with OMB's guidance based on the formula, $n \geq 2.706 (1-P)/(0.025/P)^2P$, where "n" is the minimum sample size and "P" is the estimated percentage of improper payments. Based on aggregate purchase disbursements of \$13,923,156 for the 186 cases selected and improper payments of \$59,667, the improper payments rate for 7(a) guaranty purchases was 0.43 percent for FY 2007.

The 7(a) loan guaranty approval reviews were conducted to examine whether the lender complied materially with the 7(a) loan program origination requirements including statutory provisions, SBA regulations, any agreement the lender executed with the SBA, standard operating procedures, loan authorizations, and official SBA notices and forms applicable to the 7(a) loan program. The reviews were to determine if the lender (1) originated the loan in a prudent and commercially reasonable manner; (2) misrepresented or failed to disclose a material fact to the SBA; and/or (3) put SBA financial interest at risk. A database of all loans approved was prepared for this initiative. The sample size for 7(a) guaranteed loans consisted of 96 cases that were approved and disbursed during the year ended March 31, 2007. This sample size is appropriate for a projected improper payments rate of approximately 2 percent according to OMB guidance. These loans were

selected by a random process overseen by the SBA's Office of Chief Financial Officer from loans approved through SBA loan processing centers, consisting of the Standard 7(a) Loan Guaranty Processing Center with dual locations in Sacramento, California and Hazard, Kentucky; and the Sacramento, California Loan Processing Center which handles PLP and SBAExpress loans. The improper payments rate was calculated as 0 percent based on the aggregate gross approval amount of \$9,599,697 with no improper payments found.

The Certified Development Company loan guaranty reviews were conducted to examine whether the lender complied materially with the CDC loan program origination requirements including statutory provisions, SBA regulations, any agreement the lender executed with the SBA, standard operating procedures, loan authorizations, and official SBA notices and forms applicable to the CDC loan program. The reviews were to determine if the lender (1) originated the loan in a prudent and commercially reasonable manner; (2) misrepresented or failed to disclose a material fact to the SBA; and/or (3) put SBA's financial interest at risk. A database of all loans approved by CDCs was created for this initiative. The sample size for CDC loans financed by SBA guaranteed debentures consisted of 48 cases that were approved during the year ending March 31, 2007. This sample size is appropriate for a projected improper payments rate of approximately 1 percent according to OMB guidance. The sample cases were chosen through a random selection process overseen by the SBA's Office of Chief Financial Officer from 504 loans approved at the SBA's Sacramento loan processing center and closed at various SBA district offices, with servicing subsequently handled by the Fresno, California Commercial Loan Servicing Center and the Little Rock, Arkansas Commercial Loan Servicing Center. Of the 48 loans reviewed, 14 files were retrieved from the Sacramento Loan Processing Center, 11 were obtained from the Fresno, Commercial Servicing Center, 7 were from the Little Rock Commercial Loan Servicing Center, and the remaining 16 were from 11 SBA district offices. The CDC improper payments rate was determined to be 0 percent based on the aggregate gross approval amount of \$31,157,000 with no improper payments found.

The SBIC program used OMB guidance in Appendix C of Circular A-123 to determine a random sample of 95 SBIC financings by SBICs having SBA guaranteed lever-

age. Improper payments were identified when an SBIC examination or a review by a SBIC program analyst found a discrepancy with SBIC program regulations in the sampled financings. About 30 percent of the sampled financings were subject to an SBIC examination during the year. The rest of the sampled financings were reviewed by program analysts. The program analysts reviewed term sheets (which include the terms of the financings), forms 468 (financial statements), forms 1031s (reports of individual financings) and other material to determine compliance with regulatory requirements. The FY 2007 improper payment rate determined was 0.16 percent.

The Disaster program improper payment rate is determined using the Disaster Quality Assurance Review program. Using the OMB guidance in Appendix C of Circular A-123, a sample of 210 randomly selected loans was selected. This sample size exceeded the size mandated by OMB guidance considering the improper payment rate. The scope of the QAR review covers three compliance areas: (1) basic eligibility; (2) adherence to relevant laws, rules, regulations and standard operating procedures; and (3) credit worthiness. The FY 2007 improper payment rate determined was .55 percent.

III. Describe the Corrective Action Plans for:

A. Reducing the estimate rate and amount of improper payments for each type of category of error. This discussion must include the corrective action(s) for each different type or cause of error, and the corresponding steps necessary to prevent future recurrence. If efforts are ongoing, it is appropriate to include that information in this section.

B. Grant-making agencies with risk susceptible grant programs, discuss what your agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.

A. **Response:** The 7(a) guaranty purchase process improper payments plan includes identifying and tracking the reasons for any improper payments discovered in the IPIA reviews, and then making appropriate adjustments to the guaranty purchase process to reduce the purchase error rate. Improper payments in the guaranty purchase process arise from the failure of a purchase processor to identify material lender deficiencies in the handling of an SBA guaranteed loan. Primary

reasons noted for the determination that all or a portion of the guaranty purchases identified as improper were:

- failure to identify that lender used loan proceeds in a manner inconsistent with the loan authorization and agreement;
- failure to timely resolve a lender delay in processing secondary market purchase; and
- transcript of account was not adequately analyzed resulting in overpayment of the lender.

Corrective action procedures followed for the 7(a) guaranty purchase process are to advise the purchase processing team of improper payment determinations and also to provide clarification as to the nature of the issues to avoid possible improper payments in the future. In this regard, a fully documented guaranty purchase procedure handbook is being completed, including transcript analysis. This will assure consistency in the purchase process and will serve to minimize errors. Other remedial action will be accomplished by:

- identifying and analyzing error patterns;
- communicating error patterns to the centers processing purchases;
- reviewing current policies and procedures to ensure that any error patterns are appropriately addressed in current guidance;
- updating policies and procedures where necessary;
- issuing guidance to the purchase centers on specific issues;
- providing training as needed; and
- adding to center resources where possible to ensure the existence of quality assurance review programs that will identify any emerging patterns or potential problem areas that might result in future improper payments, as well as taking action to mitigate these potential problem areas.

The 7(a) loan guaranty approvals and CDC loan approvals had no improper payments. There appear to be sufficient safeguards in place to prevent improper payments in 7(a) loan processing and 504 loan originations because of multiple reviews that take place when a loan is being processed.

The SBIC guaranty program was determined by SBA testing to have minimal improper payments in FY 2007. One improper payment of \$4 million was identified. The payment

was deemed to be improper even though it was made to an eligible recipient because it was made through a passive wholly-owned subsidiary, a structure disallowed by the regulations. When informed of the discrepancy, the licensee revised the structure to conform to the regulations. The ultimate recipient was always eligible to receive the funding and at no time was the government interest at risk. Over the two year period that the sampling methodology has been used, this is the only instance of a potentially erroneous payment. This minimal number of erroneous payments is expected to continue to be the case and a number of steps have been instituted to ensure that. This has led to more knowledgeable fund managers and reduced the likelihood that program fraud would be committed. Second, all fund managers are required to undergo training on regulations as a condition for receiving leverage. Almost all SBICs are represented by very knowledgeable service providers who have extensive experience in the program. First, in the early to mid 1990s, more rigorous program standards were instituted. As part of the licensing process, the SBA conducts extremely detailed background checks on fund managers with both the Office of the Inspector General and the Federal Bureau of Investigation. The Agency has also instituted a policy of doing credit checks on all potential fund managers as part of the due diligence process in licensing. There is also a program of auditing licensees on a periodic basis to determine compliance. These steps ensure that only fiscally prudent managers become part of the program.

The Disaster loan improper payment rate is significantly well below the 2.5 percent and \$10,000,000 thresholds. ODA will continue its current plan to more fully automate its processes as well as update and continue the quality assurance review of its Processing and Disbursement Center. The new computer system for the management of application processing has allowed better monitoring of processing. The SBA is

able to run reports that allow it to address eligibility issues on a regular basis. This ensures that issues can be addressed in a timely manner and potential erroneous payments can be corrected early in the process.

B. Response: Not Applicable – SBA's risk assessment indicated that its grants program is not a high risk activity.

IV. Improper Payment Reporting

(a) The table below is required for each reporting agency. Agencies must include the following information:

- (i) All risk susceptible programs must be listed in this chart whether or not an error measurement is being reported;*
- (ii) Where no measurement is provided, agency should indicate the date by which a measurement is expected;*
- (iii) If the Current Year (CY) is the baseline measurement year, indicate by either note or by "n/a" in the Prior Year (PY) column;*
- (iv) If any of the dollar amounts(s) included in the estimate correspond to newly established measurement components, separate the two amounts to the extent possible;*
- (v) Include outlay estimates for CY+1, +2 and +3; and*
- (vi) Agencies are expected to report on CY activity, and if not feasible, the PY activity is acceptable. (future year outlay estimates (CY+1 < +2 and +e) should match the outlay estimates for those years as reported in the most recent President's Budget).*

Response: The SBA's report of Improper Payments is shown as required in the following table.

Improper Payment Reduction Outlook (\$ in millions)															
Program	FY06 ² \$ Outlays	FY06 IP %	FY06 IP \$	FY07 ¹ \$ Outlays	FY07 IP %	FY07 IP \$	FY08 ¹ Est. \$ Outlays	FY08 IP %	FY08 IP \$	FY09 ¹ Est. \$ Outlays	FY09 IP %	FY09 IP \$	FY10 ¹ Est. \$ Outlays	FY10 IP %	FY10 IP
7(a) Guaranty Purchases ¹	650.9	1.56	10.2	610.2	.43	2.6	610.0	.50	3.1	610.0	.50	3.1	610.0	.50	3.1
7(a) Guaranty Approvals	13,758.0	N/A	N/A	13,517.0	0.0	0.0	17,500.0	0.0	0.0	17,500.0	0.0	0.0	17,500.0	0.0	0.0
CDC Debentures ³	5,701.0	0.0	0.0	6,282.0	0.0	0.0	7,500.0	0.0	0.0	7,500.0	0.0	0.0	7,500.0	0.0	0.0
CDC Loans	5,701.0	0.0	0.0	6,282.0	0.0	0.0	7,500.0	0.0	0.0	7,500.0	0.0	0.0	7,500.0	0.0	0.0
SBIC Guaranties ⁴	2,709.0	0.0	0.0	2,525.0	.16	4.0	2,500.0	.20	5.0	2,000.0	.20	4.0	1,250.0	.20	2.5
Disaster Loan Approvals ⁵	11,170.3	.8	89.4	\$819.7	.55	\$4.5	800.0	.75	6.0	800.0	.70	5.6	800.0	.65	5.2

1. Outlays in this report represent the "base amount" of the program activity related to SBA Improper Payments; and this amount will differ from the amount reported as outlays in SBA's President's Budget submissions because they include reestimates of subsidy cost, reimbursements to SBA administrative funds and other costs.

2. Beginning with FY 07, 7(a) reporting includes 7(a) guaranties approved as well as 7(a) guaranty purchases of 7(a) defaults.

3. SBA has zero improper payments for the 504 debentures purchase process. SBA began reporting on approved 504 loans beginning in FY 07.

4. SBIC guaranties include SBA guaranties of SBIC investments in small business.

5. A 5-year historical average of Disaster activity was used to project FY +1, 2 and 3 Est. \$ Outlays figures.

(b) Discuss your agency's recovery of improper payments, if applicable. Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

Response: For 7(a) guaranty purchases, the SBA has established a recovery target of 85 percent of the aggregate amount of improper payments identified (\$59,667 for the reporting period ended September 30, 2007). While the SBA will attempt to recover 100 percent of the amounts identified as improper payments, litigation may be necessary in some instances with uncooperative lenders and additional information may be presented which may indicate that all or a portion of a disbursement is not actually improper. Also, decisions may be made when appropriate to accept reasonable settlements of improper payment claims rather than to pursue protracted recovery proceedings. Procedures for Recovery of 7(a) guaranty purchases: the SBA will make formal written demand upon and/or engage in discussions with 7(a) lenders it identifies as having received improper payments. If a lender refuses to return a payment, litigation or other action will be explored if analysis determines that such action will be cost effective and there will be a reasonable chance for the Agency to prevail. The litigation office in SBA's Office of General Counsel conducts this analysis.

The SBA has a recovery program for the SBIC program and current recovery efforts are very effective. Most regulatory violations are resolved in a fairly short time frame. The resolution can be in a number of ways. The violation may be determined not to be a violation of the regulations after further study. In other instances, the SBIC may be asked to change the terms of the investment in the portfolio concern in a manner that resolves the issue. If the situation cannot be corrected, the SBIC may be asked to divest its interest in the portfolio of concern. In very rare instances, the SBIC might be found to be in default of its covenants and transferred to the Office of SBIC Liquidations, where recovery efforts will be implemented. This is a very rare step and has not been necessary for the most part.

The Disaster program has a built in recovery system in Disaster portfolio management by SBA Disaster servicing centers. Each loan contract legally assures recovery of the entire loan as soon as the loan agreement is signed, notwithstanding the circumstances. In addition, the majority of loans made are collateralized that makes them very collectable in the event of borrower default.

V. Discuss your agency's recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so, actions taken to recoup improper payments, and the business process changes

and internal controls instituted and/or strengthened to prevent further occurrences. In addition complete the table below.

Agency component	Amount subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amount Identified for Recovery CY	Amount Recovered CY	Amount Identified for Recovery PYs	Amount Recovered PYs	Cumulative Amount Identified for Recovery (CY + PYs)	Cumulative Amount Recovered (CY + PYs)
N/A	N/A	N/A	N/A		N/A	N/A		N/A

Response: The SBA is not subject to the Recovery Auditing Act as annual contract awards do not exceed \$500 million.

VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

Response: The Improper Payment initiative is included in the President’s Management Agenda along with the Administration’s other management initiatives. The SBA’s Strategic Goal Four is to assure SBA programs operate efficiently and effectively, including compliance with PMA initiatives. The SBA’s strategic goals are included in annual performance plans for all of its programs as business objectives, and these business objectives are included in employee performance plans. SBA management monitors accomplishment of its business objectives in its performance plan using its Execution Scorecard, and action is taken when progress is not on target. Executive and management bonuses are based on the accomplishment of business objectives included in employee annual performance plans. This management process assures accountability of improper payment follow up for SBA’s four credit programs included in this report. Additionally:

For the SBIC program, operations analysts are evaluated, in part, on the resolution of regulatory violations in a timely manner. They are also evaluated, in part, on responding to requests for clarification on regulations by licensees. Although examiners are not evaluated on the number of violations they uncover, they are evaluated on the number

of exams they perform. We believe the assistance provided by SBIC operations analysts and the approximately annual exams for leveraged SBICs provide an incentive to perform within the framework of the regulations.

For the Disaster program, it is important to note that as a part of the annual Quality Assurance Review, the following number and dollar amount of Improper Payments has been identified:

FY 2003	8 loans for \$96,266
FY 2004	11 loans for \$34,089
FY 2005	9 loans for \$18,280
FY 2006	11 loans for \$125,047
FY 2007	9 loans for \$84,290

The majority of IP loans identified through annual Quality Assurance Reviews indicate minimal findings of unauthorized and/or ineligible loans. It is also important to note that our annual sample sizes exceed OMB sampling requirements and most of these findings are relatively minor math errors that resulted in small excess eligibility determinations rather than ineligible loans. More specifically, SBA’s internal controls (in this regard) include the following:

- Disaster related damages are verified onsite by SBA staff. The cost to repair and/or replace the disaster damaged property is determined by SBA construction analysts. Also, SBA makes appropriate credit checks, verification of income, verification of ownership and checks with FEMA to ensure that federal assistance is not duplicated during loan processing and disbursement of all disaster loan funds. Finally every secured disaster loan is reviewed by staff attorneys for legal sufficiency and the use of electronic funds transfer is utilized to prevent lost and stolen checks.
- Please note that while the IP dollar amounts indicated above is represented by the approved loan amount, the actual cost of the loan to the government is determined by the subsidy rate. Applying the subsidy rate to the loan amount would reduce the actual erroneous payment amount by approximately 80 percent.

The SBA asserts that its Disaster program internal controls (checks and balances) that have always been a part of its loan making and disbursement function are responsible for the relatively minimal amounts of IP loan amounts designated above. In addition, the Disaster Loan Program, by its very nature, legally obligates the recipient of any disaster loan (or any IP portion of a disaster loan) to pay back all the loan funds whether the loan contains any Improper Payments or not. Not only is there a legally binding contract (between the borrower and the SBA) to repay the loan, the contract is usually secured by real estate collateral which further strengthens the government's recovery position.

In summary, the collateralized repayment requirements, sophisticated system of checks and balances as well as the Disaster program historical record of low IP (of which all are currently being repaid) clearly supports SBA's assertion that its management and operations are responsive to improper payment requirements.

VII. Agency information systems and other infrastructure

A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

Response: The SBA's 7(a) program Guaranty Purchase Tracking System supports the 7(a) guaranty purchase process very well, and it is continually updated to enhance the overall integrity of the purchase process. The 504 program software used by the Central Servicing Agent is owned by SBA, and thus the Agency has a higher level of control over that software than would typically exist when contractors are used. In addition the contractor provides audited financial statements and a SAS 70 report to verify its system. The SBIC program maintains a data system that tracks exams, exam findings and their resolution. All individuals are empowered to refer any case of suspected fraud to the Inspector General. The Disaster loan program does have the information systems and other infrastructure it needs to reduce improper payments to targeted levels and is already well below the improper payments levels the Agency has targeted. For example, ODA is engaged in an ongoing process of developing and has already implemented an integrated,

electronic loan processing system to streamline, enhance and improve the loan-making process. This system will support workflow management, electronic file management and document generation functions. In fact, A Quality Assurance Task Force partnered with the Disaster Credit Management System (DCMS) development team to improve the Quality Assurance process with a goal to minimize future Improper Payment events as much as possible. As a result, many of the business rules that govern the programming of this new system have been designed to help improve the Quality Assurance process. The DCMS will significantly impact the disaster assistance program and the manner in which it delivers services to disaster victims.

B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.

Response: Not applicable.

VIII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

Response: Not applicable. The SBA does not have any statutory or regulatory barriers limiting improvement to its performance on Improper Payments initiative.

IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

Response: The SBA and OMB have previously discussed an exemption to the requirements of the IPIA for SBA's CDC, SBIC and Disaster programs because improper payments are nonexistent or very minimal for these programs. SBA's risk assessment of improper payment in these programs indicates a low level of risk below the IPIA threshold. Currently, the SBA includes these programs because the IPIA mandates the inclusion of programs previously reported under the former A-11 Section 57 reporting requirements. The SBA's FY 2007 improper payments are very low.

	FY 2007 Improper Payment Rate
7(a) Guaranty purchases	0.43 percent
7(a) Guaranty approvals	Zero percent
CDC Debentures	Zero percent (assumed)
CDC Guaranty issuances	Zero percent
SBIC Security Guaranty program	0.16 percent
Disaster loan program	0.55 percent

As a result, the SBA will work with OMB during FY 2008 on its application for exclusion from improper payment reporting for the CDC, SBIC and Disaster programs. In addition considering the FY 2007 improper payment results for the 7(a) and CDC guaranties, we may recommend to OMB that these programs be excluded from IPIA reporting requirements in FY 2008.

APPENDIX 3 – SBA'S INTERNET LINKS

SBA Sites You Can Use

The SBA home page is www.sba.gov. All of the program agencies may be accessed from this site. Several of the more frequently visited sites are listed below:

SBA INFORMATION	
Who We Are and What We Do	www.sba.gov/aboutsba
SBA FAQ	app1.sba.gov/faqs
Find Your Local Office	www.sba.gov/localresources/index.html
SBA En Español	www.sba.gov/espanol
Ombudsman	www.sba.gov/ombudsman
Online Library	www.sba.gov/tools/resourcelibrary/index.html
On Line Training	www.sba.gov/services/training/index.html

FOR START-UP BUSINESSES	
What is a Small Business?	www.sba.gov/starting/indexwhatis.html
Starting Your Business	www.sba.gov/starting
Start-up Kit	www.sba.gov/smallbusinessplanner/index.html
Outside Resources and Business Hotlinks	www.sba.gov/hotlist

FOR ESTABLISHED BUSINESSES	
Financing Your Business	www.sba.gov/services/financialassistance
Contracting	www.sba.gov/services/contractingopportunities
Surety Bond	www.sba.gov/services/financialassistance/suretybond/index.html
Business Opportunities	www.sba.gov/expanding

CONTRACTING WITH THE GOVERNMENT	
Government Contracting	www.sba.gov/GC
PRO-Net:	pro-net.sba.gov

DISASTER ASSISTANCE	
Disaster Assistance	www.sba.gov/services/disasterassistance
Disaster Area Office Locations	www.sba.gov/services/disasterassistance/officelocations
FEMA Information	www.fema.gov

APPENDIX 4 – GLOSSARY OF ACRONYMS AND ABBREVIATIONS

504	504 Loan Program Provides small businesses with long-term, fixed-rate financing for the purchase of land, buildings and long-life capital equipment	CDC	Section 504 Certified Development Company Debenture Program A participating CDC issues debentures to private investors to finance transactions with small business borrowers. SBA's guaranty covers 100 percent of the debenture financing, and the Agency honors its guarantee to the investor through a single Central Servicing Agen.
7(a)	Basic 7(a) Loan Guaranty Program The SBA's primary loan program. Provides general loan financing for a wide variety of purposes. SBA guarantees small business loans for virtually every business purpose.	CFO	Chief Financial Officer The Chief Financial Officer is responsible for the financial leadership of the Agency. This includes responsibility for all Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes.
8(a)	8(a) Business Development Program This program assists firms owned and controlled by socially and economically disadvantaged individuals to enter and succeed in the economic mainstream.	CFR	Code of Federal Regulations The codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government.
AFR	Agency Financial Report	CIO	Chief Information Officer The Chief Information Officer is responsible for the management of information technology for the Agency, including the design, implementation and continuing successful operation(s) of information programs and initiatives.
APR	Annual Performance Report	DCMS	Disaster Credit Management System The electronic system which is used by the SBA to process loan applications for all new disaster declarations.
BATF	Business Assistance Trust Fund A trust fund in the U.S. Treasury maintained to receive and account for donations made by private entities for activities to assist small business. SBA authorizes BATF disbursements in accordance with the donor's intention to assist small business.	DLF	Disaster Loan Fund Assists eligible small businesses impacted by the disasters.
BD	Business Development Uses SBA's statutory authority to provide business development and Federal contract support to small disadvantaged firms. Manages the business development 8(a) and 7(j) programs.	FASAB	Federal Accounting Standards Advisory Board Promulgates accounting principles for Federal Government reporting entities.
BLIF	Business Loan and Investment Fund The Treasury fund used to maintain the accounting records of loans approved prior to 1992. It includes activity on direct loans, loan guaranties and defaulted guaranties purchased by the SBA. Loans approved subsequent to FY 1991 are maintained in another set of accounts under Federal Credit Reform Act guidelines.		

FCRA	<p>Federal Credit Reform Act</p> <p>The Federal Credit Reform Act of 1990 was enacted to provide a more realistic picture of the cost of U.S. Government direct loans and loan guaranties. The credit subsidy cost of direct loans and loan guaranties is the net present value of the estimated long-term cost to the government for these credit activities, exclusive of administrative expenses.</p>	HUBZone	<p>Historically Underutilized Business-Zone Program</p> <p>Encourages economic development in historically underutilized business zones through the establishment of federal contract award preferences for small businesses located in such areas.</p>
FECA	<p>Federal Employees' Compensation Act</p> <p>Provides compensation benefits to federal civilian employees for work-related injuries or illnesses and to their surviving dependents if a work-related injury or illness results in the employee's death.</p>	IT	<p>Information Technology</p> <p>Includes matters concerned with the design, development, installation, and implementation of information systems and applications.</p>
FEMA	<p>Federal Emergency Management Agency</p> <p>FEMA is a former independent agency that became part of the new Department of Homeland Security in March 2003. It is tasked with responding to, planning for, recovering from and mitigating against disasters.</p>	LMS	<p>Loan Monitoring System</p> <p>The new loan monitoring system aids SBA in managing its core loan guaranty programs and serves as one of the building blocks in the overall systems modernization project.</p>
FERS	<p>Federal Employees' Retirement System</p> <p>FERS became effective in 1987, and most federal civilian employees hired after 1983 are covered by this retirement system.</p>	MD&A	<p>Management's Discussion and Analysis</p> <p>The MD&A is considered Required Supplementary Information for federal financial statements and is designed to provide a high level overview of the Agency.</p>
FFMIA	<p>Federal Financial Management Improvement Act</p>	MRF	<p>Master Reserve Fund</p> <p>The SBA's fiscal and transfer agent maintains this reserve fund to facilitate the operation of the 7(a) secondary market program.</p>
FMFIA	<p>Federal Managers Financial Integrity Act</p> <p>The Act primarily requiring ongoing evaluations and reports on the adequacy of the internal accounting and administrative control systems of executive agencies.</p>	N/A	<p>Not Applicable</p>
FY	<p>Fiscal Year</p> <p>The SBA fiscal year begins on October 1st and ends the following September 30th.</p>	OCA	<p>Office of Capital Access</p> <p>The Office of Capital Access is responsible for small business program loans, lender oversight, the investment company program, the surety bond program and international trade.</p>
GAO	<p>U.S. Government Accountability Office</p> <p>The GAO is the audit, evaluation and investigative arm of Congress. GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and ensure the accountability of the Federal Government for the American people.</p>	OCFO	<p>Office of the Chief Financial Officer</p> <p>The OCFO is responsible for the financial activity of the Agency. This includes Agency disbursements, management and coordination of Agency planning, budgeting, analysis and accountability processes.</p>
		OCIO	<p>Office of the Chief Information Officer</p> <p>Supports and provides guidance for SBA's Nationwide computer automation and information technology efforts.</p>

ODA	Office of Disaster Assistance The ODA promotes economic recovery in disaster ravaged areas. In the wake of physical disasters, SBA's loans are the primary form of federal assistance for non-farm, private sector disaster losses for individuals and businesses.	SAS	Statement on Auditing Standards Establish standards and provide guidance on the design and selection of an audit sample and the evaluation of the sample results.
OFA	Office of Financial Assistance The OFA administers various loan programs to assist small businesses.	SBA	Small Business Administration A federal agency of the Executive Branch whose mission is to aid, counsel and protect the interests of small businesses and help families and businesses recover from national disasters.
OGC	Office of General Counsel The OGC provides legal advice for senior management, as well as legal support for all of the Agency's programs, initiatives and administrative responsibilities.	SBDC	Small Business Development Center Delivers management and technical assistance, economic development and management training to existing and prospective small businesses through cooperative agreements with universities and colleges and government organizations.
OIG	Office of Inspector General The OIG conducts and supervises audits, inspections and investigations relating to SBA programs and operations.	SBG	Surety Bond Guarantee Provides guarantees bid, performance and payment bonds for contracts up to \$2 million for eligible small businesses that cannot obtain surety bonds through regular commercial channels.
OMB	U.S. Office of Management and Budget The OMB assists the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies.	SBGRF	Surety Bond Guarantees Revolving Fund Provides assistance to small business contractors in obtaining bid, performance and payment bonds for construction, service and supply contracts.
OPM	U.S. Office of Personnel Management The Federal Government's Human Resource Agency.	SBIC	Small Business Investment Company Provides equity capital, long-term loans, debt-equity investments and management assistance to small businesses, particularly during their growth stages.
PAR	Performance and Accountability Report	SBLC	Small Business Lending Companies A group of non-depository small business lending companies listed by Capital Access.
PART	Program Assessment Rating Tool	SBPRA	Small Business Paperwork Relief Act of 1992
PCECGF	The Pollution Control Equipment Contract Guarantee Fund PCECGF supports the costs associated with the credit portfolio of pre-October 1991 pollution control equipment loans and guaranties being liquidated by the Agency.	SCORE	Offers counseling and training for small business owners who are starting, building or growing their businesses. Sponsored by the SBA, SCORE's services are free of charge and are provided by retired or active business volunteers.
PLP	Preferred Lender Program Program covers certified or preferred lenders that receive full delegation of lending authority.		
PMA	President's Management Agenda		

- SDB** **Small Disadvantaged Business**
Small business owned and controlled by individual(s) claiming to be socially and economically disadvantaged.
- SOP** **Standard Operating Procedure**
Standard Operating Procedures are the primary source of the Agency's internal control.
- SSBIC** **Specialized Small Business Investment Company**
Provides equity capital, long-term loans, debt-equity investments and management assistance to socially or economically disadvantaged small businesses.
- WBC** **Women's Business Center Program**
Provides long-term training and counseling to women owning or managing a business, including financial, management, marketing and technical assistance, and procurement.

APPENDIX 5 – SBA OFFICES

Office of Advocacy

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

Office of Capital Access

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

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

- The Office of Credit Risk Management provides risk management based on monitoring, reviewing and oversight of the 7(a) and 504 lenders; and monitoring and analysis of the 7(a) and 504 portfolios.

Office of the Chief Information Officer

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

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

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

Office of Communications and Public Liaison

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

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

Office of Congressional and Legislative Affairs

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

Office of Disaster Assistance

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

- Physical disaster loans are for permanent rebuilding and replacement of uninsured or underinsured disaster damaged privately owned real and/or personal property. These loans are available to homeowners, renters, businesses of all sizes and nonprofit organizations.
- Economic injury disaster loans provide necessary working capital until normal operations resume after a disaster. Economic injury disaster loans are restricted to small businesses.

Office of Entrepreneurial Development

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

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

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

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

Office of Equal Employment Opportunity and Civil Rights Compliance

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

Office of Faith-Based and Community Initiatives

Faith-based and community organizations can play an important role in helping the SBA reach, train and finance the entrepreneurs whose businesses will bring jobs and hope to economically distressed communities all across the nation. The Office of Faith-Based and Community Initiatives promotes SBA partnerships with faith-based and community organizations to help people receive training and credit assistance. The office provides information on grants for training, but does not make the actual funding decisions. Those decisions are made through procedures established by each grant program. There is no grant funding set-aside for this program.

Office of Field Operations

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

Office of General Counsel

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

Office of Government Contracting and Business Development

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

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

Office of Hearings and Appeals

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

Office of the Inspector General

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

Office of Management and Administration

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

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

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

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

Office of the National Ombudsman

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

federal agencies to reduce the number of regulatory enforcement actions taken against small business and increase the number of enforcement actions in which the civil penalty is reduced or waived.

Office of the National Women's Business Council

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

The Office of the National Women's Business Council undertakes a variety of programs and initiatives in support of women-owned businesses. It holds two public council meetings and public roundtable events. It publishes research and issue reports on topics such as health care and federal procurement, and fact sheets on the numbers and growth of categories of women-owned firms. The council manages two web sites, www.nwbc.gov and www.womenbiz.gov.

Office of Native American Affairs

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

Office of Performance Management and Chief Financial Officer

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

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

Office of Policy and Strategic Planning

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

Office of Veterans Business Development

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

APPENDIX 6 – PMA GOALS

The President's Management Agenda has five government-wide initiatives. The Office of Management and Budget rates agencies on both Status and Progress in achieving the standards and milestones set for each initiative. Agencies are rated as follows:

Green – Success, Meets Established Standards

Yellow – Mixed Results, Some Standards Not Met

Red – Unsatisfactory, Serious Flaws Present

The five government-wide initiatives are:

Strategic Management of Human Capital - an initiative to improve the effectiveness of the workforce by reducing the number of organizational layers between American citizens and decision makers. It includes strategies to attract and retain talented employees.

Competitive Sourcing - a procedure to promote competition between the federal government and the private sector for government functions that are also found in the commercial marketplace so as to generate savings and improve performance.

Improved Financial Performance - addresses financial transparency and accountability within the federal government and gives federal managers the information needed to appropriately manage costs.

Enhancing E-Government - addresses the use of technology to streamline government services for all Americans. The use of technology use can reduce operating costs and can result in more timely and effective communications between the government and the public.

Budget and Performance Integration - aligns performance reviews and budget allocations. It guides the federal government to become more results-oriented, allows for transparency so the public can see how programs are performing, and it compares performances and costs across programs.

The PMA also includes agency-specific program initiatives, three of which apply to the SBA:

Faith-Based and Community Initiatives - strives to improve relationships between religious and grassroots organizations and the federal government in order to better serve the public.

Eliminating Improper Payments – focuses on SBA credit programs, striving to reduce erroneous payments, save taxpayer dollars and identify more resources that can be used on services for the American people.

Improved Credit Management - focuses on improving the management and oversight of the guaranteed loan portfolio and the disaster loan portfolio from a credit management perspective.

For more information on the PMA, go to www.results.gov.

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