



U.S. SMALL BUSINESS ADMINISTRATION
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OFFICE OF
INSPECTOR GENERAL

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TO: Frank Lalumiere
Deputy Associate Deputy Administrator
for the Office of Government Contracting and Business Development

FROM: Emilie M. Baebel /s/ Original signed
Assistant Inspector General
for Inspection and Evaluation

SUBJECT: OIG Report on *SACS/MEDCOR: Ineffective and Inefficient*

We are pleased to submit our report *SACS/MEDCOR: Ineffective and Inefficient*. The Office of Inspector General reviewed: (1) the effectiveness and efficiency of the Section 8(a) Business Development Program's primary database, SACS/MEDCOR; and (2) SACS/MEDCOR's future in the face of the Agency's workforce transformation.

We found that data in SACS/MEDCOR, including much of the data needed for the annual report to Congress, are often missing, not up to date and inaccurate. Furthermore, we found that the system is difficult to use and has a poor reporting capability. Overall, SACS/MEDCOR is an ineffective and inefficient program management tool. Thus, we recommended that, in the face of the Agency's workforce transformation and the program's shifting business processes, program officials conduct a business process analysis to determine what specific data are needed to support and manage the program. We also recommended that, once the business process analysis is complete, program officials in conjunction with the Office of the Chief Information Officer design, develop, and implement a management information system that will support the program mission and objectives, provide useful information for the Agency and its stakeholders, and enable the Agency to measure program results.

We appreciate the excellent cooperation we have received from your staff and the district offices.

Attachment

SACS/MEDCOR: Ineffective and Inefficient

March 9, 2004

Report No. 4-15

**Office of Inspector General
Inspection and Evaluation Division
U.S. Small Business Administration**

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EXECUTIVE SUMMARY

The Section 8(a) Business Development (BD) Program's primary database, SACS/MEDCOR¹, has a history of documented problems:

- (1) data in SACS/MEDCOR are often missing, not up to date and inaccurate;
- (2) SACS/MEDCOR does not contain much of the information needed for the annual report to Congress;
- (3) SACS/MEDCOR's reporting capability is poor; and
- (4) SACS/MEDCOR cannot be used to manage the 8(a) BD Program.

Taken as a whole, SACS/MEDCOR is an ineffective and inefficient program management tool. Thus, SACS/MEDCOR must be abandoned. To effectively manage and assess the effectiveness of the 8(a) BD Program, the Small Business Administration (SBA) needs quality data and a system that

- (1) will make data easily available to all staff, enabling them to work more effectively and efficiently;
- (2) will track, monitor and evaluate firms' progress, thereby supporting management reporting and analysis; and
- (3) will facilitate the dissemination of SBA products to stakeholders.

With these requirements in mind, the Office of Inspector General (OIG) recommends the following:

Recommendation 1: In the face of SBA's workforce transformation and the shifting of business processes, we recommend that the Office of Government Contracting and Business Development analyze its business processes in headquarters and in the field to determine what specific data are needed to support and manage the program.

Recommendation 2: Once the business process analysis is complete, we recommend that the Office of Government Contracting and Business Development in conjunction with the Office of the Chief Information Officer design, develop, and implement a management information system that will support the program mission and objectives, provide useful information for the Agency and its stakeholders, and enable the Agency to measure program results.

¹ Servicing and Contracts System/Minority Enterprise Development Central Office Repository

PURPOSE

The purpose of this report is:

- (1) to determine whether the Section 8(a) Business Development (BD) Program's primary database, SACS/MEDCOR², is an effective and efficient program management tool; and
- (2) to examine how SACS/MEDCOR will fit into the future of the 8(a) BD Program in the face of the Agency's workforce transformation.

BACKGROUND

The Office of Business Development in the Small Business Administration's (SBA) Office of Government Contracting and Business Development (GC&BD) manages the 8(a) BD Program. The Office of Business Development in SBA's Washington, DC headquarters oversees and coordinates the overall implementation of the 8(a) BD Program as well as produces the legislatively mandated annual report to Congress.³ The district offices are responsible for marketing and outreach, providing management training and technical assistance to 8(a) firms, and determining 8(a) firms' continuing program eligibility and compliance.

According to the Small Business Act, as amended, the 8(a) BD Program's purpose is to: (1) "promote the business development of small business concerns owned and controlled by socially and economically disadvantaged individuals so that such concerns can compete on an equal basis in the American economy;" (2) "promote the competitive viability of such concerns in the marketplace by providing such available contract, financial, technical, and management assistance as may be necessary;" and (3) "clarify and expand the program for the procurement by the United States of articles, equipment, supplies, services, materials, and construction work from small business concerns owned by socially and economically disadvantaged individuals."⁴

According to the Office of Business Development's Report to Congress, there were 6,942 firms in the 8(a) BD Program in FY 2001. The report maintains that these firms created an estimated 181,080 jobs and contributed significantly to the federal, state and local tax base. The report also states that 8(a) firms were awarded \$4.3 billion in new contracts and modifications and that business revenue resulting from the program exceeded \$4.5 billion.⁵

In support of the 8(a) BD Program, the Office of Business Development utilizes two management information systems: the Certification Tracking System (CTS) and SACS/MEDCOR. This report will focus on SACS/MEDCOR.

² Servicing and Contracts System/Minority Enterprise Development Central Office Repository

³ The annual report to Congress is required by the Small Business Act, as amended by the Business Opportunity Development Reform Act of 1988. Public Law (P.L.) 100-656.

⁴ Public Law (P.L.) 85-536, § 2(f)(2)(A-C). <http://www.sba.gov/regulations/sbaact/sbaact.pdf>

⁵ <http://www.sba.gov/8abd/indexwhatwedo.html>

Before SACS/MEDCOR

In the 1980s, the 8(a) BD Program relied on the inadequate Financial Information System (FIS) to manage program data. According to the General Accounting Office (GAO) and the National Academy of Public Administration (NAPA), data in FIS were often missing, not up to date and inaccurate. Thus, the system did not provide the district offices with enough information to manage the program. FIS also had a poor reporting capability. According to an SBA official, “while the system serves its original purpose, it is not a useful tool in helping 8(a) program managers do their job.”⁶

SACS’ Development

In 1988, Congress ordered SBA to “develop and implement a process for the systematic collection of data on the operations” of the 8(a) BD Program.⁷ In response, SBA planned to redesign the program’s management information system in four phases. The first phase was CTS, a tracking system for 8(a) applications, graduations, terminations, and withdrawals. The second phase, SACS, would help the district offices service 8(a) firms by maintaining basic firm and owner information, tracking firms’ business plans as well as 8(a) and non-8(a) contract support levels, generating standard SBA forms and letters, and preparing management reports. SACS would also interface with fisCAL (an automated financial analysis package) to evaluate firms’ financial statements. The third phase, the Central Office Data Repository and Reporting System (CODRRS), would be the primary source of information on 8(a) contract awards and modifications and would replace FIS. The redesign’s final phase would integrate the 8(a) BD Program systems with several other GC&BD systems, creating a comprehensive system that would meet all of GC&BD’s information requirements.

SBA’s redesign planning was criticized heavily by GAO, which maintained that SBA’s planning efforts were not in accordance with federal regulations and guidelines for three reasons. First, SBA did not perform a needs determination to define the system’s functional requirements. In a needs determination, the end user should be actively involved in defining and validating the requirements. While SBA headquarters personnel did obtain end users’ input, the information was not presented as a part of the redesign, and according to the contractors developing SACS, the lack of user requirements hampered the system’s development. Second, SBA’s analysis of system alternatives did not provide cost data for all of the alternatives. Thus, SBA did not know whether the alternative selected was the most cost-beneficial. Third, SBA’s Project Implementation Plan was incomplete. The plan “did not describe the specific tasks necessary to design and implement the system, . . . the resources necessary to implement the project . . . and how the systems will be interfaced and integrated.”⁸ The plan also did not include a schedule or a cost estimate. According to GAO, improper planning delayed the system’s implementation and substantially increased the system’s costs.

⁶ U.S. General Accounting Office, *Small Business: Problems in Restructuring SBA’s Minority Business Development Program*, GAO/RCED-92-68 (Washington, D.C.: January 31, 1992), p. 33.

⁷ Public Law (P.L.) 85-536, § 7(j)(16)(A). <http://www.sba.gov/regulations/sbaact/sbaact.pdf>

⁸ U.S. General Accounting Office, *Small Business: Problems Continue With SBA’s Minority Business Development Program*, GAO/RCED-93-145 (Washington, D.C.: September 17, 1993), p. 26.

SACS/MEDCOR's History

SACS debuted in select district offices in September 1993, but the system had problems. The district offices reported, “the system is too slow, too difficult to use, and limited in the types of data it will accept.” According to SBA, these flaws had to be corrected if SACS was “to be a viable work tool and not an impediment to productivity.”⁹ A headquarters committee was convened to evaluate SACS. Committee members wanted to do away with the system and start over; however, the Agency had already spent too much money. Thus, they were directed to build MEDCOR in order to make up for SACS’ deficiencies.

SACS and MEDCOR are two parts of one system. SACS was created to store basic information on 8(a) firms, such as address, business type, average number of employees, and demographic data. SACS also tracks annual reviews and generates standard SBA forms and letters. MEDCOR was created to store data on proposed and awarded government contracts, 7(j) awards, Form 1790 compliance, and firms’ post-program activity. SBA intended SACS/MEDCOR to be a comprehensive tool that would allow SBA to monitor firms’ business development, contract awards, and overall program performance. However, GAO and SBA have published several reports that detail SACS/MEDCOR’s failings.

In July 2000, GAO concluded that SACS/MEDCOR was flawed and did not support the 8(a) BD Program’s mission. First, the system does not meet SBA’s information needs. For instance, it does not track firms’ business development activities, such as training and technical assistance received. According to program managers, the lack of business development data “creates a weakness in the program because it is difficult to assess the program’s effectiveness.”¹⁰ The data SACS/MEDCOR does track are often incomplete and/or inaccurate. For instance, changes in the 8(a) contracting process diminished the amount of contract data in MEDCOR. Before 1997, SBA, acting as the prime contractor, entered into contracts with federal agencies and then subcontracted the work to 8(a) firms. Thus, SBA had access to all contract data. In 1997, SBA began forming partnership agreements with agencies, allowing agencies to act on behalf of SBA.¹¹ As part of the arrangement, agencies were not required to send copies of 8(a) contracts to SBA’s district offices.¹² Consequently, MEDCOR’s data quality has suffered. According to district officials, “they cannot readily produce accurate reports on the number of contracts awarded to 8(a) firms in their district.”¹³ Headquarters is also unable to produce management reports with MEDCOR’s contracting data. Program officials estimated that, on average, MEDCOR under-represents 8(a) contracting amounts “by nearly \$500 million annually when

⁹ U.S. General Accounting Office, *Small Business: SBA Cannot Assess the Success of Its Minority Business Development Program*, GAO/T-RCED-94-278 (Washington, D.C.: July 27, 1994), p. 7.

¹⁰ U.S. General Accounting Office, *Small Business: SBA’s 8(a) Information System Is Flawed and Does Not Support the Program’s Mission*, GAO/RCED-00-197 (Washington, D.C.: July 19, 2000), p. 6.

¹¹ “As of July 2002, SBA had 29 partnership agreements with other federal agencies.” U.S. General Accounting Office, *Major Management Challenges and Program Risks: Small Business Administration*, GAO-03-116 (Washington, D.C.: January 2003), p. 13.

¹² The district offices may learn of 8(a) contracts in several ways: (1) a contracting agency sends an offer letter to the district office; (2) a contracting agency contacts the district office at the time of the award/modification; (3) a firm notifies the district office (may happen during the annual review).

¹³ U.S. General Accounting Office, *Small Business: SBA’s 8(a) Information System Is Flawed and Does Not Support the Program’s Mission*, GAO/RCED-00-197 (Washington, D.C.: July 19, 2000), p. 9.

compared with data from the Federal Procurement Data System (FPDS).”¹⁴ SACS/MEDCOR also has other data quality problems. Some firms have inaccurate or incomplete addresses, duplicate data and inconsistent CEO designations. Furthermore, if a firm changes its name, the system cannot track the firm over time because the system does not keep an electronic history.¹⁵

Second, SACS/MEDCOR does not support the district offices. Overall, according to the district offices, SACS/MEDCOR “does not benefit workers” and is “cumbersome” as well as “too complicated.”¹⁶ They also criticized SACS/MEDCOR’s standard reports – they are not useful for their management needs. To deal with the system’s inefficiency, some district offices created redundant local systems. Others have also established a specific SACS/MEDCOR specialist position to assist with specialized reports.

Systems Modernization

In 2000, SBA began an agency-wide, 3-phased, systems modernization effort. Although SBA did not plan to start the 8(a) BD Program’s systems modernization until 2002, program managers began planning in 2000. The result was the Strategic Information Technology Plan for GC&BD (henceforth, the plan).

The plan concluded that SACS/MEDCOR and other systems in the Office of Business Development did “not meet the information needs of either headquarters or the district offices,” had “reached the end of their useful life cycle and [were] badly in need of reengineering and redevelopment.”¹⁷ Specifically, SACS/MEDCOR’s deficiencies include:

- (1) the district offices do not have full access to data, such as FPDS contract data, which is not integrated into SACS/MEDCOR;
- (2) the district offices cannot track financial data adequately;
- (3) key data fields are missing, such as change in ownership and/or structure, joint venture, surplus property, special ownership, and mentor-protégé;
- (4) the contract data are inaccurate; and
- (5) the system has a “cumbersome data flow.”¹⁸

According to the plan, all of these issues will be resolved by creating a single, shared, GC&BD database populated with company data, FPDS contract data, data required for the annual report to Congress, and other necessary data. All of SACS/MEDCOR’s data will be migrated to the new database, and SACS/MEDCOR will be retired. This centralized database will allow one-time

¹⁴ U.S. General Accounting Office, *Small Business: SBA’s 8(a) Information System Is Flawed and Does Not Support the Program’s Mission*, GAO/RCED-00-197 (Washington, D.C.: July 19, 2000), p. 9. Agencies are required to report contracts over \$25,000 to the General Services Administration’s (GSA) FPDS, the federal government’s official source for contract data.

¹⁵ Most data fields in SACS/MEDCOR do not have a history file. The system has a notepad feature, but it is difficult to use and, therefore, not utilized.

¹⁶ U.S. General Accounting Office, *Small Business: SBA’s 8(a) Information System Is Flawed and Does Not Support the Program’s Mission*, GAO/RCED-00-197 (Washington, D.C.: July 19, 2000), p. 10.

¹⁷ U.S. Small Business Administration, SRA International, Inc., *Strategic Information Technology Plan for the Office of Government Contracting & Business Development* (October 13, 2000), p. 2-4, B-2.

¹⁸ U.S. Small Business Administration, SRA International, Inc., *Strategic Information Technology Plan for the Office of Government Contracting & Business Development* (October 13, 2000), p. B-3.

data entry and simplified data maintenance, resulting in reduced administration and support costs. Additionally, GC&BD's reporting capability will be improved with "analysis and reporting tools, which will enable GC&BD to 'slice and dice' data in various ways to produce meaningful reports."¹⁹

Before GC&BD could implement this plan, SBA cancelled its systems modernization effort. In 2003, according to an SBA official, "implementing the entire plan will require between \$5 and \$7 million and will take at least five years."²⁰

Workforce Transformation

SBA launched a workforce transformation initiative with a District Office Pilot in March 2003. The pilot affects the 8(a) BD Program because it involves:

- (1) gradually moving 8(a) firms' annual reviews for program eligibility out of the district offices and into an annual review center; and
- (2) transforming the annual reviews from a manual process to a more efficient and effective electronic process.

The new electronic annual review system plans to use a new database that will be integrated with SACS/MEDCOR, but the system has not been implemented yet.

¹⁹ U.S. Small Business Administration, SRA International, Inc., *Strategic Information Technology Plan for the Office of Government Contracting & Business Development* (October 13, 2000), p. 3-14.

²⁰ U.S. General Accounting Office, *Major Management Challenges and Program Risks: Small Business Administration*, GAO-03-116 (Washington, D.C.: January 2003), p. 11.

SCOPE AND METHODOLOGY

To understand SACS/MEDCOR's history of problems, we reviewed the literature on SACS/MEDCOR and its data. In SBA headquarters, we interviewed program officials and staff in GC&BD's Office of Business Development and Office of Operations and Program Support, the Office of Field Operations, and the Office of the Chief Information Officer (OCIO). Because of workforce transformation, we interviewed SBA 8(a) BD Program officials in the three district office pilots (South Florida, North Carolina and Phoenix) and in the Dallas District Office, where the 8(a) annual reviews are being centralized. We also asked the program office to recommend other district offices and based on their recommendations, we interviewed officials in two other district offices.

All work on this inspection was conducted in accordance with the Quality Standards for Inspections issued in March 1993 by the President's Council on Integrity and Efficiency.

SACS/MEDCOR IN HEADQUARTERS

SACS/MEDCOR's inadequacy makes it difficult for the Office of Business Development to track important data and to meet legislatively mandated reporting requirements. According to program officials, SACS/MEDCOR's main problem is that it does not meet the 8(a) BD Program's data needs. The system suffers from missing data and data fields as well as from data validity problems. Although program staff review and verify data on a problem-based and ad hoc basis, SACS/MEDCOR is still deficient.

SACS/MEDCOR is Not Useful

According to headquarters staff, SACS/MEDCOR's only benefit is that, without the system, everything would have to be done with paper files. With that stated, SACS/MEDCOR has several deficiencies. First, the system cannot capture important data, such as technical assistance, joint ventures, surplus property, and mentor-protégé agreements, because the system cannot be changed to accommodate legislative or regulatory changes. SACS/MEDCOR also does not keep an electronic history of firms' records. With few exceptions, when changes are made, the previous data are lost.²¹ Even data fields that allow for some sort of history are deficient. For example, SACS can track a firm's financial trends, but the system only keeps the most current three years of financial data. When a new year's financials are entered, the oldest data drops off the system. Second, the system is difficult to use – for example, when the principals change, multiple transactions are needed to mark the changes. Also, some functions are obsolete and no longer useful. Finally, headquarters staff maintain that program effectiveness cannot be determined with SACS/MEDCOR.

According to OCIO staff, "SACS/MEDCOR is old technology; for what it is and for what was wanted at the time, SACS/MEDCOR works." The technology could be brought up to date (e.g., make it Intranet-based) for a faster and more user-friendly system. Improving the system will be labor-intensive and costly, but ultimately the improved system will be less expensive to maintain. Currently, it costs \$150,000 per year to maintain SACS/MEDCOR.

The Annual Report to Congress

The Business Opportunity Development Reform Act of 1988 requires an annual report to Congress on the 8(a) BD Program. The reporting requirements include information, such as

- (1) the average personal net worth of individuals who own and control 8(a) firms during the immediately preceding fiscal year;
- (2) "a description and estimate of the benefits and costs that have accrued to the economy and the Government in the immediately preceding fiscal year due to the operations" of firms performing 8(a) contracts;
- (3) the status of firms that exited the program during the immediately preceding three fiscal years;

²¹ An accidental history of changes to the "principal" data field is kept, but that is only due to the way principal changes have to be made – the old record is "closed" (not deleted), and a new record is created; the closed record remains accessible to staff.

- (4) a list of all 8(a) firms in the program during the preceding fiscal year identifying, by State and by Region, the name of the firm, the race or ethnicity, and gender of the disadvantaged owners, and the dollar value of all contracts received in the preceding year; and
- (5) the total dollar value of 8(a) contracts and options awarded during the preceding fiscal year.²²

The annual report to Congress is due no later than April 30; yet, SBA's reports have been late consistently. The first three reports (FY 1990, FY 1991, and FY 1992) were submitted from two to six months late. According to SBA officials, the reports were delayed because FIS did not contain much of the information needed, so the information had to be obtained from the district offices. SACS/MEDCOR was supposed to correct this problem, but the reports are still submitted late. As of September 2003, the FY 2002 Report to Congress was still in draft.

The annual reports to Congress are delayed because SACS/MEDCOR does not contain much of the data needed. For example, FPDS is the official government source for contract data, but the data has not been integrated with SACS/MEDCOR.²³ This has caused several problems. First, matching FPDS data to the firms in SACS has been difficult. The main firm identifier in FPDS is a Dun & Bradstreet (D&B) number, but not all 8(a) firms provide the program office with D&B numbers. In some cases, the program office tried to match the data with EINs, but this was also difficult because firms sometimes use one EIN when applying to the 8(a) BD Program and another EIN when bidding for a contract. According to the program office, the FY 2001 Report to Congress was late because they could not get the data to match.²⁴ Second, using FPDS data is problematic because SBA does not know when they will receive it from GSA. FPDS data for a fiscal year should be available by the close of the first quarter of the following fiscal year. However, SBA has been receiving the data by the end of the second quarter or early in the third quarter. For the FY 2002 report, SBA did not receive the data until July 2003.

Late submissions also occur because SACS/MEDCOR does not have a meaningful reporting capability. The system can produce lists, but it cannot analyze data. Therefore, the reports are created through an inefficient process entailing extensive manual effort. SACS/MEDCOR is useful for reporting the gender and ethnicity of 8(a) participants, but it cannot, for example, report how a firm's revenue has changed through its entire tenure in the program. In order to relate some data, the program office must use software like Access and Excel. Program staff can spend up to six months producing an annual report.

²² Public Law (P.L.) 85-536, § 7(j)(16)(B)(i-vii). <http://www.sba.gov/regulations/sbaact/sbaact.pdf>

²³ SBA began using FPDS contract data in 2000.

²⁴ Matching FY 2002 data was easier than in past years because government contractors (including 8(a) firms) were required to register with Central Contractor Registration (CCR), and CCR requires D&B numbers.

SACS/MEDCOR IN THE DISTRICT OFFICES

SACS/MEDCOR is primarily maintained by Business Opportunity Specialists (BOS) at the district office level. Each district office has a copy of the system containing only their portfolio of firms. When the field updates data in the system, the data are transmitted to SACS/MEDCOR's centralized location in headquarters.

According to the district offices we interviewed, SACS/MEDCOR is used on a regular basis. Two officials in different district offices stated that their staffs use SACS/MEDCOR daily to track activities, such as the offer and acceptance process, annual reviews, and business plan approvals, and to look up firm profile information. Another district office updates the system on a weekly basis. The staff primarily uses SACS/MEDCOR to record competitive contract offerings and to track whether firms are meeting their reporting requirements or not. In two other district offices, the staffs update the system "regularly," but both offices also supplied caveats. According to one district official, if the data in SACS/MEDCOR are not up to date, then the paper file has the most recent data. The other district official stated that, although the staff does update the system, it is sometimes at the urgings of headquarters.

Although the district offices stated that they use SACS/MEDCOR on a regular basis, headquarters staff refute that. According to headquarters staff, the response to nationwide requests for the district offices to update SACS/MEDCOR can be limited. There was also an extreme instance where a BOS had accumulated several years' worth of data on her desk because she had never been trained to use SACS/MEDCOR.

SACS/MEDCOR's Strengths

According to the majority of district officials, SACS/MEDCOR's greatest strength is that it is better than not having a database at all. For instance, one district official stated that the system's strengths are "limited," but it is better to have some data than to have no data. Another district official claimed that SACS/MEDCOR has no strengths; yet, it is the only system that the program has, so it has value as a data storage unit. SACS/MEDCOR was also praised as a good backup system. Finally, according to one district official, they need SACS/MEDCOR because it is all they have.

SACS/MEDCOR also received some praise for its functionality. For example, according to two district office officials, the system is easy to use for basic data. Another district official believes that SACS' letter templates are "fairly useful."

SACS/MEDCOR's Deficiencies

According to staff and officials across several district offices, SACS/MEDCOR

- (1) "is the worst program ever written."
- (2) "is antiquated;"
- (3) "does not have many benefits and is of little value to the field;" and
- (4) "was created by headquarters for headquarters for reporting to Congress."

The third and fourth sentiments were expressed by more than one district office. According to officials across four district offices, SACS/MEDCOR's data are primarily for headquarters' use. A district official elaborated: although a lot of intensive data entry goes on in the field, the field gets very little in return from the system (e.g., no reporting capability). Because the staff has no motivation to enter data, they are often in "no hurry" to update SACS/MEDCOR.

SACS/MEDCOR's deficiencies range from the system's design to its inability to help the district offices determine program effectiveness.

SACS/MEDCOR's Design

According to headquarters staff, the programmers who built SACS/MEDCOR were not familiar with field procedures, so they built the systems according to what the regulations required (e.g., annual reviews, business plans, field visits, etc.).²⁵ Because SACS/MEDCOR was not built with the district offices in mind, the system is difficult to use.

The district offices had several complaints regarding SACS/MEDCOR's design. Two officials in different district offices stated that SACS/MEDCOR might have been useful if it had been Windows-based instead of DOS. Two officials in different district offices also noted that they have to wait, sometimes until off-hours (e.g., the weekend), to transfer data to headquarters because the system is down or too busy. Another district official cited the system's lack of dependability. For instance, after spending time to input and transfer data, the staff found that the transfer failed and the data were lost.

According to a district official, SACS/MEDCOR's design is deficient because its different parts do not interact. SACS and MEDCOR do not "talk to each other," and a third program (fisCAL), which manages firms' financial data, does not talk to SACS' financial analysis program. Due to this lack of interaction, the staff is required to make numerous manual calculations between the programs.

Headquarters staff have also gotten complaints about fisCAL. According to a district official, the staff tried to use fisCAL when SACS debuted and then again when SACS/MEDCOR debuted, but they ran into too many problems. They heard that the program had bugs that needed to be worked out, but the problems were never fixed. Thus, the staff never used fisCAL again. Headquarters agrees that fisCAL is cumbersome and that it does not meet the 8(a) BD Program's data needs.

Lack of Data

Since the district offices no longer regularly receive copies of 8(a) contracts, they have devised several ways to obtain contract data. For example, one district office gets FPDS data from the web, which is "hit or miss." Two other district offices ask headquarters staff for FPDS data. One of these two district offices also calls firms and contract officers for contract information. Finally, one district office relies on the offer and acceptance process for contract data.

²⁵ This goes back to GAO's finding that SBA did not use end users' input (i.e., the district offices' input) to define the system's functional requirements. See page 2 of this report.

According to a district official, the lack of consistent and current contract data hampers their marketing efforts.²⁶ When the district office could accurately track contracts with MEDCOR, they could tell when a contract would expire. They would then contact the contracting agency and market the 8(a) firm for the renewal. Because they no longer have access to the data, they cannot market 8(a) firms for contract renewals.

Reports

According to district officials, SACS/MEDCOR

- (1) has no reporting function;
- (2) has a reporting function, but it is “poor;”
- (3) has a reporting function, but “SACS’ reports are useless.”

SACS/MEDCOR can create lists and compilations, but it cannot summarize data. For more meaningful reports, the district offices can use a separate program that pulls data from SACS and downloads it to an Excel spreadsheet. However, one district official stated that the report program is difficult, and another one claimed that the data cannot be easily manipulated. One district office has bypassed the problem by creating a spreadsheet with data (e.g., technical assistance, loans and contracts received) that can be used for various reports.

According to four district officials, a system weakness that ties into the poor reporting capability is that SACS/MEDCOR cannot track a firm’s success or help determine program effectiveness. The system is not capable of tracking a lot of the changes that firms go through. For instance, one cannot see how a firm’s income has changed throughout its entire tenure in the 8(a) BD Program. Thus, if a firm’s success cannot be determined, program effectiveness is also questionable.

Alternative Systems

Dissatisfaction with SACS/MEDCOR has led some district offices to establish alternative data management systems. Four of the district offices we spoke with have separate activity logs (manual and electronic) to track due dates for the annual reviews. One of the four also uses an activity log to track the due dates for the firms’ financial statements. A district office also keeps basic firm data, such as firm and principal names, address, case number, and program entry and exit dates, in a separate database that the staff created. Another district office keeps contract data in an alternative database that allows the staff to “get data at a glance.” Because SACS/MEDCOR cannot track firms by BOS, one district office keeps an electronic list of firms by BOS. Finally, the staff in one district office uses the paper files as an alternative system because they hold the same information as SACS/MEDCOR but are easier to access.

When asked what they would like to see replace SACS/MEDCOR, officials in two district offices stated that a centralized system containing the necessary data would be beneficial. Three officials in different district offices suggested that the system would be better if it were web-based, and two officials in different district offices proposed a system where queries can be

²⁶ Sometimes, the data, whether it is from FPDS or elsewhere, is six months old when they receive it.

manipulated to extract useful information. Other improvements mentioned were a simpler system and a system that would be beneficial to both headquarters and the field.

SACS/MEDCOR IN THE DISTRICT PILOTS

In March 2003, SBA launched a District Office Pilot Program. Part of the pilot centralizes the 8(a) annual review process in an Annual Review Process Center (ARPC). SBA is also developing an electronic process for the annual reviews.

The District Pilots and the ARPC

In July 2003, the ARPC began handling the annual reviews for program eligibility for the three district office pilots. Because the new electronic annual review process has not been implemented, the ARPC has been processing the reviews manually.

The ARPC has run into problems with SACS/MEDCOR. First, the staff found that, in some cases, information necessary for the annual reviews, such as financial data from prior years, had not been entered into SACS.²⁷ Thus, the staff could not complete the reviews until the district office pilots entered the necessary data into the system. The second problem with SACS/MEDCOR is that it is slow and difficult to work with. It can take two to three hours to extract data on one firm. Due to these two problems, the ARPC has been delayed in completing annual reviews.

The Electronic Annual Review Process

The electronic annual review process has three phases. According to SBA's Functional Requirements Document (April 2003 Draft), in Phase I, the new electronic annual review system will query the PRO-Net database on a daily basis for firms that are 45 days away from completing their program year. Data on firms due for annual reviews will be extracted from PRO-Net and SACS and set up in individual e-Works folders. The system will use the data to generate and send annual review e-mail notifications to the firms.²⁸ In Phase II, firms will be able to access electronic SBA Forms 1450 and 413 via PRO-Net (already pre-filled with certain data from SACS) and submit them to their e-Works folders. In Phase III, if a firm has not fulfilled the reporting requirements within the required timeframe, the system will generate a termination notice. If a firm submits all of its information on time, the system will populate SBA Form 1729: 8(a) Annual Review Report, review the report for compliance with statutes and regulations, and make a recommendation: retention, graduation, suspension, or termination. The ARPC staff will forward the recommendation to the firm's BOS in the servicing district office, where the final eligibility decision will be made.

²⁷ Since receiving access to SACS/MEDCOR's nationwide portfolio, the ARPC staff can determine how data entry habits vary across district offices. Largely, the data entry is poor. ARPC officials believe that, across the districts, program staff have not been trained properly on how to use SACS/MEDCOR because the system is difficult and time-consuming to use.

²⁸ If the e-mail is undeliverable, a fax will be sent. If the firm does not have a fax number or the fax fails, a letter will be mailed. If the letter is returned, the system will flag the firm for follow-up. The system will track each step and keep a record.

Phase I is complete, and Phase II is partially complete. However, Phase III remains unplanned due to a lack of funding and other obstacles.²⁹ Thus, how SACS/MEDCOR will be involved with the new annual review system in this phase is unclear.

A district official expressed concern over SACS/MEDCOR's role in the new annual review process (i.e., "I got a lump in my throat when I heard SACS/MEDCOR was going to be tied to the electronic process.") Given the system's data quality and functionality problems, this is a legitimate concern.

²⁹ SBA plans to implement Phase I in January 2004.

CONCLUSION

SACS/MEDCOR is an ineffective and inefficient program management tool. After spending an estimated \$5 million, SBA created a management information system that is not much different from the system that it replaced. Like FIS,

- (1) data in SACS/MEDCOR are often missing, not up to date and inaccurate;
- (2) SACS/MEDCOR does not contain much of the information needed for the annual report to Congress;
- (3) SACS/MEDCOR's reporting capability is poor; and
- (4) SACS/MEDCOR cannot be used to manage the 8(a) BD Program.

According to the OCIO's current Information Technology Strategic Plan, "the old approach of merely maintaining static databases for posterity must give way to an emphasis on providing easy access to data and facilitating its exchange, analysis, and manipulation."³⁰ Thus, SACS/MEDCOR must be abandoned. To effectively manage and assess the effectiveness of the 8(a) BD Program, SBA needs quality data (e.g., complete and accurate) and a system that

- (1) will make data easily available to all staff, enabling them to work more effectively and efficiently;
- (2) will track, monitor and evaluate firms' progress, thereby supporting management reporting and analysis; and
- (3) will facilitate the dissemination of SBA products to stakeholders.

With these requirements in mind, the OIG recommends the following:


Recommendation 1: In the face of SBA's workforce transformation and the shifting of business processes, we recommend that the Office of Government Contracting and Business Development analyze its business processes in headquarters and in the field to determine what specific data are needed to support and manage the program.

Recommendation 2: Once the business process analysis is complete, we recommend that the Office of Government Contracting and Business Development in conjunction with OCIO design, develop, and implement a management information system that will support the program mission and objectives, provide useful information for the Agency and its stakeholders, and enable the Agency to measure program results.

³⁰ U.S. Small Business Administration, Office of the Chief Information Officer, *FY2003-FY2007 Information Technology Strategic Plan*, p. 9. <http://www.yes.sba.gov/ocio/PolicyPlanning/itplan.pdf>



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: March 4, 2004
To: Emily Baebel, Assistant Inspector General for Inspection and Evaluation
From: Frank Lalumiere, Deputy Associate Deputy Administrator for GC/BD 
Subject: Response to OIG inspection report titled: SACS/MEDCOR: Ineffective and Inefficient

The Office of Government Contracting and Business Development (GC/BD) concurs with the findings and recommendations contained in the OIG inspection report of the SACS/MEDCOR system. In summary, the report finds the SACS/MEDCOR system to be ineffective and inefficient.

GC/BD will address the outstanding deficiencies cited in the report by convening an interdepartmental taskforce. The taskforce will evaluate an earlier plan, which was developed by SRA International in October 2000, and also explore alternative solutions to address the concerns presented in this inspection report. An initial assessment is expected to be completed by 31 July, 2004.

If there are any questions regarding this issue, please contact Jim Parker at 205-3644.