



Highlights of [GAO-07-484T](#), a testimony before the Committee on Small Business, House of Representatives

## Why GAO Did This Study

The Small Business Administration (SBA) helps individuals and businesses recover from disasters such as hurricanes through its Disaster Loan Program. SBA faced an unprecedented demand for disaster loan assistance following the 2005 Gulf Coast hurricanes (Katrina, Rita, and Wilma), which resulted in extensive property damage and loss of life. In the aftermath of these disasters, concerns were expressed regarding the timeliness of SBA's disaster assistance.

GAO initiated work and completed two reports under the Comptroller General's authority to conduct evaluations and determine how well SBA provided victims of the Gulf Coast hurricanes with timely assistance. This testimony, which is based on these two reports, discusses (1) challenges SBA experienced in providing victims of the Gulf Coast hurricanes with timely assistance, (2) factors that contributed to these challenges, and (3) steps SBA has taken since the Gulf Coast hurricanes to enhance its disaster preparedness.

GAO visited the Gulf Coast region, reviewed SBA planning documents, and interviewed SBA officials.

## What GAO Recommends

GAO recommends that SBA take several steps to improve its disaster preparedness, and SBA agreed with these recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-484T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-484T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

## SMALL BUSINESS ADMINISTRATION

# Response to the Gulf Coast Hurricanes Highlights Need for Enhanced Disaster Preparedness

## What GAO Found

GAO identified several significant system and logistical challenges that SBA experienced in responding to the Gulf Coast hurricanes that undermined the agency's ability to provide timely disaster assistance to victims. For example, the limited capacity of SBA's automated loan processing system—the Disaster Credit Management System (DCMS)—restricted the number of staff who could access the system at any one time to process disaster loan applications. In addition, SBA staff who could access DCMS initially encountered multiple system outages and slow response times in completing loan processing tasks. SBA also faced challenges training and supervising the thousands of mostly temporary employees the agency hired to process loan applications and obtaining suitable office space for its expanded workforce. As of late May 2006, SBA processed disaster loan applications, on average, in about 74 days compared with its goal of within 21 days.

While the large volume of disaster loan applications that SBA received clearly affected its capacity to provide timely disaster assistance to Gulf Coast hurricane victims, GAO's two reports found that the absence of a comprehensive and sophisticated planning process beforehand likely limited the efficiency of the agency's initial response. For example, in designing the capacity of DCMS, SBA primarily relied on historical data such as the number of loan applications that the agency received after the 1994 Northridge, California, earthquake—the most severe disaster that the agency had previously encountered. SBA did not consider disaster scenarios that were more severe or use the information available from disaster simulations (developed by federal agencies) or catastrophe models (used by insurance companies to estimate disaster losses). SBA also did not adequately monitor the performance of a DCMS contractor or completely stress test the system prior to its implementation. Moreover, SBA did not engage in comprehensive disaster planning prior to the Gulf Coast hurricanes for other logistical areas, such as workforce planning or space acquisition, at either the headquarters or field office levels.

In the aftermath of the Gulf Coast hurricanes, SBA has planned or initiated several measures that officials said would enhance the agency's capacity to respond to future disasters. For example, SBA has completed an expansion of DCMS's user capacity to support a minimum of 8,000 concurrent users as compared with just 1,500 for the Gulf Coast hurricanes. Additionally, SBA initiated steps to increase the availability of trained and experienced disaster staff and redesigned its process for reviewing loan applications and disbursing funds. However, SBA has not established a time line for completing key elements of its disaster management plan, such as cross-training agency staff not typically involved in disaster assistance to provide back up support in an emergency. SBA also has not (1) assessed whether its disaster planning process could benefit from the supplemental use of disaster simulations or catastrophe models and (2) developed a long-term strategy to obtain suitable office space for its disaster staff. While SBA agreed with GAO's report recommendations to address these concerns, it remains to be seen how comprehensive the agency's final disaster plan will be and how the agency will respond to a future disaster.