



Appendices

FISCAL YEAR
2006

2006 Exporter Champion

John Miller

President

Oxbow Pet Products
Murdock, Nebraska

Oxbow Enterprises is a small, family-owned business founded in 1980 and based on the Miller Family Farm in Murdock, Nebraska.

The company has evolved from a commercial bay supplier into a pet products manufacturer (Oxbow Pet Products- 1993) which currently offers a range of about 20 feed products for herbivores. The company began exporting in 1998 to Japan, Singapore, and Hong Kong. They also export to Korea Taiwan, China, the United Kingdom, Italy, Sweden, Germany, Switzerland, Canada and Australia. The company has experienced rapid growth and in 2004 they surpassed \$1 million U.S. dollars in export revenue.



Former SBA Administrator Hector Barreto congratulates John Miller, president, Oxbow Pet Products, Murdock, Neb., Exporter of the Year.

State Small Business Person of the Year Winner!

Patricia Young, President &

Susan Young-Porch, Vice President

Lil' Treasures Learning Academy, Inc.

Sisters Patricia Ann Young, an educator, and Susan E. Young-Porch, a nurse and an Army veteran, started Lil' Treasures Learning Academy, Inc., in 2001 with home equity loans and credit cards. Their business model was based on providing educational opportunities to at-risk children and support for the whole family. It worked. With the help of two SBA-guaranteed loans, the company has become a Quality Accredited Child Care center and an Arkansas Better Chance Program Provider. The company has grown from a single small storefront child care center with three employees serving nine children to an 8,800-square-foot facility with 17 teachers serving 122 children.



The ladies in the middle of the photo are the business owners, Patricia Ann Young and Susan E. Young-Porch. Linda Nelson, SBA Arkansas District Director, is on the left. Mike Huckabee, the governor of Arkansas, is on the right.



(L to R) Herb Mitchell, associate administrator for disaster assistance, Ken Hough (accepting the Phoenix Award for Small Business Disaster Recovery for his brother James Hough, president, Rehab Health Partners in Lakeland, Fla.), and Former Administrator Hector Barreto.

Phoenix Award Winner!

James Hough

President

Rehab Health Partners, Inc.

Jim Hough's business took a beating when three major hurricanes hit Central Florida two years ago. The damage to his roof paled in comparison to the economic destruction caused by power failures and the loss of other basic services, which created major hardships for Jim. Despite losing revenue and his client base, he fought to keep his employees paid and his business alive. Rehab Health Partners is now seeing profits, and Jim was able to keep all 14 employees.

APPENDIX 1 – REGIONAL PERFORMANCE INFORMATION AND SUCCESS STORIES

Appendix 1 spotlights the accomplishments of the SBA District Offices, operating under the 10 Regional Offices. These serve as SBA's feet on the street. The District Offices work closely with resource partners – SCORE, Small Business Development Centers, and Women's Business Centers – to match local resources to local needs.

Just as importantly, through the Office of Field Operations, they represent to Headquarters the interests of small businesses in their regions. They provide input into all policy formation and participate in policy deliberations that are critical to field activity.

The brief write-ups that follow display the outcomes of the efforts of the field offices. These appear not only in the statistics, in the dollar value of loans and financing, in the numbers of clients counseled and trained; they also are evidenced in the 10 success stories featured. These stories are only but a few examples of the thousands of successes brought about every year by the work and commitment of the employees of SBA, their partners, and entrepreneurs across the Nation.

The data in the tables is aggregated first by state and then by region. The following notes indicate the sources of the data:

- a. Value of newly funded 7(a) and 504 loans. Data derived from Loan Accounting Tracking System.
- b. Value of SBIC financings. Data derived from reporting by Small Business Investment Companies on Form 1031. The SBICs financings reflect the total amount of financing the small businesses received. FY 2005 totals have been restated from those published in the FY 2005 PAR. The restatement is required due to a clerical error made in the final preparation of the PAR Report.
- c. Value of federal contracts. Data obtained from Federal Procurement Data System. Neither FY 2005 nor FY 2006 data were available from this source at the time the FY 2006 PAR document was produced. Accordingly, the most recent data available (FY 2004) is presented. The value of federal contracts in the U.S. Outlying Areas (Puerto Rico, Virgin Islands, Guam and American Samoa) is not available broken down by territory; consequently, the value of federal contracts in Puerto Rico is not being reported.
- d. Clients counseled/trained by SBDC, SCORE or WBC. Data derived from Office of Entrepreneurial Development estimates based on third quarter numbers from EDMIS.

Region I

The SBA guaranteed loans totaling \$858 million to small businesses throughout the Northeast reflecting 6,573 7(a) loans and 550 Section 504 approved loans.

The counseling and education of entrepreneurs remains a priority in Region I. The region's resource partners - SCORE, SBDC and WBC - counseled and trained approximately 70,000 clients in FY 2006.

Region I States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Connecticut	\$215	\$212	\$46	\$82	\$9,310	UNAVAIL	17,102	15,420
Maine	\$79	\$79	\$16	\$21	\$1,631	UNAVAIL	10,216	8,631
Massachusetts	\$340	\$324	\$207	\$140	\$8,471	UNAVAIL	18,444	25,397
New Hampshire	\$153	\$110	\$31	\$32	\$871	UNAVAIL	6,707	7,105
Rhode Island	\$93	\$84	\$26	\$11	\$498	UNAVAIL	5,701	7,802
Vermont	\$56	\$49	\$7	\$1	\$502	UNAVAIL	4,624	5,540
Totals	\$936	\$858	\$333	\$287	\$21,283	UNAVAIL	62,794	69,895

SUCCESS STORY

The SBA Helps Business Find Its Way



Kija Kim was honored this year as the SBA Massachusetts Small Business Person of the Year. She co-founded Harvard Design & Mapping Co. Inc. (HDM) in 1988 and now serves as the firm's President and CEO.

Kija is a pioneer in the geographic information systems field and was one of the first women to head a technology company. HDM provides state-of-the-art, location-based information technology services and products to federal, state and municipal agencies, and to Fortune 1000 companies.

Kija credits the SBA's 8(a) Business Development program with helping HDM win \$3 million in contracts during its nine years in the program. HDM's 8(a) certification gave the company the boost it needed to build an excellent reputation and the infrastructure necessary to compete on its own merit. In addition, HDM developed numerous innovative proprietary products and secured a listing on the GSA schedule for Federal government contracting while in the 8 (a) program.

In 1992 HDM got a \$240,000 7(a) loan guaranty that helped the company grow to the point where a second location, a federal projects office in Arlington, Virginia, was established.

Today, HDM's projects span the globe. In addition to their work in the U.S., the company has completed projects in Egypt, Senegal, Japan, Venezuela, and Puerto Rico. Its international projects have focused on providing solutions for environmental agencies and utilities, including electric, gas and telecommunications companies. The company reports revenues of \$3 million and has doubled its staff from 16 to 32 over the past two years.

Region II

FY 2006 was a positive year for SBA lending in this region, with 7(a) and 504 loans totaling \$1.45 billion. All five district offices in the region reported a record number of Section 504 loans, with 504 loans totaling \$270 million. The SBAExpress loan program continued to grow as a percentage of total lending: 78% of the region's loans were approved under this program, almost a 20% increase from last year.

In addition, small businesses received \$548 million in venture capital with New York being in the lead with a 19% increase over last year.

Region II States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts(millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
New Jersey	\$605	\$521	\$116	\$94	\$5,148	UNAVAIL	35,379	38,754
New York	\$920	\$805	\$377	\$448	\$7,091	UNAVAIL	110,467	81,934
Puerto Rico ^e	\$151	\$124	\$14	\$6	UNAVAIL	UNAVAIL	16,022	14,689
Totals	\$1,676	\$1,450	\$507	\$548	\$12,239	UNAVAIL	161,868	135,377

SUCCESS STORY

With the SBA by its Side, Clinical Laboratory Treats Patients as Family



Dr. Robert Whitlock approached the SBA and obtained a loan to remodel a building that later would be part of the largest clinical laboratory enterprise in Puerto Rico — Laboratorio Clínico Borinquen, Inc. Founded in 1971, Laboratorio Borinquen almost didn't make it, due to finances and lack of support from health insurance companies. But Robert and his wife Delia remained faithful to the founding partnership's philosophy of service and added new elements, expanding the business throughout the Island.

After Robert's death in 2000, Delia assumed the presidency of Laboratorio Clinico Borinquen, implementing commercial strategies through the years that would ensure the business' economic growth in a highly competitive market. She acquired a state-of-the-art computer system that allows customers to request services in one location and pick up their results in any of the lab's other branches.

"Our commitment is what really sets us apart from other labs," Delia says. "We treat each and every patient that walks through our doors as if he or she were a member of our own family."

With services in such fields as pathology, hematology, and immunology, Laboratorio Clínico Borinquen has 20 locations and over 200 employees. The business serves nearly 900 patients daily and processes over one million lab tests a year, generating over \$8 million in annual revenues. "There are so many people I need to thank," Delia acknowledges. "The SBA for believing in us when we were starting out, the banks that have backed us, my children for helping me move forward; but more than anything I need to thank our patients for trusting our services."

^e Data was not available for Puerto Rico at the time this document was produced.

Region III

By the end of FY 2006, the seven district offices of Region III had made a significant contribution to the SBA's seventh consecutive outstanding year of financial assistance to small businesses. Region III approved 8,409 loans which represent more than eight percent of total SBA lending and amounted to over \$1.2 billion.

The Region III district offices have also supported a robust Faith-Based and Community Initiative and are agency leaders in out-reach collaborations with the Urban League.

Region III States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Delaware	\$28	\$36	\$15	\$3	\$226	UNAVAIL	4,887	4,420
Washington, DC	\$23	\$37	\$9	\$2	\$13,069	UNAVAIL	20,494	11,755
Maryland	\$262	\$258	\$143	\$90	\$19,262	UNAVAIL	12,176	22,561
Pennsylvania	\$678	\$515	\$54	\$113	\$8,535	UNAVAIL	77,227	48,275
Virginia	\$303	\$342	\$61	\$34	\$33,964	UNAVAIL	19,044	34,902
West Virginia	\$31	\$33	\$4	\$3	\$901	UNAVAIL	9,086	7,342
Totals	\$1,325	\$1,221	\$286	\$245	\$75,957	UNAVAIL	142,914	129,255

SUCCESS STORY

The SBA Gets Her Hair Done!



Step into Diva's Day Spa and be transformed! Jane Moates, the owner and operator of Diva's Hair and Day Spa is all about transformation. Diva's is a busy and flourishing 8-year-old day spa in the center of the universe— Ashland, Virginia!

At age 17 Jane quit school, had to move from her home, worked three jobs and put herself through beauty school. She recalls driving by an old dilapidated brick building in 1996, that had ample parking and great location, and dreaming that someday she would be able to buy the building for her beauty business.

Jane made her dream come true! With the help of the SBA, she converted the old building into Diva's Day Spa. The 504 loan program, she says, "was the vehicle that allowed me to buy the building and establish a permanent location. Our staff has grown to 10 employees. Our revenue and client base, after buying and expanding the building, have both increased." Whether it is hair treatment, a manicure or pedicure, facial, full body spa, or all of these wrapped into one special package, the business caters to the well-being of its clients.

Jane cares for her employees as well, by providing a secure and safe working environment along with health and dental benefits. Jane takes pride in being able to provide something that is relatively unheard of in her industry, regardless of the significant cost to the business.

Would Jane change anything if she had a chance? "No way," she says, "I am grateful for everything that has happened to me. I wouldn't be where I am today without those experiences and the inspiration and support of my husband Larry."

Region IV

Region IV continues to be an Agency leader in helping small businesses start, grow and succeed. In FY 2006, Region IV generated over 14% of the Agency's combined 7(a) and 504 loans making it the third largest producer of SBA-backed loans among the ten regions. Specific strategies were implemented to increase lending in the African American communities resulting in increases in Georgia and Alabama.

Region IV States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Alabama	\$139	\$127	\$14	\$4	\$6,966	UNAVAIL	32,039	24,070
Florida	\$1,122	\$1,147	\$106	\$166	\$10,453	UNAVAIL	54,233	68,801
Georgia	\$628	\$689	\$89	\$54	\$5,350	UNAVAIL	29,225	35,483
Kentucky	\$119	\$121	\$25	\$2	\$3,274	UNAVAIL	16,329	15,586
Mississippi	\$111	\$110	\$11	\$4	\$2,248	UNAVAIL	10,163	13,915
North Carolina	\$278	\$290	\$46	\$68	\$3,299	UNAVAIL	31,288	30,658
South Carolina	\$144	\$120	\$29	\$48	\$4,028	UNAVAIL	16,207	15,564
Tennessee	\$167	\$163	\$70	\$39	\$6,111	UNAVAIL	20,542	30,154
Totals	\$2,708	\$2,767	\$390	\$385	\$41,729	UNAVAIL	210,026	234,231

SUCCESS STORY

He Retired To Do Business!



A native of India, Harbans Singla worked as a draftsman in Canada before moving to Buffalo, New York, in the 1960's where he obtained a mechanical engineering degree at the University of Buffalo. After graduation, he worked at Union Carbide and the Y-12 National Security Complex in Oak Ridge, Tennessee, until he retired in 1994.

Now, usually when people retire they stop working, but not Harbans! Upon retirement, Harbans established MS Technology, Inc., an engineering and technology development company. In March of 1997, MS Technology became certified as an 8(a) firm by the SBA. Today, it is a multimillion dollar company and the world leader in its field.

MS Technology commercializes new technologies in the field of manufacturing. The company faced a turning point in 2004 — how to remain competitive in the engineering services arena. Through careful strategic analysis, Harbans chose to license a new technology which utilized microwave energy. Their focus now is developing microwave energy applications to melt and cast metals, which has the potential to save the country billions of dollars in energy consumption. "This was something that had never been done and was quite contrary to the layperson's understanding of using a microwave," he said. By mid 2005, MS Technology was the world leader in this field. The decision proved profitable and resulted in a 75% increase in revenue in 2005. In addition, the remarkable potential of the microwave technology has opened the doors to other processes which MS Technology seeks to pursue.

Region V

Region V saw significant increases in its major SBA lending programs this fiscal year. Total 7(a) lending was 17,758 loans, a 5% increase over last fiscal year. But what is truly more significant is that 18% more of those 7(a) loans went to business start-ups and new entrepreneurs than last year. The Region's 504 loans were up 6% over last fiscal year for a total of 1,673 loans.

The Midwest region has continued to enhance its rural and urban radio campaigns. Currently over 350 radio stations in the Region support the 60-second monthly radio campaign. Each month a new PSA is recorded and customized with local success stories and highlighting a special group such as veterans, women, home-based businesses, etc.

Region V States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Illinois	\$613	\$595	\$145	\$100	\$5,635	UNAVAIL	49,147	46,774
Indiana	\$283	\$319	\$30	\$31	\$3,702	UNAVAIL	17,637	25,142
Michigan	\$526	\$496	\$39	\$50	\$3,596	UNAVAIL	34,472	26,160
Minnesota	\$512	\$466	\$67	\$62	\$1,998	UNAVAIL	24,869	25,440
Ohio	\$603	\$562	\$48	\$76	\$6,344	UNAVAIL	40,601	48,207
Wisconsin	\$466	\$371	\$25	\$18	\$2,364	UNAVAIL	27,257	28,772
Totals	\$3,003	\$2,809	\$354	\$337	\$23,639	UNAVAIL	193,983	200,495

SUCCESS STORY

A Purrfect Solution



The award-winning PurrFect Opener[®], invented by Michigan resident Robert Mazur, is a tool to help people of all ages open medicine packages and other household products with ease, speed and safety. The inspiration for PurrFect Opener[®] came when Mazur saw his grandmother struggling to open up a package that contained her medicine. "I started noticing people using knives, scissors, teeth or just about any potentially dangerous tool to get into their medicine packaging," Mazur explains.

For the next three years Mazur worked on a prototype while putting himself through graduate school at the University of Michigan. After winning \$10,000 in a "Dare to Dream" competition, making design modifications and getting input from his family and friends, he came up with the PurrFect Opener[®], – named because the tool looks like a cat. Mazur recalls, "I was in business for about a year when I entered another business plan competition co-sponsored by SCORE." Two months later he was notified that he placed in the top three among 1,500 applicants, had won \$25,000 and in-kind services of SCORE business counselors. "The advice and guidance I received from the SCORE representative reaffirmed I was on the right track," Mazur says. Since last year, sales have tripled and his company, B.A. Maze, Inc., continues to grow.

Region VI

The SBA faced intense challenges in FY 2006 given the unprecedented devastation left by hurricanes Rita and Katrina, in both Louisiana and Texas. Government contracting realized an upward surge given the increased need for small business contracting services by many Federal Government agencies responding to the devastation wrought by the hurricanes and flood-related damage in the region.

Region VI States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Arkansas	\$107	\$105	\$7	\$13	\$733	UNAVAIL	10,167	8,911
Louisiana	\$130	\$114	\$27	\$19	\$3,221	UNAVAIL	16,895	15,744
New Mexico	\$106	\$96	\$18	\$11	\$5,866	UNAVAIL	14,839	15,671
Oklahoma	\$170	\$151	\$14	\$3	\$2,448	UNAVAIL	13,258	3,526
Texas	\$1,448	\$1,506	\$143	\$167	\$27,278	UNAVAIL	109,122	115,894
Totals	\$1,961	\$1,972	\$209	\$213	\$39,546	UNAVAIL	164,281	159,746

SUCCESS STORY

Quest for Excellence Creates Success!



At Oklahoma State University, Lino Mbroh worked toward a degree in mechanical engineering. Today, the 36-year-old Oklahoma native is President and Chief Executive Officer of Platinum Manufacturing, LLC, a company that designs and builds custom, luxury horse trailers and trailer products. The company has grown from five employees to a workforce of 150 and expects sales in excess of \$16 million this year.

Lino began his business in 2000 with a shoestring savings of about \$25,000. By April 2001 the first custom-designed Platinum Coach trailer, built from the ground up, rolled out the door. He produces an average of 15 to 20 trailers a week that are pre-sold by 36 dealers across the nation and one in Canada. Excellence resulted in success, and to meet the needs of expansion, Lino went to the Metro Area Development Company for help in securing a 504 loan backed by the SBA to purchase a 62,000 square foot manufacturing facility.

“We don’t build the most, we build the best! We build a superior product that speaks for itself,” says Lino. “We’ve built trailers with hot tubs, fireplaces, plasma TVs, and full kitchens including gas stoves and microwaves. Whatever our customers can dream of we design and build it.”

Region VII

In FY 2006, Region VII guaranteed loans totaling \$664 million to over 4,000 small businesses across the region. Region VII worked extensively to implement the Urban Entrepreneur Partnership initiative. This initiative fosters minority entrepreneurship, business development, and job creation in historically neglected and economically underserved urban areas nationwide. As a result of these collaborative efforts, five one-stop Economic Empowerment Centers have been established, one in Kansas City.

Region VII expanded regular radio interviews to more than 150 stations per month to increase awareness of national economic developments and SBA programs and services impacting small businesses. It also focused on increasing the participation of veterans, and aggressively recruited lenders to keep pace with the demand for capital in rural communities.

Region VII States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Iowa	\$180	\$153	\$10	\$9	\$1,421	UNAVAIL	17,863	13,508
Kansas	\$149	\$116	\$9	\$21	\$2,064	UNAVAIL	5,217	13,787
Missouri	\$303	\$301	\$48	\$69	\$7,608	UNAVAIL	21,731	39,731
Nebraska	\$101	\$94	\$18	\$3	\$586	UNAVAIL	8,531	8,037
Totals	\$733	\$664	\$85	\$102	\$11,679	UNAVAIL	53,342	75,063

SUCCESS STORY

The SBA Helps a Helper



P/Strada, a Kansas City, Missouri-based organizational development and homeland security consulting and development company, was started in 2001 by Patrice Manuel. Patrice is a retired military officer with 20 years experience in project management and organizational development. She is a certified project management professional, has a master's degree in administration, and is completing a Ph.D. in organizational behavior.

"I looked at working for other companies," Manuel said, "but I wanted to stay in project management and strategic planning." P/Strada, LLC is the business consultant leader for the management of alternative growth. Because it considers itself a development company, it focuses on how to get more out of what you already have by

improving your organization's productivity, profitability, responsiveness and customer satisfaction.

The SBA was proud to assist this company by certifying it in its 8(a) and HUBZone programs and as both a Small Disadvantaged Business and a Service Disabled Veteran-owned business. Latest news shows P/Strada holding eleven employees, eight consultants, and contracts with the state of Missouri, the U.S. Army Corps of Engineers and several military bases, including Fort Leonard Wood and Batelle.

Region VIII

The SBA's Region VIII office, headquartered in Denver, serves the most rural region in the Nation. The region includes 27 separate tribal nations and over 580,000 square miles of territory, with the smallest population of any of the 10 federal regions. In FY 2006, 5,217 7(a) loans and 790 Section 504 loans were approved for a total of more than \$1 billion. The regional portfolio for 7(a) loans is now \$2.4 billion and the 504 portfolio is \$1.3 billion. The region saw an increase in the influx of venture capital with Colorado in the lead with a 45% increase over FY 2005.

Region VIII States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Colorado	\$485	\$506	\$77	\$112	\$5,338	UNAVAIL	22,143	22,580
Montana	\$76	\$66	\$0	\$0	\$530	UNAVAIL	7,623	8,426
North Dakota	\$72	\$57	\$0	\$2	\$461	UNAVAIL	6,695	7,307
South Dakota	\$41	\$46	\$2	\$9	\$386	UNAVAIL	6,500	6,057
Utah	\$297	\$297	\$38	\$39	\$2,217	UNAVAIL	17,344	18,679
Wyoming	\$36	\$32	\$0	\$2	\$240	UNAVAIL	5,283	4,497
Totals	\$1,007	\$1,004	\$117	\$164	\$9,172	UNAVAIL	65,588	67,546

SUCCESS STORY

The SBA Sews it All Together



The idea for Creative Stitches began in 1998. While her kids were in day care, Sandra Kokoruda spent mornings researching, writing her business plan, taking classes at the SBA's Business Information Center and utilizing resources at the local SBA Women's Business Center. Her afternoons were spent with her children, playing games, and doing the everyday chores of cooking, laundry and cleaning. She submitted an application under the SBA's expedited LowDoc loan program and, after initially being declined, the \$40,000 loan was approved.

Creative Stitches, a retail store selling sewing machines, serge, fabrics, and notions, opened its doors in March 1999. When the store first opened inventory was limited. So, to make it seem like there was more than there actually was, Sandra turned the bolts of cloth sideways to take up more room on the shelves. Gross sales the first year were \$71,000, leaving Sandra surprised, but delighted.

Sandra began offering sewing classes and machine repair, and growth continued at an amazing rate. A second SBA-backed loan was secured to change from clothing fabrics to quilt fabrics. From its starting year to our latest update in 2005, Sandra's inventory had more than doubled and gross sales had increased by 400%.

Region IX

For the past several years, Region IX, which includes nine district offices and one branch office, has led the nation in the number of loans processed and the total value of such loans. In FY 2006, the region increased 7(a) and 504 loan production by almost 10%, from 17,066 loans in 2005 to 18,770 loans this year amounting to approximately \$4.4 billion. This success is partly due to utilization of Alternate Work Sites in Arizona and Nevada to extend its reach in these large western states.

SBA's first regional Matchmaking event of 2006 was held in Oakland and included 464 companies, which got matched with 90 distinct buying organizations. In total, the region facilitated nearly 20,000 Matchmaking meetings throughout the year.

Region IX States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Arizona	\$552	\$648	\$25	\$42	\$9,533	UNAVAIL	28,481	38,077
California	\$3,840	\$3,503	\$487	\$457	\$38,266	UNAVAIL	149,455	155,623
Hawaii	\$40	\$31	\$0	\$5	\$2,008	UNAVAIL	9,711	6,075
Nevada	\$241	\$249	\$10	\$15	\$1,495	UNAVAIL	12,195	12,548
Totals	\$4,673	\$4,431	\$522	\$519	\$51,302	UNAVAIL	199,842	212,323

SUCCESS STORY

No One Beats SBA in the Kitchen!



Use only the highest quality ingredients, combine a talented chef with a creative business banker, blend until smooth. Add passion and experience, season with a dash of the SBA, and — Voilà! Chef Mavro's remarkable restaurant!

With years as an executive chef in Honolulu and having owned two restaurants in France, George Mavrothalassitis expected no problem securing financing to open a restaurant in Waikiki, Hawaii. Everything was coming together – the location, the menu, the design. But Mavro soon discovered that commercial bank loans for restaurants were difficult, even for well-qualified applicants. "I found it hard to believe that, with my background, the bankers were saying no. They told me it was the wrong time, restaurants are too risky."

Finally, Mavro met a banker who saw something in him. That banker was Paul Lemcke of City Bank. He was receptive to Mavro's proposal and was willing to support the loan request when packaged with an SBA guaranty. Chef Mavro's opened in 1998 with the expected excitement and fanfare, followed by a typical slowdown. Even in the toughest times, Mavro never compromised the quality and freshness of the gourmet food and wines he's become so well known for. Demonstrating that business savvy, Mavro secured a second SBA loan to purchase a sophisticated financial system to monitor expenses and income that has helped Chef Mavro's remain the strong establishment it is today.

Region X

Loans totaling \$902 million were pumped into the Pacific Northwest and Alaska economy during FY 2006. Region X surpassed their target lending and approved 4,557 7(a) loans and 472 Section 504 loans. Additionally, record numbers of African Americans, Hispanics, Asians, Native American, women and veterans received loans.

Approximately 65,500 prospective and/or established small business owners received counseling and training from SBA and its resource partners throughout the region during this fiscal year.

Region X States	Value of Newly Funded 7(a) and 504 Loans (millions) ^a		Value of SBIC Financings (millions of dollars) ^b		Value of Federal Contracts (millions of dollars) ^c		Clients Counseled/ Trained in SBDC, SCORE, WBC ^d	
	FY 2005	FY 2006	FY 2005	FY 2006	FY 2004	FY 2005	FY 2005	FY 2006
Alaska	\$43	\$38	\$0	\$0	\$1,701	UNAVAIL	5,576	4,949
Idaho	\$157	\$154	\$7	\$1	\$1,318	UNAVAIL	6,537	7,491
Oregon	\$220	\$193	\$23	\$37	\$1,118	UNAVAIL	26,764	22,023
Washington	\$471	\$517	\$62	\$59	\$6,654	UNAVAIL	25,616	31,087
Total	\$891	\$902	\$92	\$97	\$10,791	UNAVAIL	64,493	65,550

SUCCESS STORY

Nobody Bosses Trailboss!



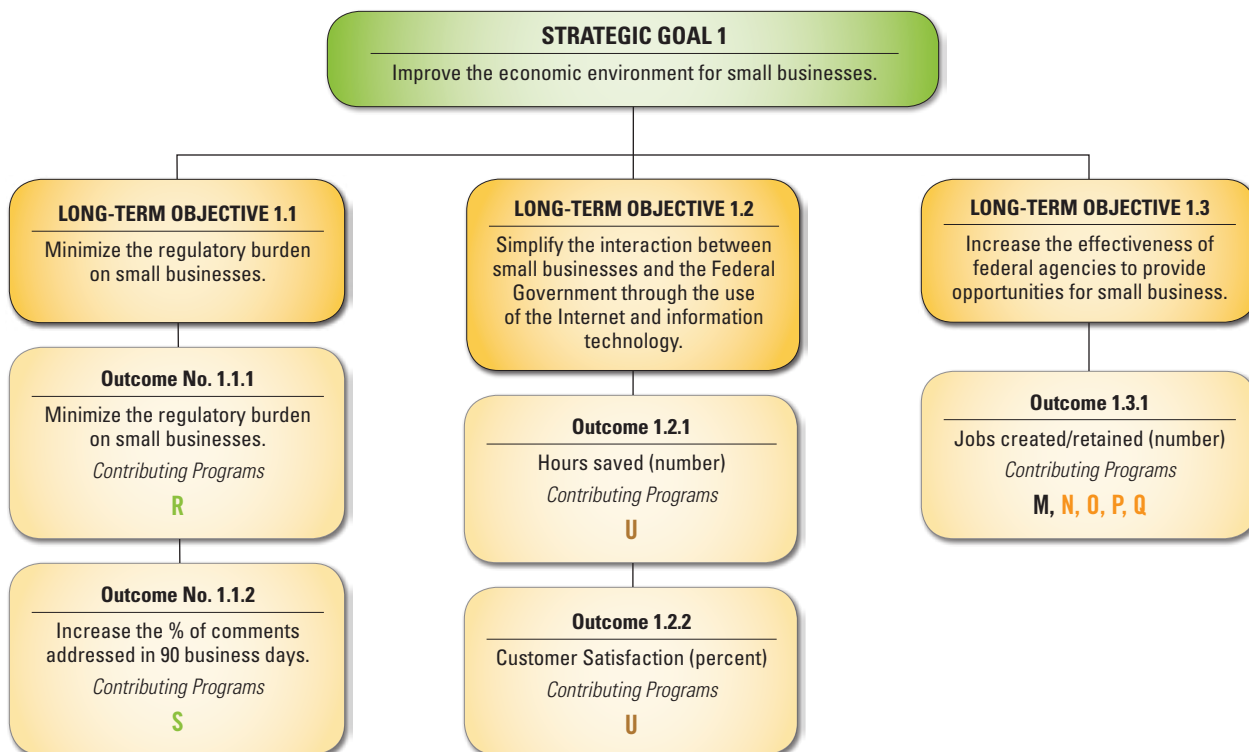
Trailboss Enterprises Incorporated (TEI), based out of Anchorage, Alaska, specializes in transportation and logistical support, providing services to government organizations around the world, including Air Force bases in Anchorage, North Carolina, North Dakota, Texas, the United Kingdom and Germany. TEI provides aircraft servicing and maintenance, prefabricated buildings, underground utilities, demolition, excavation, paving, and transportation and logistical support.

Learning to navigate the maze that accompanies government contracting was a crucial objective for TEI founder, U.S. Air Force retired Chief Master Sergeant Joseph Tolliver. "I had a lot to learn about contracting. It's a daunting task for new business owners. It's all about being prepared."

Fortunately, Joe was able to utilize the SBA's 8(a) Minority Business Development program. Trailboss was soon awarded its first 8(a) contract at Elmendorf Air Force Base. Many more contracts were to follow, and soon TEI developed into one of the leading airfield support service contractors for the U.S. Department of Defense. Not bad for a company that had a modest start in snow removal!

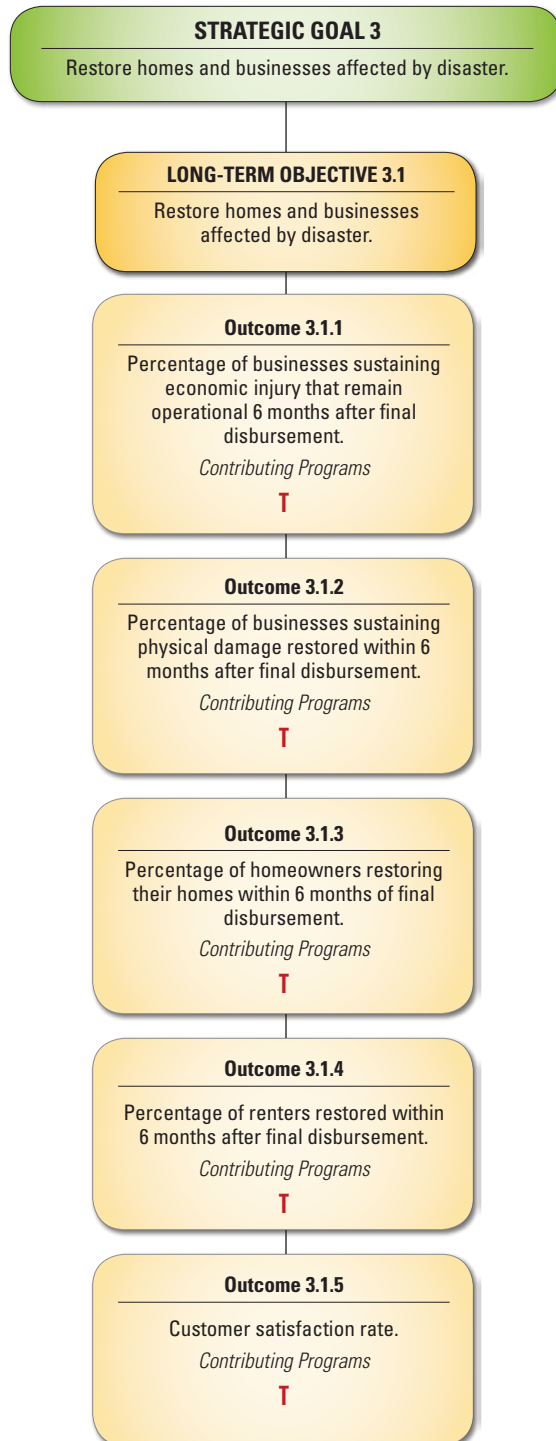
"We live in the greatest country in the world and we're only limited by our imaginations," Joe says.

APPENDIX 2 – STRATEGIC GOALS, OBJECTIVES AND OUTCOMES



CONTRIBUTING PROGRAMS			
Regulatory Assistance	E-Gov Assistance	Trade Assistance	Procurement Assistance
<i>Functional Area IV</i>	<i>Functional Area VI</i>	<i>Functional Area VII</i>	<i>Functional Area III</i>
R – Advocacy	U – Business Gateway	M – International Trade	N – Prime Contracting
S – Ombudsman			O – Business Matchmaking
			P – Sub Contracting
			Q – Surety Bond Guarantee





CONTRIBUTING PROGRAMS
Disaster Assistance
<i>Functional Area V</i>
T - Disaster



APPENDIX 3 – GOVERNMENT ACCOUNTABILITY OFFICE RECOMMENDATIONS

GAO 04-454	Contract Management: Impact of Strategy to Mitigate Effects of Contract Bundling on Small Business is Uncertain.
Long-Term Objective 1.3	
Recommendation	The Administrator, SBA, should expedite the dissemination of best practices to maximize small business contract opportunities for incorporation into agencies' training courses, as required by the OFPP strategy.
GAO Comments	In official oral comments, staff from the Small Business Administration concurred with this recommendation. The Small Business Administration has not yet responded to the requirements of 31 U.S.C. 720 by submitting a written statement of the actions taken on GAO's recommendation to the Senate Committee on Governmental Affairs and to the House Committee on Government Reform, which was due on August 27, 2004. SBA had not implemented this recommendation.
GAO 01-346	Federal Procurement: Trends and Challenges in Contracting With Women-Owned Small Businesses
Long-Term Objective 1.3 & 2.3	
Recommendation	The Administrator, SBA, should include in SBA's mandated study of industries in which WOSBs are underrepresented sufficient analysis to establish more realistic agency-specific annual goals for prime and subcontracts with WOSBs. Given the Department of Defense's (DOD) predominance in government contracting, SBA could benefit from the active collaboration and support of DOD in performing the study. SBA should also keep Congress informed as it develops a strategy for implementing the new provisions designed to expand federal contracting with WOSBs. In particular, SBA should notify its authorizing and appropriations committees if it determines that its capacity to implement the key provisions of the legislation will be impaired by insurmountable resource constraints.
GAO Comments	The GAO SBA liaison said that SBA contracted with the National Academy of Sciences (NAS) to conduct a technical review of SBA's draft study to address methodological issues. The technical review was scheduled for completion within 9 months. NAS subsequently requested and received two extensions for completing the technical review. The results were delivered to SBA in March 2005. SBA is in the process of reviewing the NAS report, but has not established a methodology or timetable for proceeding on GAO's recommendation. 3/2/06 - Tiffani Cooper, liaison, provided the following update: Since the last update the following actions have occurred re: The Study March 11, 2005 - NAS released its independent report finding that the SBA draft study prepared for purposes of implementing a preferential federal contracting program for women-owned small businesses was seriously flawed and should be revised in accordance with the report's recommendations. October 14, 2005 - A Request for Proposals accompanied by a Statement of Work was issued by SBA seeking a contractor to perform a revised study in accordance with the report of the National Academy of Sciences. February 21, 2006 - a contract was awarded to a qualified contractor to complete the study consistent with NAS recommendations. The contractor has already begun its work, with the study due in 9 months. SBA will make the study available on line once it is completed. Implementing Regulations The proposed rule was prepared by SBA and submitted to OMB for review on 2/27/06, with a 90 day review period under Executive Order 12866.
Recommendation	To better address the purpose of the 8(a) program, meet the needs and expectations of the firms in the program, and improve SBA's ability to determine how well the program is working, the Administrator, SBA, should provide a method for collecting data on each firm's training needs for tracking the assistance provided.
GAO Comments	SBA continues to agree that it needs a method for collecting feedback from 8(a) participants on the quality of service SBA provides and information on their training needs. SBA states that it is "dedicated to examining" methods to obtain feedback without burdening the 8(a) program participants.

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GAO 03-87	Small Business Administration: Accounting Anomalies and Limited Operational Data Make Results of Loan Sales Uncertain.
Long-Term Objective 2.1, 2.2 & 4.3	
Recommendation	To ensure that SBA has complete information to enforce borrower protections in its loan sale agreements and has reliable information to report to Congress on how borrowers are reacting to the sales, the Administrator should develop procedures for documenting and processing inquiries and complaints from borrowers, and provide guidance to the field offices about implementing them.
GAO Comments	SBA reported that it will soon issue a procedural notice that will provide SBA field personnel with a uniform process for handling borrower inquiries and complaints. In addition, SBA reported that it has (1) established an electronic mail account for use by all employees to record and forward borrower comments to SBA's Washington, D.C. office, (2) established a database to maintain and track these borrower comments, and (3) implemented enhancements to a tracking system used for residential borrower inquiries that is maintained in SBA's El Paso, Texas servicing center.
Recommendation	To address the errors and weaknesses in SBA's accounting and budget reporting, the Administrator should correct the errors in SBA's loss calculations for loan sales one through five, and adjust the fiscal years 2000 and 2001 financial statements before conducting additional loan asset sales.
GAO Comments	SBA's fiscal year 2002 financial statements included an adjustment to the loss calculation for sales during the year. Specifically, in the loss calculation SBA considered additional factors to determine the value to SBA of the loans sold. SBA plans to make similar adjustments to the losses calculated and reported in fiscal years 2000 and 2001, when it reissues the financial statements for those years. In addition, SBA suspended its loan sales activity until this issue and others are resolved.
Recommendation	To address the errors and weaknesses in SBA's accounting and budget reporting, the Administrator should perform the necessary analyses to assess the effect of loan sales on the reestimates, to determine whether the cash flow assumptions in SBA's model reasonably predict future loan performance before conducting additional loan asset sales.
GAO Comments	SBA hired an independent consulting firm to assist them in a thorough review of SBA's process to estimate and reestimate the costs of the direct disaster loan program, including the effects of loan sales. The consultants recommended several specific corrective actions to address the weaknesses GAO reported related to SBA's reestimates. Currently, SBA is in the process of developing new cash flow models for the disaster loan program that, once implemented, they believe will improve the accuracy of the cost estimates. In addition, SBA suspended its loan sales activity until this issue and others are resolved.
Recommendation	To address the errors and weaknesses in SBA's accounting and budget reporting, the Administrator should perform the necessary analyses to determine and correct the cause of the unexplained decline in the subsidy allowance account, and make the relevant adjustments to the fiscal years 2000 and 2001 financial statements, as appropriate, before conducting additional loan asset sales.
SBA Comments	SBA hired an independent consulting firm to thoroughly assess its accounting and budgeting procedures for its credit programs in order to determine the cause of the unexplained decline in the disaster loan program subsidy allowance account balance. Based on this analysis, SBA believes that the cause was an error in its method to estimate the cost of the program. SBA is currently developing a new cash flow model to estimate the cost of the disaster loan program that once implemented they believe will correct the account balance. In addition, SBA suspended its loan sales activity until this issue and others are resolved.
Recommendation	Finally, to provide Congress and SBA with a better understanding of the impact of loan sales on SBA's operations, the Administrator should conduct a more comprehensive evaluation of the loan sales' impact on the agency and the cost savings from the sales.
GAO Comments	SBA has not yet completed a study of the impact of loan sales on agency operations and whether loan sales produce cost savings.
Recommendation	In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should facilitate employees' involvement by soliciting ideas and feedback from its union and staff, ensuring that their concerns and ideas are considered. For example, SBA could develop employee teams and expand employee feedback mechanisms like those it employed in the pilot training.
SBA Comments	No Comment on Record.

GAO 03-90	Small Business Administration: Progress Made but Improvements Needed in Lender Oversight.
Long-Term Objective 2.1 & 2.2	
Recommendation	To improve PLP and SBLC oversight, the SBA Administrator should incorporate strategies into its review process to adequately measure the financial risk lenders pose to SBA, develop specific criteria to apply to the credit elsewhere standard, and perform qualitative assessments of lenders' performance and lending decisions
GAO Comments	SBA is developing a new capability to monitor its loan portfolio, which will be used for lender reviews and oversight. It is also testing a new risk based review process that moves from a compliance review approach to determine qualitatively how well a lender makes, manages, and liquidates SBA loans. It expects to have the new methods in place by early 2004. SBA maintains that its current statutes, regulations, policies, and procedures provide specific guidance to lenders regarding a credit elsewhere standard.
Recommendation	To improve PLP and SBLC oversight, the SBA Administrator should provide, through regulation, clear policies and procedures for taking enforcement actions against preferred lenders and SBLCs in the event of continued noncompliance with SBA's regulations. Specifically, the Administrator of SBA should adopt regulations that would clearly define SBA authority to take enforcement actions and specify conditions under which supervisory actions would be taken.
GAO Comments	On December 8, 2004 Congress signed SBA's reauthorization bill into law (PL 108-447). The public law gave SBA certain supervisory and enforcement authorities for supervising lenders. SBA stated it is currently developing proposed regulations, SOPs and, related guidance to implement the provisions of the law. In addition, on April 25, 2005 delegations of authority for lender oversight and enforcement activities were published in the Federal Register to SBA's Office of Lender Oversight and the Lender Oversight Committee. SBA said that these delegations of authority were a necessary first step to formally and publicly establish SBA's supervisory and enforcement regulatory framework.
Recommendation	To improve PLP and SBLC oversight, the SBA Administrator should continue to explore ways to assist large national lenders to participate in the PLP. These efforts could include further development and implementation of SBA's Lender Liaison program and continued attention to standardizing the PLP certification process and enhancing its transparency, as was done with the development of the Lender Evaluation Worksheet to assist lenders in their interactions with district offices.
GAO Comments	SBA is reviewing issues associated with large national preferred lenders and considering the best approach to addressing them.
Recommendation	To improve PLP and SBLC oversight, the SBA Administrator should separate lender oversight functions and responsibilities from OCA, including those currently done by the Office of Financial Assistance, such as responsibility for revoking preferred lender status and establish clear authority and guidance for the Office of Lenders Program, or its successor office, that states, at a minimum, its program responsibilities and planned staffing for those responsibilities. This would provide an oversight office with greater autonomy within SBA to match the growing importance of lender oversight in achieving SBA's goal of ensuring that PLP lenders make loans to eligible borrowers while properly managing the financial risk to SBA.
GAO Comments	On April 25, 2005 delegations of authority for lender oversight and enforcement activities were published in the Federal Register to SBA's Office of Lender Oversight and the Lender Oversight Committee. SBA said that these delegations of authority were a necessary first step to formally and publicly establish SBA's supervisory and enforcement regulatory framework.
Recommendation	To promote government wide oversight, both the Director of DCMA and the Administrator of SBA should develop reports that summarize their reviews; for example, in terms of the percentage of contractors meeting their goals and the progress being made over time.
GAO Comments	DOD issued a formal response to GAO's recommendations in a memo to the Office of the Inspector General, Department of Defense, on March 17, 2006. According to the memo and email communications with officials in the Small Business Administration, the federal-wide database, e-SRS (electronic Subcontract Reporting System), for collecting and reporting subcontract award data achieved initial operating capability on October 28, 2005, and full operating capability (FOC) on March 24, 2006. Implementation of eSRS for DOD, which is FOC-II, is targeted for later this year. It should be noted that eSRS is a "downstream" application to the FPDS/NG and any delay that DOD encounters in entering contracting data into that system may affect FOC-II. That is, DOD contractors will not be able to enter their reports into eSRS until the relevant contracts have been loaded into FPDS/NG and automatically downloaded to eSRS. This recommendation will remain open until DOD can implement their part.

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GAO 04-610	Small Business Administration: New Service for Lender Oversight Reflects Some Best Practices, but Strategy for Use Lags Behind.
Long-Term Objective 2.1 & 2.2	
Recommendation	In developing policies for the use of the Dun & Bradstreet loan monitoring service, SBA should consider the applicability of best practices, including specific policy elements identified in this report. Practices that should be considered include plans for continuous improvement in the service and its tools, frequent and routine portfolio reviews, and active involvement of senior SBA managers in reviewing the use of output.
GAO Comments	SBA officials said that they are currently developing proposed SOPs and related guidance to implement loan monitoring service. On April 25, 2005 delegations of authority for SBA's Office of Lender Oversight and the Lender Oversight Committee were published in the Federal Register. According to SBA, these delegations of authority were a necessary first step to formally and publicly establish SBA's supervisory and regulatory framework, which includes the loan monitoring service. In addition, SBA officials said that members of the Portfolio Analysis Committee (i.e., Chief Operating Officer, Chief Financial Officer, Associate Deputy Administrator for Capital Access, Deputy Administrator for Capital, Associate Administrator for Lender Oversight, Associate Administrator for Financial Assistance, along with other staff from these offices) meet monthly to discuss the monthly portfolio analysis reports.
Recommendation	SBA should expedite the development of policies for taking enforcement actions against all lending partners to address noncompliance issues identified through the loan monitoring service and to address safety and soundness issues among SBLCs and CDCs, for whom SBA is the only regulator. We have made recommendations calling on SBA to clarify its supervisory and enforcement powers since November 2000. Although SBA has taken some incremental planning steps to address the issue, its current time line estimates finalizing enforcement regulations in April 2005.
GAO Comments	On December 8, 2004 Congress signed SBA's reauthorization bill into law (PL 108-447). The public law gave SBA certain supervisory and enforcement authorities for supervising lenders, including capital directives and cease and desist authorities for SBLCs. SBA stated that it is currently developing proposed regulations to implement provisions of the law. In addition, on April 25, 2005 delegations of authority for lender oversight and enforcement activities were published in the Federal Register to SBA's Office of Lender Oversight and the Lender Oversight Committee.
Recommendation	SBA should ensure that resources within SBA are devoted to developing policies for the use of the loan monitoring service, so that the overall time line for completion--April 2005--is met.
GAO Comments	SBA said it delayed the development of necessary policies and guidance for using the loan monitoring service because it is still developing and testing the service. In addition, SBA noted that the delegations of authority, which were published on April 25, 2005, were a necessary first step to formally and publicly establish SBA's supervision and enforcement regulatory framework that includes the loan monitoring service. SBA is currently developing proposed SOPs and related guidance consistent with the regulatory framework.
Recommendation	SBA should establish an agencywide task force to explore the potential for applying the capabilities of the Dun & Bradstreet service to SBA business processes and responsibilities other than lender oversight, such as overall portfolio risk management or budget projections. Programmatic offices and the Office of the Chief Financial Officer should be included.
GAO Comments	SBA has not provided documentation that they have established an agencywide task force to explore the potential for applying the capabilities of the Dun & Bradstreet service to business processes or responsibilities other than lender oversight.
Recommendation	SBA should develop contingency plans that would enable SBA's continued risk management of the 7(a) and 504 portfolio overall, individual lenders, and their portfolios in the event that the Dun & Bradstreet contract is discontinued.
GAO Comments	SBA described three potential alternatives to its current Dun & Bradstreet loan monitoring service. The first option is for SBA to contract directly with Fair Isaac to obtain small business credit scores. The second option is for SBA to obtain additional contract resources from Dun & Bradstreet's subcontractor--TrueNorth--to provide portfolio management expertise and to produce supporting analytics. The third option is for SBA to contract with Experian, a credit reporting agency, which could provide small business credit scores that also utilize principal (consumer) and business credit bureau data, as well as supporting analytics.
Recommendation	SBA should develop contingency plans that would enable SBA's continued risk management of the 7(a) and 504 portfolio overall, individual lenders, and their portfolios in the event that the Dun & Bradstreet contract is discontinued.
GAO Comments	SBA described three potential alternatives to its current Dun & Bradstreet loan monitoring service. The first option is for SBA to contract directly with Fair Isaac to obtain small business credit scores. The second option is for SBA to obtain additional contract resources from Dun & Bradstreet's subcontractor--TrueNorth--to provide portfolio management expertise and to produce supporting analytics. The third option is for SBA to contract with Experian, a credit reporting agency, which could provide small business credit scores that also utilize principal (consumer) and business credit bureau data, as well as supporting analytics.

GAO 04-9	Small Business Administration: Model for 7(a) Program Subsidy Had Reasonable Equations, but Inadequate Documentation Hampered External Reviews.
Long-Term Objective 2.1 & 2.2	
Recommendation	To further enhance the reliability of SBA's subsidy estimates, the SBA Administrator should determine how best to include in future subsidy models borrower-specific information, such as credit scores and loan-to-value ratios, to be collected in the new loan monitoring system.
SBA Comments	No Comment on Record
Recommendation	To demonstrate and explain the rationale and basis for the 7(a) econometric model and all other models developed, the SBA Administrator should prepare and retain adequate documentation of the model development process including a detailed discussion of the alternative variables or combinations of variables that were considered, tested, and rejected, as well as the reasons for rejecting them.
SBA Comments	No Comment on Record
GAO 06-399	Contract Management: Increased Use of Alaska Native Corporations' Special 8(a) Provisions Calls for Tailored Oversight.
Long-Term Objective 2.2 & 2.3	
Recommendation	When revising relevant regulations and policies, the Administrator of SBA should ascertain and then clearly articulate in regulation how SBA will comply with existing law to determine whether and when one or more ANC firms are obtaining, or are likely to obtain, a substantial unfair competitive advantage in an industry.
SBA Comments	No Comment on Record
Recommendation	When revising relevant regulations and policies, the Administrator of SBA should in regulation, specifically address SBA's role in monitoring ownership of ANC holding companies that manage 8(a) operations to ensure that the companies are wholly owned by the ANC and that any changes in ownership are reported to SBA.
SBA Comments	SBA disagreed with the recommendation
Recommendation	When revising relevant regulations and policies, the Administrator of SBA should revisit regulation that requires agencies to notify SBA of all contract modifications and consider establishing thresholds for notification, such as when new North American Industry Classification System codes are added to the contract or there is a certain percentage increase in the dollar value of the contract. Once notification criteria are determined, the Administrator of SBA should provide guidance to the agencies on when to notify SBA of contract modifications and scope changes.
SBA Comments	No Comment on Record
Recommendation	When revising relevant regulations and policies, the Administrator of SBA should consistently determine whether other small businesses are losing contracting opportunities when awarding contracts through the 8(a) program to ANC firms.
SBA Comments	SBA disagreed with the recommendation
Recommendation	To improve practices pertaining to SBA's oversight, the Administrator of SBA should standardize approval letters for each 8(a) procurement to clearly assign accountability for monitoring of subcontracting and for notifying SBA of contract modifications.
SBA Comments	No Comment on Record
Recommendation	To improve practices pertaining to SBA's oversight, the Administrator of SBA should tailor wording in approval letters to explain the basis for adverse impact determinations.
SBA Comments	No Comment on Record
Recommendation	To improve practices pertaining to SBA's oversight, the Administrator of SBA should clarify memorandums of understanding with procuring agencies to state that it is the agency contracting officer's responsibility to monitor compliance with the limitation on subcontracting clause.
SBA Comments	No Comment on Record
Recommendation	To improve practices pertaining to SBA's oversight, the Administrator of SBA should evaluate staffing levels and training needed to effectively oversee ANC participation in the 8(a) program and take steps to allocate appropriate resources to the Alaska district office.
SBA Comments	No Comment on Record

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Recommendation	To improve practices pertaining to SBA's oversight, the Administrator of SBA should provide more training to agencies on the 8(a) program, specifically including a component on ANC 8(a) participants.
SBA Comments	No Comment on Record
GAO 05-409	SBA Disaster Loan Program: Accounting Anomalies Resolved but Additional Steps Would Improve Long-Term Reliability of Cost Estimates.
Long-Term Objective 3.1 & 4.3	
Recommendation	The SBA Administrator should develop additional documentation of the new disaster cash flow model to help facilitate proper operation, maintenance, and updating of the model.
SBA Comments	No Comment on Record
Recommendation	The SBA Administrator should study the value of incorporating additional variables in the new disaster cash flow model, such as detailed information on the financial strength of borrowers.
SBA Comments	No Comment on Record
Recommendation	The SBA Administrator should establish policies and procedures to routinely test the new disaster cash flow model's ability to predict loan performance by comparing the model's predictions to actual loan performance and to identify and address the causes of any significant variances.
SBA Comments	No Comment on Record
Recommendation	The SBA Administrator should consider possible revisions to the model and/or alternative methodologies that would simplify the estimation process.
SBA Comments	No Comment on Record
Recommendation	The SBA Administrator should establish additional procedures to test and document the reliability of the data used in the new cash flow model for the disaster loan program.
SBA Comments	No Comment on Record
GAO 06-860	Small Business Administration: Actions Needed to Provide More Timely Disaster Assistance
Long-Term Objective 3.1	
Recommendation	In order to provide more timely disaster assistance in the future, the Administrator of SBA should direct the Office of Disaster Assistance to reassess DCMS's maximum user capacity and related loan processing resource needs based on such things as lessons learned from the Gulf Coast hurricanes, a review of information available from catastrophe risk modeling firms and disaster simulations, and related cost considerations.
SBA Comments	Recommendation implemented.
Recommendation	In order to provide more timely disaster assistance in the future, the Administrator of SBA should direct the Office of Disaster Assistance to conduct complete stress testing to ensure that DCMS can function at planned for maximum user capacity levels.
SBA Comments	Recommendation implemented.
Recommendation	In order to provide more timely disaster assistance in the future, the Administrator of SBA should direct the Office of Disaster Assistance to improve management controls over assessing contractor performance through inspections of all equipment purchased or leased to support DCMS.
SBA Comments	Recommendation implemented.
Recommendation	In order to provide more timely disaster assistance in the future, the Administrator of SBA should direct the Office of Disaster Assistance to expedite plans to resume business process reengineering efforts to analyze the disaster loan process and identify ways to more efficiently process loan applications including an evaluation of the feasibility of implementing a secure Internet-based application feature for home loan applicants.
SBA Comments	Recommendation implemented.

GAO 04-76	Small Business Administration: Progress Made, but Transformation Could Benefit from Practices Emphasizing Transparency and Communication
Long-Term Objective 4.2	
Recommendation	In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should clarify for employees, congressional, and other stakeholders the leadership and implementation team members who are guiding transformation
SBA Comments	No Comment on Record
Recommendation	In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should finalize the draft transformation plan that clearly states SBA's strategic goals for transformation and includes implementation goals, timeline, and resource requirements, and share the plan with stakeholders and employees.
SBA Comments	No Comment on Record
Recommendation	In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should develop performance goals that reflect the strategic goals for transformation and more clearly link the strategic goals of transformation to existing performance goals. In addition, the Administrator should develop budget requests that clearly link resource needs to achieving these strategic and performance goals.
SBA Comments	No Comment on Record
Recommendation	In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should ensure that the new performance management system is clearly linked to well-defined goals to help individuals see the connection of their daily activities and organizational goals and encourage individuals to focus on their roles and responsibilities to help achieve those goals.
SBA Comments	No Comment on Record
Recommendation	In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should develop a communication strategy that facilitates and promotes frequent and two-way communication between senior managers and employees and between the agency and its stakeholders, such as Congress and SBA's lenders. For example, SBA could electronically post frequently asked questions and answers on its Intranet.
SBA Comments	No Comment on Record
Recommendation	In order to improve and build on transformation efforts under way at SBA, the Administrator should adopt key practices that have helped other organizations succeed in transforming their organizations. Based on our review of SBA's initial implementation of phase one of its transformation, the Administrator should facilitate employees' involvement by soliciting ideas and feedback from its union and staff, ensuring that their concerns and ideas are considered. For example, SBA could develop employee teams and expand employee feedback mechanisms like those it employed in the pilot training.
SBA Comments	No Comment on Record
GAO 05-606	Financial Audit: The Small Business Administration's Fiscal Year 2004 Management Representation Letter on Its Financial Statements.
Long-Term Objective 4.3	
Recommendation	SBA's Chief Financial Officer should ensure that in the future the management representation letter include a complete summary of unadjusted misstatements, if there are any uncorrected misstatements, that also distinguishes between misstatements affecting intragovernmental accounts and misstatements affecting accounts with the public.

Appendix 3

GAO Comments	As part of our fiscal year 2005 audit of the consolidated financial statements (CFS) of the U.S. government, we reviewed the SBA's Summary of Unadjusted Misstatements (SUM). We determined that SBA's SUM did not provide the necessary information for us to prepare the government wide SUM. Specifically, SBA's FY 2005 SUM did not separately identify the carry-forward effect of the prior year's unadjusted misstatements. We will communicate with SBA's Office of the Inspector General to help ensure that SBA includes a complete SUM for fiscal year 2006.
Recommendation	The SBA Acting Inspector General, with the contracted independent public accountant, should work with the agency to help ensure that future management representation letters meet the key condition noted as needing improvements in this report.
GAO Comments	As part of our FY 2005 audit of the consolidated financial statements (CFS) of the U.S. government, we evaluated the agencies' management representation letters to determine whether they were sufficient to help support Treasury and OMB's preparation of the CFS management representation letter. SBA's FY 2005 management representation letter was not sufficient in that it did not include a complete summary of unadjusted misstatements. As a result, SBA's FY 2005 management representation letter did not meet the key condition noted as needing improvements. For FY 2006, GAO will communicate with SBA's Office of the Inspector General to help ensure that the FY 2006 management representation letter meets the key condition noted as needing improvements.
GAO 04-49	Information Technology Management: Government wide Strategic Planning, Performance Measurement, and Investment Management Can Be Further Improved
Long-Term Objective 4.4	
Recommendation	To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should include in the agency's annual performance plan the resources and time periods required to implement the information security program plan required by FISMA.
GAO Comments	The Small Business Administration reported that it has taken steps to implement GAO's recommendation and GAO is continuing to assess its progress.
Recommendation	To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should develop a documented process to develop IT goals in support of agency needs, measure progress against these goals, and assign roles and responsibilities for achieving these goals.
GAO Comments	The Small Business Administration reported that it has taken steps to implement GAO's recommendation and GAO is continuing to assess its progress.
Recommendation	To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should develop performance measures related to the agency's IT goals in its IRM plan, including, at a minimum, measures related to how IT contributes to program productivity, efficiency, effectiveness, the overall performance of its IT programs, and the effectiveness of controls to prevent software piracy, and track actual-versus-expected performance for these IT performance measures
GAO Comments	The Small Business Administration reported that it has taken steps to implement GAO's recommendation and GAO is continuing to assess its progress.
Recommendation	To improve the agency's IT strategic planning/performance measurement processes, the Administrator of the Small Business Administration should develop a mechanism for benchmarking the agency's IT management processes, when appropriate.
GAO Comments	The Small Business Administration reported that it has taken steps to implement GAO's recommendation and GAO is continuing to assess its progress.
Recommendation	To improve the agency's IT investment management processes, the Administrator of the Small Business Administration should document a process that the investment management board can invoke final decision-making authority over IT investments addressed by lower level boards.
GAO Comments	The Small Business Administration reported that it has taken steps to implement GAO's recommendation and GAO is continuing to assess its progress.
Recommendation	To improve the agency's IT investment management processes, the Administrator of the Small Business Administration should implement a policy requiring that proposed IT investments support work processes that have been simplified or redesigned to reduce costs.
GAO Comments	The Small Business Administration reported that it has taken steps to implement GAO's recommendation and GAO is continuing to assess its progress.

GAO 05-471	Internet Protocol Version 6: Federal Agencies Need to Plan for Transition and Manage Security Risks.
Long-Term Objective 4.4	
Recommendation	The Director of OMB should instruct federal agencies to begin addressing key IPv6 planning considerations, including developing inventories and assessing risks; creating business cases for the IPv6 transition; establishing policies and enforcement mechanisms; determining costs; and identifying timelines and methods for transition, as appropriate.
SBA Comments	No Comment on Record
Recommendation	The Director of OMB should amend the Federal Acquisition Regulation with specific language that requires that all information technology systems and applications purchased by the federal government be able to operate in an IPv6 environment.
SBA Comments	No Comment on Record
Recommendation	Because of the immediate risk that poorly configured and unmanaged IPv6 capabilities present to federal agency networks, the 24 CFO agency heads should take immediate actions to address the near-term security risks, including determining what IPv6 capabilities they may have.
SBA Comments	No Comment on Record
Recommendation	Because of the immediate risk that poorly configured and unmanaged IPv6 capabilities present to federal agency networks, the 24 CFO agency heads should take immediate actions to address the near-term security risks, including initiating steps to ensure that they can control and monitor IPv6 traffic.
SBA Comments	No Comment on Record
GAO 05-866	Data Mining: Agencies Have Taken Key Steps to Protect Privacy in Selected Efforts, but Significant Compliance Issues Remain.
Long-Term Objective 4.4	
Recommendation	To ensure that the data mining efforts reviewed include adequate privacy protections, the Administrator of the Small Business Administration should amend the system of records notice regarding its data mining effort to clearly identify the individual responsible for the effort, the process by which individuals can request notification that the system includes records about them, and the procedures individuals should use to review records pertaining to them.
SBA Comments	The Agency has adopted changes. The Agency continues to disagree with the recommendation as the system is not constructed to permit any access to Privacy Act covered information.
Recommendation	To ensure that the data mining efforts reviewed include adequate privacy protections, the Administrator of the Small Business Administration should complete a privacy impact assessment for the data mining effort that complies with OMB guidance, including analyses of the information to be collected, the purposes of the collection, the intended use of the information, how the information is to be secured, opportunities for impacted individuals to comment, and the choices made by the agency as a result of the assessment.
SBA Comments	The Agency has adopted changes. The Agency continues to disagree with the recommendation as the system is not constructed to permit any access to Privacy Act covered information.
Recommendation	To ensure that the data mining efforts reviewed include adequate privacy protections, the Administrator of the Small Business Administration should make the completed privacy impact assessment available to the public, as appropriate.
SBA Comments	The Agency has adopted changes. The Agency continues to disagree with the recommendation as the system is not constructed to permit any access to Privacy Act covered information.
GAO 06-831	Enterprise Architecture: Leadership Remains Key to Establishing and Leveraging Architectures for Organizational Transformation
Long-Term Objective 4.4	
Recommendation	To assist the 27 major departments and agencies in addressing enterprise architecture challenges, managing their architecture programs, and realizing architecture benefits, the Administrator should ensure that their respective enterprise architecture programs develop and implement plans for fully satisfying each of the conditions in our enterprise architecture management maturity framework.
SBA Comments	No Comment on Record