



Committee on Small Business
**“Placing Federal Tax Dollars at Risk: How the Small Business Administration Mismanages
the Modernization of its Information Technology”**
Sam Graves
Chairman
February 8, 2012

Good afternoon. The hearing will come to order.

As Administrator Mills has pointed out in testimony before this Committee, the Small Business Administration provides credit, counseling, and contracts to America’s entrepreneurs. Today’s hearing focuses on the agency’s ability to manage its role as a provider or guarantor of credit to small businesses.

While the subject of today’s hearing may not be riveting, it is vitally important. The subject, the Small Business Administration’s capacity to manage modernization of its financial systems, is crucial to ensure that the agency can manage the lending of capital to small businesses without placing taxpayers at undue risk for defaults.

The SBA has utilized a combination of computerized and manual procedures for managing its capital access programs since the 1970s. Those systems, according to outside consultants and the Inspector General, need to be modernized.

The SBA began this modernization effort in late 2005. Shortly thereafter, the SBA fell behind schedule and faced cost overruns. Despite apparent mismanagement, the SBA was given significant sums to continue the modernization efforts in the President’s stimulus bill. The additional funds did not lead to any improvement in the modernization effort.

In late 2009, the SBA then spent more than half a million dollars on management consultants in an effort to improve the process. A further review in the summer of 2010 led to the realization that the SBA could not perform the modernization plan as originally outlined – nearly five years after the SBA started the modernization effort. That is simply unacceptable.

Today we will hear from Government Accountability Office whether the SBA even has the capacity and procedures in place to manage the scaled-down modernization effort. Furthermore, GAO will explain to us the risks that still remain in the SBA loan management accounting system.

Little doubt exists among the members of this Committee that the SBA plays an important role in providing capital to small businesses. However, I also firmly believe that every member of this Committee expects the SBA to manage its information technology in a manner that does not waste taxpayer dollars and ensures that it can obtain accurate information on a loan portfolio in excess of 80 billion dollars.

With that, I now recognize the Ranking Member for her opening statement.