

GAO

Testimony

Before the Committee on Small Business
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**SMALL BUSINESS
ADMINISTRATION**

**Preliminary Views on Issues
Related to the Women's
Business Center Program**

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Financial Markets and Community Investments





Highlights of [GAO-07-1244T](#), a testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate

Why GAO Did This Study

The Small Business Administration (SBA) provides training and counseling services to women entrepreneurs through the Women's Business Center (WBC) program. With approximately \$12 million in fiscal year 2007, SBA funded awards to 99 WBCs. However, Congress and WBCs have expressed concerns about the uncertain nature of the program's funding structure. Concerns have also been raised about the possibility that the WBC and two other SBA programs, the Small Business Development Center (SBDC) and SCORE programs, are duplicating each other's efforts.

This testimony discusses preliminary views on (1) uncertainties associated with the funding process for WBCs; (2) SBA's oversight of the WBC program; and (3) actions that SBA and WBCs have taken to avoid duplication among the WBC, SBDC, and SCORE programs. GAO reviewed policies, procedures, examinations, and studies related to the funding, oversight, and services of WBCs and interviewed SBA, WBC, SBDC, and SCORE officials.

What GAO Recommends

Because this testimony is based on an ongoing engagement, it does not include recommendations. GAO anticipates making recommendations in its final report.

www.gao.gov/cgi-bin/getrpt?GAO-07-1244T.

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.

SMALL BUSINESS ADMINISTRATION

Preliminary Views on Issues Related to the Women's Business Center Program

What GAO Found

Until 2007, WBCs were funded on a temporary basis for up to 10 years, at which time it was expected that the centers would become self-sustaining. Beginning in 1997, SBA made annual awards to WBCs for up to 5 years. Because of concerns that WBCs could not sustain their operations without continued SBA funding, in 1999, Congress created a pilot program to extend funding an additional 5 years. Due to continued uncertainty about WBCs' ability to sustain operations without SBA funding, in May 2007, Congress passed legislation authorizing renewable 3-year awards to WBCs that "graduated" from the program after 10 years, as well as to current program participants. Like the current awards, the 3-year awards are competitive, and more centers may be applying for limited dollars. SBA is currently revising its award process to incorporate the new program changes.

Though SBA has oversight procedures in place to monitor WBCs' performance and use of federal funds, staff shortages from the agency's downsizing and limited communication may hinder SBA's oversight efforts. SBA relies extensively on district office technical representatives (DOTRs) to oversee WBCs, but these staff members also have other job responsibilities and may not have the needed expertise to conduct some oversight procedures. SBA provides annual training and has taken steps to adjust its oversight procedures to adapt to staffing changes, but concerns remain. Some WBCs also cited communication problems, and one study reported that 54 percent of 52 WBCs responding to the study's survey said that SBA could improve its communication with the centers. For example, some WBCs told us that SBA did not provide sufficient feedback on their performance.

Under the terms of the WBC award, the centers are required to coordinate with local SBDCs and SCORE chapters. SBA officials told us that they expected district offices to ensure that the programs did not duplicate each other. However, based on our preliminary review, we found that SBA provided limited guidance on how to successfully carry out coordination efforts. Most of the WBCs that we spoke with explained that in some situations they referred clients to an SBDC or SCORE counselor, and some WBCs also took steps to more actively coordinate with local SBDCs and SCORE chapters to avoid duplication and leverage resources. However, some WBCs told us that coordinating services was difficult, as the programs were each measured by the number of clients served and could end up competing for clients. Such concerns thwart coordination efforts and could increase the risk of duplication in some geographic areas.

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to be here today to discuss the Women's Business Center (WBC) Program. The WBC program, one of several business assistance programs offered by the Small Business Administration (SBA), provides long-term training, counseling, networking, and mentoring to women entrepreneurs, especially those who are socially and economically disadvantaged. With a budget of approximately \$12 million in fiscal year 2007, SBA funded awards to 99 WBCs in amounts ranging from \$90,000 to \$150,000. However, Congress and WBCs under the program have expressed concerns about whether WBCs can continue operations without SBA funding and about the uncertain funding structure of the program. The 5-year funding cycle for regular awards, which many believed did not offer WBCs enough time to become self-sustaining, was later supplemented by a pilot program that provided for an additional 5-year funding cycle for sustainability awards. But this program too raised concerns because of uncertainty about its reauthorization and funding.¹ In May 2007, to address the uncertainties about the pilot program, Congress replaced it by allowing WBCs—including those that had graduated from the program—to receive 3-year renewable awards.²

As you know, Congress created the WBC program in part due to the finding that existing business assistance programs for small business owners were not considered adequate to address women's needs, but concerns have also been raised about whether SBA's business assistance programs are duplicating each other's efforts. The two other primary business assistance programs that SBA administers are the Small Business

¹The Women's Business Ownership Act of 1988, Pub. L. No. 100-533, § 201, 102 Stat. 2689, 2690 (1988), creating the Women's Business Center program with demonstration projects that would expire in 1991; the Women's Business Development Act of 1991, Pub. L. No. 102-191, § 2, 105 Stat. 1589 (1991), made them 3-year projects. In the Small Business Reauthorization Act of 1997, Pub. L. No. 105-135, § 308, 111 Stat. 2592, 2611 (1997), the projects were extended to five years. The Women's Business Centers Sustainability Act of 1999, Pub. L. No. 106-165, § 4, 113 Stat. 1795, 1796 (1999), created 5-year sustainability pilot projects awarded to WBCs who had completed the first 5-year project.

²The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Pub. L. No. 110-28, § 8305, 121 Stat. 112, 209 (2007), amends the Small Business Act to repeal the sustainability pilot program and to permit WBCs to receive SBA funding on a continual basis. WBCs currently in the program and those that have successfully graduated will be eligible to apply for continuous award funding through 3-year renewable awards of up to \$150,000 per year.

Development Center (SBDC) and SCORE (formerly called the Service Corps of Retired Executives) programs. These programs also provide training and counseling services to aspiring and existing small business owners but are not expected to target a particular group. Under the terms of the SBA award, WBCs are required to coordinate with local SBDCs and SCORE chapters when appropriate.

In my testimony, I will discuss our preliminary views on these and related issues affecting the WBC program. My testimony addresses (1) the uncertainties associated with the funding process for WBCs; (2) SBA's oversight of the WBC program, including policies and procedures for monitoring compliance with program requirements; and (3) the services that WBCs provide to small businesses and actions that SBA and WBCs have taken to avoid duplication of the services offered by the WBC, SBDC, and SCORE programs. My remarks are based on our ongoing work, which is exploring these issues in more detail.

In conducting this work, we reviewed the legislative history of the WBC program, GAO's previous reports, SBA's policies and procedures for administering the program, and studies of the program conducted by SBA and external organizations. For the seven WBCs we visited, we reviewed documentation SBA uses to oversee WBCs and interviewed WBC officials about their services, relationship with SBA, and coordination with SBDCs and SCORE. We also interviewed SBA officials about the WBC, SBDC, and SCORE programs. In addition, we compared the statutory authority for the 3 programs, interviewed a random sample of 17 WBCs about their services, relationship with SBA, and coordination with SBDCs and SCORE, and visited 6 SBDCs and the SCORE national office. We discussed the contents of this testimony with SBA. We conducted our work between August 2006 and September 2007 in accordance with generally accepted government auditing standards.

In summary:

- Until 2007, WBCs were funded on a temporary basis for up to 10 years at which time it was expected that the centers would become self-sustaining. When the program was created by Congress in 1988, it began as a demonstration project and then in 1991 Congress authorized 3-year projects. In 1997, SBA was authorized to make annual regular awards to WBCs for up to 5 years. Because of concerns that WBCs could not sustain operations without continued SBA funding, in 1999 Congress created a pilot program to extend funding an additional 5 years, allowing successful WBCs to receive SBA funding for a total of 10 years. However, WBCs continued to face funding uncertainties.

First, because WBCs sometimes established their operations with SBA funds and depended on SBA funds to leverage other support, many were concerned about whether they could continue operations after 5 to 10 years of receiving SBA funding. Second, the sustainability funding was a pilot program that had to be reauthorized each year, creating uncertainty about whether there was a commitment to continue the program. Also, in 2007 the Office of Management and Budget (OMB) reported in its Program Assessment Rating Tool (PART), that frequent changes by Congress in the WBC program's funding structure, delays in extending sustainability funding, and uncertainty about the future had created challenges for the program.³ Recent legislation for the WBC program replaced the sustainability pilot program with 3-year renewable awards. WBCs that have "graduated" from the program after 10 years as well as those currently in the regular and pilot sustainability programs will be able to compete for the new awards, which could increase competition. In addition, exactly how much funding will be available in each future 3-year cycle is unclear. But the increased competition also provides an opportunity for SBA to continue funding high performing centers. Because the WBC program is a competitive discretionary award program, WBCs in the program compete annually for the maximum award amount but continue to receive SBA funds for the length of the project as long as their performance is satisfactory. SBA has criteria for ranking new applicants and existing program participants for awards and is revising its award process to incorporate the new program changes.

- SBA has developed written procedures for monitoring the performance and financial management activities of WBCs, but imbalances in its allocation of staff resources and ineffective communication may be limiting assurances that WBCs are in compliance and meeting the program's goals. To ensure that WBCs are meeting program requirements, SBA conducts semi-annual programmatic and financial examinations and requires that WBCs submit quarterly reports describing their progress in meeting annual performance goals and financial reports showing program expenses that qualify for SBA reimbursement. To carry out these oversight responsibilities, SBA relies extensively on district office technical representatives (DOTRs), but the current allocation of responsibilities for oversight may not be effective, given the staff levels and expertise in SBA's district offices. First, there are concerns that DOTRs may have too many

³OMB, Program Assessment: Women's Business Centers, <http://www.expectmore.gov> (accessed February, 6, 2007).

responsibilities to be effective. Those we met with all performed other full-time agency responsibilities in addition to overseeing WBCs in their districts. Second, DOTRs conduct the programmatic and financial examinations for SBA, but there have been some questions about whether DOTRs have the expertise to conduct the financial component. Third, though most WBCs we interviewed spoke positively of their relationship with their DOTR, several told us that the reduction in district office staffing related to SBA's downsizing in recent years had led to staff changes. As a result, there are concerns that some of the newer DOTRs might not have relevant oversight experience. SBA has taken some steps to adjust its oversight procedures to adapt to the changes in staffing in the district offices, but DOTRs continue to have a wide range of responsibilities that they may not be equipped to carry out effectively. In addition some WBCs told us that communication with SBA headquarters officials was not meeting all of their needs and one study we reviewed reported that 54 percent of 52 WBCs surveyed said that SBA could improve its communication with the centers. To communicate with WBCs, the Office of Women's Business Ownership (OWBO) conducts monthly conference calls with WBCs and DOTRs and uses email to communicate policy changes and to request information. Some WBCs cited problems with these efforts. For example, some WBCs said that the conference calls were not a comfortable forum for asking questions, and that some of the email communications were confusing and did not always explain why information was being requested. Also, some WBCs said that SBA did not provide sufficient feedback on their performance.

- We found that the WBCs we spoke with focused on a different type of client than the SBDCs and SCORE chapters in their areas. Consistent with the WBC program's statutory authority and SBA requirements, WBCs tailor services to meet the needs of economically and socially disadvantaged women. SBA's study of WBCs showed that they tended to serve clients with businesses that had fewer employees and lower revenues than clients of SBDCs and SCORE. As described by the terms of the SBA award, WBCs are required to coordinate with local SBDCs and SCORE chapters. In addition, SBA officials told us that they expected district offices to ensure that the programs did not duplicate each other. However, based on our review, WBCs appear to lack guidance and information from SBA on how to successfully carry out their coordination efforts. Most of the WBCs that we spoke with explained that in some situations they referred clients to an SBDC or SCORE counselor, and some WBCs also took steps to more actively coordinate with local SBDCs and SCORE chapters to avoid duplication and leverage resources. We learned that WBCs used a variety of

approaches to facilitate coordination, such as memorandums of understanding, information-sharing meetings, and co-locating staff and services. However, some WBCs expressed concerns related to coordinating services with SBDC and SCORE. Some WBCs told us that coordinating services could be difficult because the programs are each measured by the number of clients they serve, resulting in competition among the service providers in some locations. Other WBCs told us that they were unsure how they could effectively co-locate with an SBDC. Such concerns thwart coordination efforts and could increase the risk of duplication in some geographic areas.

Background

The WBC program is administered through the Office of Women's Business Ownership (OWBO) in SBA's Office of Entrepreneurial Development (OED). The program was established by the Women's Business Ownership Act of 1988 to provide long-term training, counseling, networking, and mentoring to women who own businesses or are potential entrepreneurs after Congress found that existing business assistance programs for small business owners were not addressing women's needs. The program's goal is to add more well-trained women entrepreneurs to the U.S. business community and to specifically target services to women who are socially and economically disadvantaged. In fiscal year 2007, SBA funded 99 WBCs throughout the United States and its territories.

Private nonprofit organizations are eligible to apply for funds to set up WBCs, and successful applicants are initially awarded cooperative agreements for a maximum of 5 years. WBCs must raise matching funds from nonfederal sources such as state and local public funds, private individuals, corporations and foundations, and program income derived from WBC services.⁴ In the first 2 years of the 5-year award, each WBC is required to match SBA award funding at one nonfederal dollar for each two federal dollars. In the last 3 years, the match is one nonfederal dollar for each federal dollar. WBC award amounts cannot exceed \$150,000 each fiscal year per recipient. Award amounts may vary depending upon a WBC's location, staff size, project objectives, performance, and agency priorities.

WBC funding is performance-based, and each additional 12-month budget period beyond the initial award may be exercised at SBA's discretion.

⁴When permissible under the terms of the Community Development Block Grant (CDBG) program, CDBG funds may also be used to match a WBC award.

Among the factors involved in deciding whether to exercise an option for continued funding are the availability of funds, the extent to which past WBC funds were spent, and satisfactory performance against SBA-established performance measures, including the number of clients served and the number of jobs created. WBCs are required to provide this performance data to SBA in quarterly reports.

In the Women's Business Centers Sustainability Act of 1999, Congress established the sustainability pilot program because of concerns that WBCs could not become self-sustaining in 5 years and needed continued SBA funding. Under the sustainability pilot program, WBCs that had been receiving funding for 5 years could receive sustainability awards for an additional 5 years. Criteria for receiving awards under the pilot program were similar to those for receiving the initial awards. WBCs were assessed on their record of performance and had to provide nonfederal matching funds equal to one dollar for each federal dollar. Unlike the WBC regular award, WBC sustainability award amounts could not exceed \$125,000 each budget year per recipient. As noted earlier, Congress recently replaced these sustainability awards with 3-year renewable awards of not more than \$150,000 each year per recipient. SBA has not yet begun making these new awards.

In addition to the WBC program, SBA's SBDC and SCORE programs also provide training and counseling services to small business clients. The SBDC program was created by Congress in 1980. SBDC services include, but are not limited to, assisting prospective and existing small businesses with financial, marketing, production, organization, engineering, and technical problems and feasibility studies. Each state and U.S. territory has a lead organization that sponsors and manages the SBDC program. The lead organization coordinates program services offered to small businesses through a network of centers and satellite locations in each state that are located at colleges, universities, community colleges, vocational schools, chambers of commerce and economic development corporations. In fiscal year 2007, the SBDC program received \$87 million to make awards to 63 lead SBDCs throughout the United States.⁵

The SCORE program was founded in 1964 as a nonprofit organization. Under the Small Business Act, as amended, SCORE is sponsored by and

⁵The 63 lead centers include one in every state (Texas has four and California six), the District of Columbia, Guam, Puerto Rico, Samoa and the U.S. Virgin Islands.

may receive appropriations through SBA. The SCORE program is designed to provide free expert advice to prospective and existing small businesses in all aspects of business formation, advancement, and problem solving. SCORE counselors are volunteers who assist clients through a Web site, SCORE chapter offices, SBA district offices, and other establishments. In fiscal year 2007, the SCORE program received \$5 million to support its activities and currently has 389 chapters throughout the United States.

Recent Legislation Addresses Some Concerns about the WBC Program's Funding

Recent legislation addresses concerns about long-term funding for WBCs, but prior to this legislation, the funding structure had been in flux since the program's inception in 1988. In establishing the WBC program in 1988, Congress authorized SBA to help private nonprofit organizations conduct projects that benefit small business concerns owned and controlled by women. The 1988 act allowed for demonstration projects that terminated in 1991. However, in 1991, Congress authorized SBA to make awards for 3-year projects, and in 1997 Congress authorized SBA to make awards to WBCs for 5-year projects. In its 1999 reauthorization of the WBC program, as noted earlier, Congress added 5-year sustainability funding for WBCs that successfully completed 5-year projects to provide additional time for the centers to become self-sustaining. Because the WBC program is a competitive discretionary award program, WBCs in the program compete annually for the maximum award amount but continue to receive SBA funds as long as their performance is satisfactory.

WBCs that we spoke with identified two related factors that have largely been responsible for their funding uncertainties. First, because until recently the WBC program offered limited-term funding—in contrast to the SBDC and SCORE programs, which receive continuous funding—WBCs “graduated” from SBA support after 5 or 10 years. Several WBCs that we spoke with expressed concern about the funding term limits and pointed out that the SBDC and SCORE programs do not have the same limits, even though SBA also administers those programs. Some WBCs in both the regular and sustainability programs also said that they were concerned about their ability to continue operations after losing SBA support. Second, Congress did not make the additional 5-year term for sustainability funding permanent. Instead, Congress extended the pilot program with each SBA reauthorization, creating uncertainty that limited SBA's ability to manage the program effectively and causing concern among the WBCs themselves. Several WBCs said that they were concerned that sustainability funding was not a permanent aspect of the WBC program.

Several of the WBCs that we spoke with said that funding uncertainties made it difficult to establish an annual program budget with performance goals. Each year, SBA requires that WBCs participating in its program submit project-year proposals with performance goals in anticipation of an award. WBCs are not guaranteed funding each year because SBA makes awards each year at its discretion. Also, because the program is competitive and performance based, WBCs may receive varying award amounts each year. As noted, WBCs in the regular program can receive annual awards up to \$150,000, and those in the sustainability program can receive annual awards up to \$125,000.

OMB's 2007 PART report found that frequent changes by Congress in the WBC program's funding structure, delays in extending sustainability funding, and uncertainty about the future had created challenges for the program.⁶ OMB's report also noted that SBA had taken steps to foster more consistent management of the WBC program but added that long-term planning was problematic because of the program's funding structure. When we spoke with officials at OMB, they emphasized that SBA appeared to be making a significant effort to assist WBCs, given the program's limitations. They also noted that the funding challenges that WBCs faced after graduating from the sustainability pilot could be related to the fact that these organizations operate resource-intensive programs and collect nominal revenues in program fees, largely because of their focus on economically disadvantaged clients, causing them to rely heavily on external support.

Our preliminary review indicates that WBCs that perform satisfactorily continue to receive funds until they complete the program, and SBA indicates that it will fund WBCs through the project term, subject to availability of funds. But SBA officials in headquarters and the district offices were aware of the challenges WBCs faced in planning annual budgets without knowing how much they would receive or whether sustainability funds would continue to be available. In discussing the WBC program's limited term funding, some SBA district office officials emphasized that the agency had invested in creating successful WBCs and should be working to make those that performed well permanent SBA partners.

⁶OMB, Program Assessment: Women's Business Centers, <http://www.expectmore.gov> (accessed, February 6, 2007).

Recent legislation for the WBC program replaces the sustainability pilot program with 3-year renewable awards, providing an opportunity for SBA to continue funding WBCs. Current program participants and those that have successfully graduated will be eligible to apply for continuous funding through these awards. The award process will remain competitive and the number of organizations competing could increase while SBA's annual budget for the WBC program may not increase beyond the approximate \$12 million provided in the last 5 years. However, increased award competition provides an opportunity for SBA to continue funding high-performing centers. Prior to the new program changes, SBA officials emphasized that the WBC program is the agency's only performance based program and said that they believed this provided an incentive for WBCs to continuously improve. SBA officials told us that by the end of fiscal year 2007, 26 WBCs would have graduated since the beginning of the program. SBA has criteria for ranking new award applicants and performance-based criteria for placing existing program participants into three funding categories for annual awards. As a result of the new legislation, which allows graduated WBCs to re-enter the pool of applicants for continuous funding and which changes the existing 5-year sustainability project terms going forward, SBA has begun revising its existing award process. SBA just completed making WBC awards for fiscal year 2007 to fund activities in fiscal year 2008, and SBA officials told us that they plan to begin providing the 3-year renewable awards in fiscal year 2008.

Imbalances in SBA's Staff Resources and Ineffective Communication with WBCs Could Reduce the Effectiveness of Oversight Procedures

Our preliminary review found that SBA had developed written procedures for monitoring the performance and financial management activities of WBCs and has taken steps to measure the WBC program's effectiveness. Since 1997, as a condition of continued funding, SBA has been required to assess WBCs' performance at least annually through programmatic and financial examinations.⁷ SBA also requires that WBCs submit performance and financial reports quarterly to describe their progress in meeting annual performance goals and to detail program expenses that qualify for SBA reimbursement. Some of the performance data that SBA collects from WBCs are reported in the agency's annual performance reports through several output and outcome measures that are meant to evaluate the WBC program's performance and effectiveness. As part of a broader impact assessment of its business assistance programs, in 2004, SBA initiated a 3-

⁷Small Business Reauthorization Act of 1997, Pub. L. No. 105-135, Section § 308(a), 111 Stat. 2592, 2611 (1997); see also 15 U.S.C. Section § 656(h).

year longitudinal study of the WBC program, surveying clients served by WBCs nationwide.

SBA relies heavily on District Office Technical Representatives (DOTRs) to carry out oversight responsibilities, but our preliminary review suggests that the downsizing of SBA's staffing may have created challenges for DOTRs in fulfilling their assigned responsibilities. District directors currently assign the role of DOTR as a collateral duty to district office staff. In 2001, we reported that DOTRs had been given an increased role in assessing WBCs' performance to ensure that the programs were fiscally sound and functioning smoothly. To this end, we reported that DOTRs were receiving intensive training each year at the postaward conference at SBA headquarters on how to monitor the WBCs' programmatic and financial activities. DOTRs are expected to conduct the WBC's programmatic and financial examinations semiannually, but also have other program duties and full-time agency responsibilities. SBA has a list of 23 responsibilities for DOTRs, some of which involve oversight, including (1) reviewing the WBC's requests for project revisions, (2) determining the extent to which the WBC is meeting the match requirement, (3) reviewing the scope and quality of services provided to clients, (4) reviewing all WBC signage and media, and (5) helping to resolve problems. DOTRs are also expected to act as advocates for the WBCs within their district. Some of the DOTRs' responsibilities related to this role include (1) ensuring that the district office displays and distributes WBC brochures; (2) collecting success stories from WBCs to be used for publicizing the program; and (3) including WBCs in district office conferences, workshops, and other events for women business owners.

The DOTRs' total responsibilities for the WBC program appear to be substantial, particularly since this oversight is a collateral role. Given SBA's downsizing in recent years, some DOTRs may have more responsibilities than they had in the past to perform their WBC program duties effectively, and others new to the role may lack the necessary experience and training. Although most WBCs we interviewed spoke positively of their relationship with their DOTR, several told us that the reduction in district office staffing had led to changes, including assigning DOTR responsibilities to a different district office staff member. DOTRs still attend required training for the WBC program annually at SBA headquarters, and SBA provides them with a handbook to assist them in performing their duties. However, district office staff at one location felt that DOTRs were not adequately trained to conduct the financial component of WBC programmatic and financial examinations and told us that SBA headquarters had previously coordinated financial examinations

for WBCs.⁸ When we followed up with OWBO officials, they said that in 2004 a requirement was added that WBCs' financial records be certified annually by a certified public accountant (CPA), both because the agency recognized that some DOTRs lacked this expertise and because of isolated incidents of mismanagement of WBC award funds. OWBO officials also said that they were coordinating with SBA's Office of SBDCs, which is also under OED, to use SBDC financial examiners for these onsite financial reviews of WBCs but added that recently there had not been enough staff to do all of the reviews. The officials also said that OED was reviewing how future financial audits for all of SBA's business assistance programs would be conducted.

Our preliminary review found that SBA had taken some steps to adapt program oversight procedures to staffing changes in district offices. For example, before January 2007 DOTRs conducted programmatic and financial examinations four times a year, and SBA switched to semiannual examinations to conserve its staff resources. In March 2007, SBA also revised its reporting procedures for WBCs to streamline communication and reduce review and processing times. For example, WBCs had previously submitted quarterly financial reports with reimbursement requests through the district office but now submit them directly to OWBO and copy the district office. These and other revisions that SBA has made to date appear to have been made on an as-needed basis and were not part of a strategic process or plan to revise its oversight activities.

WBCs also cited concerns about communication with SBA. One study that we reviewed reported that 54 percent of 52 WBCs surveyed said that SBA could improve its communication with them.⁹ OWBO, which administers the program, conducts monthly conference calls with the WBCs and DOTRs, but some WBCs said that the calls were not a good forum for asking questions though the topics covered in the call may raise questions. OWBO also uses email to communicate policy changes and make interim information requests, but several WBCs said these communications often came without sufficient explanation and mentioned areas in which policy changes or program requirements were unclear. The study specifically noted that better communication should include an effort to seek information from WBCs on how SBA's frequent information requests and

⁸SBA headquarters still coordinates bi-annual financial audits for SBDCs.

⁹Center for Women's Leadership at Babson College, "The Impact and Influence of Women's Business Centers in the United States," April 2005.

policy changes impacted WBC operations. Some WBCs also told us that they were not sure how well they were performing because they did not receive feedback on semi-annual examinations or the reports they submitted quarterly to SBA. SBA officials told us that they are aware of this concern and are taking steps to make the performance-based funding process more transparent.

WBCs Make Some Efforts to Coordinate with SBDCs and SCORE but Appear to Lack the Guidance Needed to Improve These Efforts

Based on our preliminary review, we found that the WBCs we spoke with focused on a different type of client than the SBDCs and SCORE chapters in their areas, and several WBCs actively coordinated with the other programs to avoid duplicating services. But based on our review to date, the centers appear to lack guidance and information from SBA on how to successfully coordinate. Consistent with the WBC program's statutory authority and SBA requirements, WBCs tailor services to meet the needs of economically and socially disadvantaged women. According to one academic study and WBCs we reviewed, WBCs offered services emphasizing financial literacy and more intensive long-term business plan training.¹⁰ Through our work, we also found that WBCs tended to serve smaller businesses with fewer employees and lower revenues than SBDCs and SCORE. According to an SBA study of WBCs, WBC clients had businesses with an average of 2.5 employees that produced average annual revenues of \$63,694, while other SBA business assistance programs served businesses with an average of 4.5 employees and \$175,076 in annual revenue.¹¹

Most WBCs told us that they referred clients to the SBDCs and SCORE when appropriate, and several coordinated services with the other programs to leverage resources and avoid duplication. SBA officials told us that they expected district offices to ensure that the programs did not duplicate each other, and the program requirement suggests that WBCs can promote coordination through co-sponsorship arrangements or memorandums of understanding. However, SBA has not provided detailed guidance explaining how WBCs could effectively coordinate with SBDC and SCORE. Lacking such guidance, WBCs used a variety of approaches to

¹⁰Center for Women's Leadership at Babson College, "The Impact and Influence of Women's Business Centers in the United States," April 2005.

¹¹SBA, Office of Entrepreneurial Development, "Initial Impact Study of Entrepreneurial Development Resources," November 29, 2004.

facilitate coordination. Some coordination efforts were initiated by local business assistance providers, including WBCs, and involved a memorandum of understanding or regularly scheduled meetings. For example, a WBC in Wisconsin coordinated with SBDC, SCORE, and other small business service providers in the area to develop a detailed triage system for small business clients in their area. In order to better coordinate services, the WBC and other Wisconsin business assistance providers developed a flow chart to help service providers divide resources and determine where to refer customers. In some cases, we found that the SBA district office was active in the coordination effort and participated in regular meetings or organized events that included all of the programs. Several WBCs were co-located with an SBDC, allowing the two programs to benefit from shared office space and other resources.

However, our preliminary review also found that some WBCs experienced challenges in their attempts to coordinate services with SBDC and SCORE. Some WBCs told us that coordinating services could be difficult. Several WBCs told us that they had considered co-locating or sharing space with an SBDC or SCORE chapter in order to reduce costs but feared that co-location would inhibit the WBC's ability to maintain its identity and reach its target client group of low-income women. WBCs and SBDCs are both measured on the number of clients that participate in small business training and counseling services, and one WBC told us that co-location would cause WBCs to compete for clients. Also, in some instances SBA encouraged WBCs to provide services similar to those that SBDCs were already providing to small businesses. For example, one WBC told us that staff were encouraged to develop a government procurement curriculum although an SBDC in their area was already providing this service to small business clients. These concerns and uncertainties thwart coordination efforts and could increase the risk of service duplication in some geographic areas.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the Committee may have.

GAO Contact and Acknowledgements

For additional information about this testimony, please contact William B. Shear at (202) 512-8678 or Shearw@gao.gov. Contact points for our Offices of Congressional Affairs and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony

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