AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 110–349

EXPANDING OPPORTUNITIES FOR WOMEN ENTREPRENEURS: THE FUTURE OF WOMEN'S SMALL BUSINESS PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

September 20, 2007

Printed for the use of the Committee on Small Business and Entrepreneurship

Available via the World Wide Web: http://www.access.gpo/gov/congress/senate

U.S. GOVERNMENT PRINTING OFFICE

41–801 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

JOHN F. KERRY, Massachusetts, *Chairman*

CARL LEVIN, Michigan
TOM HARKIN, Iowa
JOSEPH I. LIEBERMAN, Connecticut
MARY LANDRIEU, Louisiana
MARIA CANTWELL, Washington
EVAN BAYH, Indiana
MARK PRYOR, Arkansas
BENJAMIN L. CARDIN, Maryland
JON TESTER, Montana

OLYMPIA J. SNOWE, Maine
CHRISTOPHER S. BOND, Missouri
NORMAN COLEMAN, Minnesota
DAVID VITTER, Louisiana
ELIZABETH DOLE, North Carolina
JOHN THUNE, South Dakota
BOB CORKER, Tennessee
MICHAEL B. ENZI, Wyoming
JOHNNY ISAKSON, Georgia

NAOMI BAUM, *Democratic Staff Director*
WALLACE HSUEH, *Republican Staff Director*

C O N T E N T S

Page

OPENING STATEMENTS

Kerry, the Honorable John F., Chairman, Committee on Small Business and Entrepreneurship, and a United States Senator from Massachusetts 1
Snowe, the Honorable Olympia J., Ranking Member, a United States Senator from Maine 3
Dole, the Honorable Elizabeth, a United States Senator from North Carolina . 8
Enzi, the Honorable Michael B., a United States Senator from Wyoming 9

WITNESS TESTIMONY

Shear, William B., Director, Financial Markets and Community Investment, U.S. Government Accountability Office, Washington, DC 10
Ritt, Debra S., Assistant Inspector General for Auditing, U.S. Small Business Administration, Washington, DC 28
Prakash, Anoop, Associate Administrator for Entrepreneurial Development, U.S. Small Business Administration, Washington, DC 37
Goldsmith, Wendi, president, Bioengineering Group, Salem, MA 56
Almeida, Ann Marie, president and chief executive officer, Association of Women's Business Centers, Camden, ME 64
Bratton, Rosemary, executive director, Wyoming Women's Business Center, Laramie, WY 73
King, Gale, owner, Treats by Gale, LLC, Burke, VA 85

ALPHABETICAL LISTING AND APPENDIX MATERIAL SUBMITTED

Almeida, Ann Marie
- Testimony 64
- Prepared statement 67
- Responses to post-hearing questions from:
  - Senator Snowe 113
  - Senator Enzi 114

Bratton, Rosemary
- Testimony 73
- Prepared statement w/attachments 77
- Responses to post-hearing questions from:
  - Senator Snowe 110
  - Senator Enzi 111

Dole, the Honorable Elizabeth
- Opening statement 8

Enzi, the Honorable Michael B.
- Opening statement 9
- Post-hearing questions posed to:
  - Wendi Goldsmith 109
  - Rosemary Bratton 111
  - Almeida, Ann Marie 114

Goldsmith, Wendi
- Testimony 56
- Prepared statement 60
- Responses to post-hearing questions from:
  - Senator Snowe 107
  - Senator Enzi 109

Page

Kerry, the Honorable John
Opening Statement 1
Post-hearing questions posed to:
Anoop Prakash 96
William B. Shear 101
Debra S. Ritt 104
King, Gale
Testimony 85
Prepared statement 87
Lieberman, the Honorable Joseph I.
Post-hearing questions posed to Anoop Prakash 98
Prakash, Anoop
Testimony 37
Prepared statement 40
Responses to post-hearing questions from:
Chairman Kerry 96
Senator Lieberman 98
Senator Snowe 99
Ritt, Debra S.
Testimony 28
Prepared statement 30
Responses to post-hearing questions from:
Chairman Kerry 104
Senator Snowe 106
Shear, William B.
Testimony 10
Prepared statement 12
Responses to post-hearing questions from:
Chairman Kerry 101
Senator Snowe 103
Snowe, the Honorable Olympia J.
Opening statement 3
Letter to the Hon. Steven Preston, SBA 5
Post-hearing questions posed to:
Anoop Prakash 99
William B. Shear 103
Debra S. Ritt 106
Wendi Goldsmith 107
Rosemary Bratton 110
Ann Marie Almeida 113

COMMENTS FOR THE RECORD

Mackey, ML, CEO, Beacon Interactive Systems, Cambridge, MA 118
The Women's Business Center Program List 121
Draft report on the audit of grant disbursements to Women's Business Centers, Office of Inspector General, U.S. Small Business Administration 122

EXPANDING OPPORTUNITIES FOR WOMEN ENTREPRENEURS: THE FUTURE OF WOMEN'S SMALL BUSINESS PROGRAMS

THURSDAY, SEPTEMBER 20, 2007

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS AND
ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 10:04 a.m., in room 428–A, Russell Senate Office Building, the Honorable John F. Kerry (Chairman of the Committee) presiding.

Present: Senators Kerry, Snowe, Enzi, Dole, and Thune.

OPENING STATEMENT OF THE HONORABLE JOHN F. KERRY, CHAIRMAN, SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP, AND A UNITED STATES SENATOR FROM MASSACHUSETTS

Chairman KERRY. We will officially come to order, though you are the most orderly group yet in the year. Either that, or you are all asleep; I don't know.

[Laughter.]

Chairman KERRY. Welcome. We are glad to have you here and delighted to be able to have this oversight hearing this morning. I want to thank all of our witnesses for coming here to discuss the issues that are being faced by women small business owners all across the country today.

I particularly want to recognize Wendi Goldsmith, the president of Bioengineering Group, who traveled down here from Salem. I am glad to see you here and look forward to your testimony about your experiences in trying to contract with the Federal Government.

This is a classic oversight hearing. It has certain detail and specificity to it, but this is the purpose of committee oversight on a topic of enormous importance to women all across the country, whether they are in small business or not, because it is really a microcosm of the kinds of problems that women face in a lot of sectors of endeavor.

Today, there are 7.7 million women-owned firms in the United States. That means that nearly one-third of all the private firms in our country are owned by women, and these firms generate more than $1 trillion in sales and employ more than 7 million people. In Massachusetts alone, 189,000 firms are contributing $30 billion to the economy and employing 177,000 individuals. And these numbers are on the rise. Women-owned firms increased by 43 percent

over the last decade, almost double the increase of firms overall in the country, making them obviously a very important part of our Nation's economic well-being.

But despite the good news and the tremendous growth, women-owned small businesses still continue to have markedly lower revenue and fewer employees than firms, even comparable ones, owned by men. For instance, only 16 percent of firms with employees are owned by women. In addition, although 6 percent of businesses owned by men have revenues of $1 million or more, only 3 percent of all women-owned firms do so. Women-owned firms also account for less than 3 percent of all Federal contracts even though they comprise 30 percent of all privately-held firms. That is obviously an unacceptable ratio.

So today, we are going to be focusing on two programs which were specifically designed by the Congress, signed into law by the President, and are today the law of the land, and they are designed to help more women overcome hurdles and become successful entrepreneurs—the Women's Business Center Program and the Women's Procurement Program.

Now, the Women's Business Center Program has been invaluable in helping women succeed in business, especially economically and socially disadvantaged women. No center, I think, has done more to help women in Massachusetts than the Center for Women in Enterprise. Its leader, Donna Good, is not only a friend to women in Massachusetts, but also to this Committee, and she has shared the concerns of her clients with us on a number of occasions.

Although the Women's Business Center Program has been a tremendous resource for women, our Committee on both sides of the aisle has heard from centers that red tape and bureaucracy have been the norm in their dealings with the SBA. Late grant payments from the SBA, sometimes even a year or more late, and a lack of clear guidelines have threatened to weaken the program.

Two recent investigations will shed some light on these allegations. Bill Shear of the Government Accountability Office is here to discuss the Women's Business Center Program's overall strengths and weaknesses, while Debra Ritt from the SBA's Inspector General's Office will discuss their recent investigation of the Women's Business Center Program. I requested this IG investigation after hearing story after story of late payments to Women's Business Centers.

We are also going to discuss the implementation of legislation signed into law in May to make permanent funding available to established centers. Back in 1999, when Senator Snowe and I succeeded in getting the Sustainability Pilot Program signed into law, getting centers a maximum of 10 years of funding, it was in response to calls from Women's Business Centers that they needed continuing Federal funding beyond the initial 5 years in order to succeed. And since we were seeing tremendous success in that relationship and jobs were being created and revenue was being created, it made sense, obviously, to try to extend that.

Since these centers target low-income women and they are unable to charge large fees for participation, ongoing Federal funding is, therefore, critical to many of these centers. Now that we have ensured that Women's Business Centers can continue to apply for

Federal funding beyond the initial 10 years, we need to get this law implemented now. Established Women's Business Centers should not have to wait another year because of bureaucratic delays.

Women have also been waiting for the Federal Government to make good on its commitment to implement the Women's Procurement Program. There is just a glaring question of why it has taken 7 years for the Bush administration to put this program in place. It is insulting. It demonstrates a complete lack of respect and a lack of belief both in the Congress of good law, as well as the benefits of this program.

Women-owned businesses accounted for less than 3 percent of all Federal contracting dollars last year, despite the fact that they comprise over 30 percent of all firms. Congress created the Women's Business Procurement Program so that we can help more women-owned firms break into Federal contracting. The Administration has just plain been MIA on this. Failure to implement the Women's Procurement Program has cost women businesses at least $6 billion in lost contracts. It is hard to describe the impact that $6 billion would make on a lot of folks who are out there struggling to make ends meet, struggling to survive, struggling to make a business succeed, and playing by the rules. When bureaucratic inefficiency or stubborn ideology or something gets in the way, it just sends a terrible message to everybody and makes us all look bad.

In May, I urged the SBA to properly use the Rand Disparity Study as they implemented the Women's Procurement Program. In a July hearing, SBA Associate Administrator Paul Hsu said that the program would be in place by the end of this fiscal year. Well, September 30 is just around the corner and women small business owners deserve to know exactly what is happening with this program, as does the Congress.

Women entrepreneurs have made enormous strides in the last 20 years. The 45 percent increase in sales among women-owned firms in Massachusetts alone, in the last decade, is just one example. But to ensure that women get their fair share of Federal contracts and overcome the ever-present barriers to accessing capital and business networks, programs such as the Women's Business Centers and the Women's Procurement Program play an invaluable role. So it is essential that the SBA implement these programs and administer them fairly. I look forward to hearing from our witnesses and turn now to my Ranking Member, Senator Snowe.

OPENING STATEMENT OF THE HONORABLE OLYMPIA J. SNOWE, RANKING MEMBER, AND A UNITED STATES SENATOR FROM MAINE

Senator SNOWE. Thank you very much, Chairman Kerry, for holding this timely hearing concerning the SBA's administration of the Women's Business Centers and the Women's Small Business Procurement Program, as well as for your steadfast leadership that is so instrumental to this debate.

I would also like to welcome our witnesses here today. This is a critical hearing when it comes to the Women's Business Centers. I know there are a number of issues that we have to explore that have been underscored by Chairman Kerry here this morning. I most especially want to welcome Ann Marie Almeida, who is the

executive director of the Women's Business Center who has come here from Maine to testify and I appreciate, Ann Marie, that you are here.

We are gathered here this morning to probe why the SBA has failed to provide women entrepreneurs with the assistance that they require and deserve, and that is also consistent with funding and statutory obligations. As Ranking Member of this Committee, I have consistently supported women-owned businesses, as have all the Committee Members here. We recognize that women make tremendous contributions to our economy. In fact, women-owned businesses are the fastest-growing segment of our economy. As I have traveled across my State on many main-street tours, what I see repeatedly and consistently are women-owned businesses. These women's business owners are revitalizing so many communities throughout the State.

As a reflection of their success, on May 25, 2007, President Bush signed into law a bill which included a provision that was offered by Chairman Kerry and myself along with Senator Sununu, which impacted the SBA's Women's Business Centers. To that end, I would like to include for the record, unanimous consent, a letter that was sent by Senator Sununu along with Senator Murkowski, Senator Lott, Senator Gregg, and Senator Domenici to the SBA also underscoring their deep dissatisfaction with the failure of the SBA to administer the new law that was passed last spring.

[The letter referenced above follows:]

United States Senate

WASHINGTON, DC 20510

September 13, 2007

The Honorable Steven Preston
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Administrator Preston,

Women's Business Centers (WBCs) provide valuable support to businesswomen nationwide seeking to start, expand or improve businesses with a variety of training, counseling and education programs. In many instances, individual centers can be the first point of contact for women entrepreneurs seeking to initiate new business ventures. In fact, a significant portion of recent growth in the number of firms owned or operated by women can be attributed to the advice and services of WBCs. Continued support for successful centers remains a high priority for Congress.

In order to ensure continued viability of WBCs, Congress amended current law earlier this year to allow centers with a proven track record of success to continue to receive federal financial support. Specifically, Section 29(m) of the Small Business Act, as added by Public Law 110-28, provides a renewable grant program to support qualified WBCs no longer eligible for support under two other WBC-related grant programs. These new grants will allow those graduating and graduated centers to continue to leverage federal funding in order to raise non-public sources of revenue and meet budgetary needs.

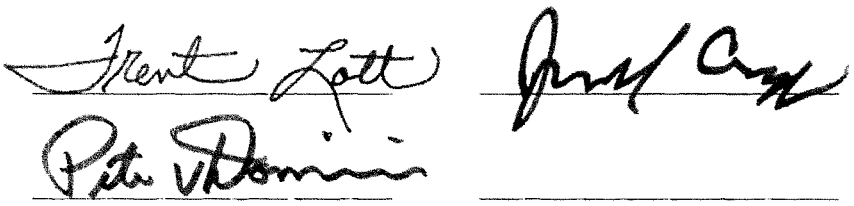
To be clear, Section 29(m) is designed to apply to WBCs ineligible to receive federal funding soon after the end of fiscal year 2007, subject to the appropriations process. Unfortunately, it is our understanding that the SBA may not be prepared to provide assistance under this section of law as intended and perhaps may not award grants under this program until late next year. This delay will have a negative impact for at least 9 WBCs, which were expecting to be eligible to apply for funding under the changes made by Congress. As a result, some WBCs may face closures or be forced to severely curtail services because of the loss of federal funding and the limited time available to raise additional private funding.

As Senators representing States with WBCs potentially affected by this delay, we seek your assistance and assurance that the SBA is addressing this matter. If the SBA is unable to truncate the grant making process under current procedures, we ask to be immediately notified so we may prepare legislation to rectify this situation.

We thank you in advance for your prompt response and attention to this matter.

Sincerely,

The Honorable Steven Preston
September 13, 2007



Senator SNOWE. The legislation was designed to create a 3-year renewal grant program for Women's Business Centers. Regrettably, the SBA has misinterpreted this measure and delayed issuing critical funds to women business owners seeking assistance. This morning, I certainly want to make clear, and hopefully we will make clear to the SBA, that they must execute the renewal grant program as soon as possible so that women business owners quickly receive the Federal funding they rightly deserve under the new law.

Making great strides nationwide, women-owned businesses have breathed new life into our economy, creating jobs with pace-setting results. Certainly that is true in my State of Maine, as Ann Marie Almeida, I know, will testify, which is a forerunner for women-owned businesses. Maine has more than 63,000 women-owned firms creating 75,000 jobs and spurring more than $9 billion in sales.

Furthermore, there are 10.4 million women-owned businesses nationwide employing more than 12.8 million Americans and generating $1.9 trillion in revenue nationally. Women are an economic powerhouse.

So given these tremendous statistics, it begs the question as to why the SBA is not paving the way for women-owned entrepreneurs? The latest reports on these issues from the U.S. Government Accountability Office and the SBA Inspector General couldn't be more instructive. We will raise these issues here this morning.

It is deeply disturbing, for example, that the draft Inspector General's report indicates that the SBA has disbursed over 500 payments to the Women's Business Centers for both new and sustainability grants, but only 25 percent of those payments—about 127 of those 500 grants—were made within the agency's and the Office of Management and Budget's goal of 30 days. The remaining 75 percent of those grants were disbursed between 30 and 300 days from the date the SBA received the payment request.

So clearly, there are some serious and significant problems with respect to the way the Small Business Administration is administering the program and delivering the payments in a timely basis to the Women's Business Centers. I certainly want to press SBA on why there are these untimely distributions of these funds to Women's Business Centers. I think it is unacceptable and, frankly, cannot continue.

Furthermore, individual centers have expressed concerns with the evaluation process and the dearth of transparency by the Small Business Administration in terms of how they are ranked to receive these initial grants. The SBA's 2008 budget submission asserts that the agency's processes have become more customer-focused and simplified. This morning, the SBA must provide clarification in terms of how they have made this process more simple, customer-focused and have included transparency in the process.

Finally, I remain extremely concerned about the SBA's 6-year delay in implementing—6 years I might add, and repeat, 6-year delay of the Women's Contracting Set-Aside Program. At a previous Committee hearing in July, the SBA firmly pledged to finally implement this long overdue program by the end of this fiscal year. Well, Mr. Chairman, as we know, the current fiscal year ends in

10 days. So this morning, I look forward to a status update from the SBA on this vital matter for women business owners in America.

I think we are all committed to multiplying the success of women-owned businesses across our country with the economic opportunities and advancements that are achieved because of the leadership and the resolve of the entrepreneurial women. Therefore, the SBA should be playing a leadership role in that regard. That is why I think it is deeply regrettable that we are seeing the intransigence and the reluctance to administer these programs consistent with the intent and the spirit and the obligations under the law.

Thank you, Mr. Chairman.

Chairman KERRY. Thank you very much, Senator Snowe.

Senator Dole, Senator Enzi, do you have opening statements you want to make?

Senator DOLE. Yes, if I may.

Chairman KERRY. Senator Dole.

OPENING STATEMENT OF THE HONORABLE ELIZABETH DOLE, A UNITED STATES SENATOR FROM NORTH CAROLINA

Senator DOLE. Chairman Kerry, thank you very much, Ranking Member Snowe, for convening this morning's hearing on expanding opportunities for women business owners and entrepreneurs. I want to thank all of the panelists who are with us today for sharing your expertise and your time with us.

Not that long ago, in fact, Senator Snowe and I remember working together 25 years ago when I was in the executive branch and she was in the legislative branch in the House of Representatives, and what we were doing were identifying and helping to eliminate vestiges of discrimination in rules and regulations as they applied to women. So it was not all that long ago that women often faced an arduous, uphill battle to succeed in a business world that, frankly, was dominated by men. This was attributed in part to women's lack of access to vital resources and information needed to start and grow a successful business.

But in recent years, the Women's Business Center Program at the Small Business Administration has been a driving force behind positive trends in women-owned business statistics. Women's Business Centers around the country, with grants from SBA, are helping women overcome obstacles and pursue their own dreams of business ownership.

In North Carolina, where I come from, the number of privately-held majority women-owned firms grew by 61 percent between 1997 and 2006. This growth is significantly larger than the overall increase of 39 percent that occurred for privately-held firms during the same time period. The tremendous growth of women-owned businesses in North Carolina is linked to the enactment of the Women's Business Ownership Act of 1998, which authorized the Women's Business Center Program. But problems exist, as we have heard. It is important that this Committee constantly work to ensure that initiatives like the Women's Business Center Program are operating effectively and as intended.

To this end, I applaud the hard work of you, Chairman Kerry and Vice Chair Snowe, for getting Senate Amendment 187 passed and signed into law earlier this year. The 3-year renewal program truly is essential to keeping Women's Business Centers operational. I strongly encourage the SBA to fully implement this program in a timely manner.

Centers across the Nation must receive the necessary funding to carry out their mission, and changes are needed to address these specific problems that have already been raised. No question, potential and current women business owners are critical to our overall economy, which thrives on the activity of our Nation's small businesses. I look forward to working with my colleagues and the SBA to build on and improve the Women's Business Center Program. Thank you.

Chairman KERRY. Thank you, Senator Dole. Thank you for your comments for Senator Snowe and me, and thank you for your comments on the program.

Senator Enzi.

OPENING STATEMENT OF THE HONORABLE MICHAEL B. ENZI, A UNITED STATES SENATOR FROM WYOMING

Senator ENZI. Mr. Chairman, I want to thank you for holding this hearing. I want to commend the two of you for the Amendment 187 and the effect that that could have and should have, and I am pleased that we will hear testimony today that will allow us to better understand the condition of the programs that are supposed to assist women in starting and operating their own small businesses. I do think that that is one of the best ways, one of the most hopeful ways that we have of closing the pay gap.

It has long been known that women wishing to start their own small businesses face significant challenges. The Women's Business Center Program has been successful in improving opportunities for women to enter small business ownership, and I hope that this hearing will be able to reveal the areas of greatest need where these programs can be improved.

I am especially pleased today to welcome a former small business owner from Wyoming who currently serves as the executive director of the Wyoming Women's Business Center. Since 1999, Rosemary Bratton has worked to establish and operate the Wyoming Women's Business Center in Laramie. Starting as a project of the Wyoming Coalition Against Domestic Violence and Sexual Assault, this has emerged recently as a distinct and separate organization that has worked to meet the needs of working women across Wyoming. Ms. Bratton will be able to share with us valuable insight about her experience at starting a business center in a rural State like Wyoming and working with the Small Business Administration Office of Women's Business Ownership.

My experience as a small business owner tells me that providing consistent and reliable service to your customers is what keeps you in business. Women's Business Centers have reported success in providing services to women when centers are given the appropriate resources. They have to have consistent and reliable service, as well, to stay in business. Lately, these centers have not received the support in a consistent manner. I trust these proceedings will

provide the Members of this Committee with a better idea of how business can be improved with the business centers.

I also look forward to hearing about the status of the Women's Procurement Program. For some time, the implementation of that program has been delayed, and I am interested to know when the set-aside for women-owned businesses will be available. I cannot overemphasize the importance of providing women-owned small businesses access to Federal contracting opportunities. Procurement can be a difficult and overwhelming process for small businesses who have limited resources.

I thank you for holding this hearing.

Chairman KERRY. Thank you very much, Senator Enzi. I appreciate it.

Administrator Prakash, if you don't mind, I want to have Mr. Shear and Ms. Ritt testify first. That gives you an opportunity to respond to them, rather than the other way around, where we just ask a lot more questions because of their testimony. I know you are going to make your statement.

Mr. PRAKASH. That would be fine.

Chairman KERRY. Mr. Shear, why don't you begin and then Ms. Ritt.

STATEMENT OF WILLIAM B. SHEAR, DIRECTOR, FINANCIAL MARKETS AND COMMUNITY INVESTMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Mr. SHEAR. Mr. Chairman, Senator Snowe, and Members of the Committee, I am pleased to be here this morning to discuss the Women's Business Center Program. The WBC Program provides long-term training, counseling, networking, and mentoring to women entrepreneurs, especially those who are socially and economically disadvantaged.

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 Development Center and SCORE Programs. Under the terms of the SBA award, WBCs are required to coordinate with local SBDCs and SCORE chapters when appropriate.

This testimony provides preliminary views based on ongoing work. I will discuss, first, the uncertainties associated with the funding process for WBCs; second, SBA's oversight of the WBC Program, including policies and procedures for monitoring compliance with program requirements; and third, 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.

In summary, first, until 2007, WBCs were funded on a temporary basis with the expectation that the centers would become self-sustaining. In the most recent period prior to 2007, beginning in 1999, Congress created a Sustainability Pilot Program to extend funding an additional 5 years, allowing successful WBCs to receive SBA

funding for a total of 10 years. However, WBCs continue to face funding uncertainties. To address these funding uncertainties, recent legislation for the WBC Program replaced the Sustainability Pilot Program with 3-year renewable grants to WBCs that graduated from the program after 10 years, as well as the current program participants.

With respect to our second objective, although SBA has always had 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, called 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. In addition, some WBCs also cited communication problems. For example, some WBCs told us that SBA did not provide sufficient feedback on their performance.

Third, we found that 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 generally tailor services to meet the needs of economically and socially disadvantaged women. In addition, 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. However, based on our review, WBCs appear to lack guidance and information from SBA on how to successfully carry out their coordination efforts. Therefore, opportunities for SBA to help improve coordination, especially for WBCs that might find coordination difficult, appear to be present.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions.

[The prepared statement of Mr. Shear follows:]

United States Government Accountability Office

GAO

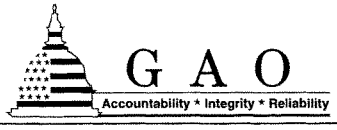
Testimony
Before the Committee on Small Business and Entrepreneurship, U.S. Senate

For Release on Delivery
Expected at 10:00 a.m. EDT
Thursday, September 20, 2007

SMALL BUSINESS ADMINISTRATION

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

Statement of William B. Shear, Director
Financial Markets and Community Investments



GAO-07-1244T

GAO
Accountability Integrity Reliability
Highlights

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.

September 2007

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

[1]The 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.

[2]The 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

[3]OMB, 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.

[4]When 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

[5]The 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.

[6]OMB, 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-

[7]Small 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

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

[9]Center 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

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

[11]SBA, 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

include Kay Kuhlman, Assistant Director; Bernice Benta, Michelle Bracy, Tania Calhoun, and Emily Chalmers.

Chairman KERRY. Thank you very much, Mr. Shear. That was a good summary.

Ms. Ritt.

STATEMENT OF DEBRA S. RITT, ASSISTANT INSPECTOR GENERAL FOR AUDITING, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Ms. RITT. Chairman Kerry, Ranking Member Snowe, and Members of the Committee, I am pleased to be here today to discuss the Small Business Administration's grant program for Women's Business Centers. My testimony is based on work we recently completed at the Chairman's request that examined concerns raised by many of the Senators about the timeliness of grant disbursements. I will address the extent of payment delays, their causes and possible solutions, as well as share our observations about opportunities to streamline the grant award process.

SBA awards two types of grants under the program, new grants that are competitively awarded and funded for up to 5 years, and sustainability grants, which provide another 5 years of funding. Our audit disclosed that SBA was consistently late in disbursing grant funds and that the percentage of current delays had increased from the previous year. In fiscal year 2006, SBA disbursed only 25 percent of grant payments within OMB's goal of 30 days, and in fiscal year 2005, only 40 percent were disbursed timely. The remaining payments were disbursed between 30 days and up to a year following receipt of payment requests.

Not all payment delays were the fault of SBA, however. Some requests were incomplete or contained errors due to the complexity of the required documentation or failure to follow agency guidance. That aside, we identified four major reasons for late payments, most of which were a consequence of poor coordination and communication between SBA's Program Office, which performs an initial review of the payment request, and its Grants Office, which provides the final approval to draw down awarded funds.

First, payment delays were caused by the agency's varying interpretation of the payment requirements. The Program and Grants Offices differed in their understanding of the information needed for payment and often provided centers with inaccurate or conflicting information. The two offices also did not collaborate fully in the development of program handbooks used to guide WBCs through the payment process and introduced new requirements that were not communicated to the centers.

We believe the Program and Grants Offices should enter into a formal agreement on the proper interpretation of the payment requirements and the process for updating them and communicating changes to WBCs. Alternatively, SBA should consider placing grant specialists within the Program Office or outsourcing the grants payment function.

Secondly, the ability of either office to reject payment requests resulted in the denial of payment before both offices had completed their reviews. For example, payment requests were rejected by the Program Office and returned to the WBC only to be rejected a second time by the Grants Office upon resubmission. These rejections caused a cascading delay in the approval of subsequent requests,

as past payments had to be disbursed before new ones could be approved.

We recommend that both offices complete their reviews before rejecting a payment to reduce the constant shuffling of paperwork between their offices, as well as between the agency and the WBCs.

A third cause for delays related to payment requests being returned and resubmitted through the mail when corrections were needed. SBA also denied payment no matter how small the error. For example, the Grants Office rejected a request over a $30 expense that was charged to the wrong line item. Automating the application process would expedite the filing of requests and prevent them from becoming lost in the mail. Automated checks could also be performed to ensure that the applications were complete and free of mathematical errors before submission.

Finally, SBA lacked an effective tracking mechanism to identify when a payment request was received, where it was in the process, and whether the request was processed timely. Each office reviewing the payment request maintains separate logs which prevented tracking of the requests through the full review and approval cycle. A centralized payment tracking system would improve SBA's ability to manage the timeliness of its reviews and respond to center inquiries.

While not the focus of our review, we also would like to share a few observations about opportunities we saw to streamline the grant award process. We believe the grant opportunity can be announced earlier in the year. SBA generally delays posting of the announcement until after it receives its appropriations—when it knows how much funding will be available and the percentage to be apportioned to sustainability grants. However, the announcement is largely boilerplate and the funding levels and formulas are not required information to post the grant opportunity.

Next, organizations responsible for approving the grant announcement should conduct their reviews concurrently. Before SBA can announce the grant opportunity, the Program and Grants Offices, as well as counsel must review the appropriations language and announcement to ensure that any changes in requirements are identified and accurately reflected in the announcement. These reviews generally take up to 3 to 4 months, as one office has to complete its review before the next office's review can begin.

Lastly, SBA should evaluate proposals involving option year funding earlier in the year. We noted that SBA places all returning grantees on the same evaluation schedule as new entrants, even though they do not compete for funding. Because SBA only needs to verify that the WBC is performing in accordance with its preapproved plan, it can evaluate its performance earlier in the year so that once the center provides an acceptable budget and appropriations are received, the grantees can request payment.

Mr. Chairman, this concludes my statement and I would be happy to answer any questions that you have.

[The prepared statement of Ms. Ritt follows:]

Testimony of
Debra S. Ritt
Assistant Inspector General for Auditing
U.S. Small Business Administration

Before the
Committee on Small Business and Entrepreneurship
United States Senate
September 20, 2007

Chairman Kerry, Ranking Member Snowe and Members of the Committee,

I am pleased to be here today to discuss the Small Business Administration's (SBA) grant program for Women's Business Centers (WBC). Under this program, eligible organizations can obtain Federal grants to create and operate centers that provide training and counseling services to women who own businesses or who are contemplating business ownership. SBA awards two types of grants to WBCs—new grants that are competitively awarded annually and funded for up to 5 years, and sustainability grants, which provide funding for another 5-year period. Because these grants provide an important source of funding for the centers, a steady stream of grant funding is needed to keep them in operation. However, WBCs have voiced significant concerns about delays in grant payments made by SBA.

My testimony today is based on work we recently completed, at this Committee's request, on the timeliness of SBA grant disbursements. I will address the extent of payment delays, their causes, and possible solutions; as well as share our observations about opportunities to streamline the grant award process.

Widespread Delays Occurred in the Disbursement of FY 2005 and FY 2006 Grants

We found that SBA was consistently late in disbursing grant funds, and that the percentage of late payments in Fiscal Year (FY) 2006 had increased from the previous year. In FY 2006, SBA disbursed over 500 payments to WBCs for both new and sustainability grants, but only 25 percent of these payments were made within the Office of Management and Budget's goal of 30 days. The remaining 75 percent were disbursed from 30 to 353 days following the receipt of payment requests. By comparison, 40 percent of grant payments made in FY 2005 were on time.

While fewer delays occurred in FY 2005, two WBCs had to wait 340 days for payment. These delays caused WBCs to lay off staff, abandon vendors, and curtail operations to stay in business. They also had to seek funding elsewhere, such as from

parent organizations and bank lines of credit, while attempting to resolve matters with SBA.

Payment Delays Were Largely Attributable to the Lack of Coordination and Communication between SBA's Program and Grants Offices

We identified four major reasons for late payments, most of which were a consequence of poor coordination and communication between the two SBA offices that process payment requests—the Office of Women's Business Ownership (the program office) and the Division of Procurement and Grants Management (the grants office). The program office performs an initial review of the payment request and the grants office provides the final approval to draw down awarded funds.

The inability of these offices to work in an integrated fashion, combined with other flaws in the payment process, caused paperwork to be rejected or lost. WBCs also did not always follow Agency guidance in completing their requests. While not all of the delays were SBA's responsibility, we noted that the underlying reasons were largely associated with the following issues:

- The Agency's interpretation of the payment requirements frequently changed throughout the fiscal year without being properly communicated to WBCs.

- Payment requests were rejected before both offices had performed a complete review of the submission, causing WBCs to submit their paperwork multiple times, and triggering restarts of the Agency's payment approval process. This created opportunities for the paperwork to get lost in transit. Payment rejections also caused cascading delays in the approval of subsequent payment requests.

- When payment requests were rejected, the entire original package, and corrected versions were mailed back and forth between SBA and the WBCs instead of only correcting the document(s) affected. SBA also held up the entire payment regardless of the size of the error.

- The Agency lacked an integrated tracking mechanism to identify when the payment request was received, where it was in the review process, and whether a disbursement had been made within OMB's 30-day requirement.

The Agency's Interpretation of the Payment Requirements Frequently Changed after Grant Award

Delays occurred in grant disbursements because SBA's interpretation of the payment requirements frequently changed throughout the year. The program and grants offices differed in their understanding of the information that WBCs had to submit to get paid, and frequently provided WBCs with inaccurate information. For example, one WBC submitted a payment request three separate times in response to conflicting instruction from the two SBA offices about how to report the cost of staff salary, resulting in a 4-week delay in receiving payment. Another WBC had to wait 300 days to get paid until the program and grants offices resolved their differences over, among other things, whether the original reports from audits of the WBC or copies were needed to process the payment. The two offices also did not collaborate fully in the development of payment requirements described in program handbooks that are distributed to WBCs during mandatory training.

After the handbooks were distributed and the WBCs had completed training, the program and grants offices frequently introduced new requirements for payment requests and did not properly communicate these changes to the WBCs. For example, one WBC had to re-submit its payment request because its paperwork did not adhere to revised requirements for itemizing travel expense details, which had not been communicated in time for the submittal to be corrected.

We also noted that in reviewing payment requests, the two offices used separate checklists, each addressing different aspects of the payment requirements as they pertained to their areas of responsibility. Because the program office performed the initial review of payment requests to ensure completeness, the program office needed to know what information the grants office considered in its review as well as any changes that were made in grant requirements.

To ensure a common interpretation of the program requirements and their effective communication to WBCs, we believe the program and grants offices should enter into a Memorandum of Understanding (MOU) documenting the Agency's interpretation of the payment requirements and establishing a process for updating and communicating any changes in requirements to WBCs. Alternatively, if an acceptable agreement is not possible, SBA should consider placing grant specialists within the program office or outsourcing the grants payment function. Finally, SBA's program and grants offices should use a single consolidated checklist to perform reviews of payment requests.

Rejection of Payment Requests Frequently Occurred Before Both the Program and Grant Offices Completed Their Reviews, Creating Multiple Restarts

The misunderstanding between the program and grants offices on appropriate requirements for payment requests, combined with the ability of either office to reject the requests, resulted in the denial of payment before both offices had completed their reviews. The payment approval cycle allows a request to be rejected initially by the program office and returned for correction to the WBC before being reviewed by the grants office. Requests can also be approved by the program office and subsequently rejected by the grants office for return to the WBC.

Because payment requests can be rejected at any stage of the review cycle, applications were returned to WBCs more than once. For example, the program office noted an error in a payment request made by one WBC and advised the WBC that a correction was needed. After the correction was made, the grants office rejected the request. Consequently, the payment review process does not operate as a continuum the way it should, but rather as two distinct processes.

Paperwork rejections also caused a cascading delay in the approval of subsequent payment requests. SBA requires that each new request for payment include information on prior grant payments. If a payment has not been received on a prior submittal, the WBC will not have the information it needs to process its current request.

We believe that payment requests should undergo a complete review by both the program and grants offices. Both offices should agree on whether a request is defective before returning the rejected request to the WBCs for correction. This would ensure that the request is returned only once to the WBC to reduce the constant shuffling of the paperwork between the two SBA offices as well as between SBA and the WBCs.

Payment Requests Were Returned and Resubmitted through the Mail When Corrections Were Needed and SBA Held up the Entire Payment Regardless of the Size of the Error

Payment requests were rejected when calculations were incorrect, the billing was determined improper, or the WBC failed to provide the appropriate supporting documentation. When this occurred, original paperwork and corrected versions were mailed back and forth between SBA and the WBCs as original signatures were required to process the payments. This generated delays in approving requests for payment, and increased the chances of paperwork becoming lost in transit between SBA and the WBCs.

SBA also returned the entire payment request to the WBC no matter how small the error. For example, the program office approved a payment request for one WBC, and the grants office rejected it over a $30 expense charged to the wrong line item. SBA held up the entire payment due to this error when it could have awarded all funds but the $30 in question.

Automating the pay request forms and application process, as has been done for other SBA grant programs, would help prevent errors and omissions, expedite the filing of payment requests, and prevent requests from being lost in the mail. The electronic forms for payment requests could be posted on the SBA grants office website, and filled out online, with original signatures mailed to SBA. The on-line application could be programmed to check for mathematical errors, and prevent the user from proceeding until all required fields are completed.

SBA Lacks an Effective Tracking System for Monitoring the Status of Pay Requests

SBA also did not have an effective tracking mechanism to identify when a pay request was received, where it was in the process, or whether the request was processed timely. The program and grants offices each established tracking logs to document when requests were received by their offices. However, because the logs were separate, SBA could not capture the complete movement of the pay request through the full review and approval cycle. For example, when the grants office rejected a request and returned it to the program office, the program office did not always communicate back to the grants office acknowledging that it had received the request. Also, neither office was aware that a pay request was overdue for approval.

Even an approved payment request was difficult to track because SBA assigned a tracking number that did not reference or identify the WBC's payment request. Without a link to the payment request, WBCs could not determine with confidence which request had been disbursed. Consequently, WBCs had to make repeated phone calls to different officials and were referred back and forth from one office to the other to determine the status of their payments. Some WBCs told us they hired accountants to figure out which pay request belonged to which invoice.

Establishing a centralized and automated pay request tracking log and/or automating the payment request process would allow SBA to better monitor where payment requests are in the approval process so that it can manage the timeliness of its payment reviews and better respond to WBC inquiries about the status of pay requests. Finally, automating the process can help alleviate staff workload by simplifying submittal receipt and tracking, and promoting better consistency in the documentation.

SBA Delays Announcement of the Grant Opportunity Until Funds Are Appropriated

In addition to areas needing improvement in SBA's payment process, we noted that opportunities exist to streamline the grant award process to enable WBCs to apply for funding earlier in the year. For example, we observed a fiscal-year interval between Congressional appropriations and grant awards. SBA generally delays posting of the grant opportunity until after it receives its appropriations. The appropriations legislation instructs SBA how much funding will be available for both types of grants as well as the percentage of that funding to be apportioned for sustainability grants.

We noted that the grant announcement is largely boilerplate and the appropriated funding levels and sustainability formulas are not required information needed to announce the grant opportunity. In fact, in FY 2007, SBA was able to complete the process within 7 months of receiving its appropriations. Therefore, we believe SBA can and should announce the grant opportunity earlier in the fiscal year to expedite the grant award.

SBA's program office, grants office, and counsel also conduct lengthy and sequential reviews of each year's appropriation language to determine if program requirements have changed. These reviews generally take up to 3 months as one office has to complete its review before the next office's review can begin. Once the legislative review is completed, the program office takes about 1 month to develop the announcement, and then submits it for review by the grants office and legal counsel. These reviews take another month, after which the announcement is posted, normally in March of the following year, for 30 days. We believe SBA can reduce the amount of time it takes to review the appropriations legislation and grant announcement if the various SBA offices performed concurrent reviews.

Grant Awards for Returning WBCs Seeking Option Year Funding Are Processed at the Same Time as New Applicants

Returning WBCs that were previously approved for a regular or sustainability grant do not compete for subsequent year funding. Yet, SBA reviews their applications at the same time as new entrants. Placing all returning grantees on the same evaluation schedule as new entrants requires the expenditure of substantial resources, for example, to evaluate potentially over 100 proposals every year, and unnecessarily delays returning grantees from requesting payment earlier in the year.

Because SBA needs to only verify that the WBC is performing in accordance with its pre-approved plan (approved during the initial award), it could announce grant awards once it has its appropriation much earlier in the year. Grantees could then seek payment after receiving its grant award.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions at this time.

Chairman KERRY. Thank you very much, Ms. Ritt. We appreciate it.

Administrator Prakash.

STATEMENT OF ANOOP PRAKASH, ASSOCIATE ADMINISTRATOR FOR ENTREPRENEURIAL DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Mr. PRAKASH. Chairman Kerry, Ranking Member Snowe, and Members of the Committee, thank you for the opportunity to be here with you today to speak about SBA's programs in women's entrepreneur and small business. I am Anoop Prakash. I am the Associate Administrator for the Office of Entrepreneurial Development, and I have been in the office since May of 2007.

I am very proud to be supporting the dynamic social entrepreneurs that lead the network of Women's Business Centers. Today, the centers account for 10 percent of the total clients served by my office's programs, and in total, they receive 11 percent of the entrepreneurial development grant funds.

These centers do differentiate themselves, as my colleague here on the panel from GAO has said, by going beyond the task of small business development counseling and also creating a community of mutually-supporting women entrepreneurs, counselors, and mentors in their communities. I have had the privilege and opportunity to meet with Women's Business Center directors and counselors and several Women's Business Center owners to understand and speak about women's entrepreneurship and the state of our programs today. While the majority of my discussions have been overwhelmingly positive, I am keenly aware of the management challenges that have resulted in grant disbursement backlogs, delays, and unnecessary challenges for the recipients. Some of these delays have also periodically placed the Women's Business Centers in financially difficult circumstances.

My spoken remarks today will focus on the management challenges associated with the program, and second, I will speak specifically to our plan to implement the legislation regarding graduated Women's Business Centers.

As you know, over the course of the program's life, the number of Women's Business Centers has grown steadily, starting with 13 centers in 1989 and 96 centers receiving funds in fiscal year 2007. An additional 26 centers have previously graduated from the program and will now be able to apply for funds in fiscal year 2008.

While the size of the network has grown, the SBA resources assigned to manage and provide service to those centers has declined and the result has been a program that has outgrown the manual paper-based procedures and policies currently used by the agency to administer the program.

In early fiscal year 2007, in response to Women's Business Center concerns, the agency did begin to examine its processes. It did identify bottlenecks and took some steps to fix and rectify some of the delays in the payment process. These changes did result in more efficient processing of pay requests. However, there are still considerable improvements we can make to better serve our grantees.

My office has spent a great amount of time understanding the customer service, the management and performance issues facing the Women's Business Center Program as it continues to grow. As recently as last week, we hosted a focus group meeting with senior leaders of 10 Women's Business Centers and a representative from the Association of Women's Business Centers to understand what is working and what is not, and we did come away with a rich set of concerns and recommendations to inform our way forward.

We have also studied best practices and Centers of Excellence across the Federal Government and how other agencies manage similar grant disbursement programs more effectively, and we have received briefings and cost estimates as to how we might move to something more streamlined.

And lastly, we have worked closely with the Inspector General's Office, and we fully embrace the IG's report and recommendations. These will further clarify some of the issues and inform our efforts by providing us a series of recommendations which will greatly improve the process for all.

It is clear to all involved that the program, policies, and procedures, as currently administered by the SBA, require a focused reengineering effort to automate the exchange of forms and information, to streamline the number of reviews, and reduce the touchpoints within the agency that has resulted in some of these delays. We have begun this effort and are committed to completing the reengineering process in time to effect and enhance the performance of the program in the new fiscal year.

I would now like to address the Committee regarding our plans to implement the legislation that was included in the U.S. Troops Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007. First, I would like to be very clear that the agency has not purposefully stalled in implementing the legislation. From our General Counsel's interpretation, the determination was made that we could not implement the new legislation in fiscal year 2007. The legislation repealed the Sustainability Program effective October 1 of 2007, and by our General Counsel's reading, we could not implement Section M until Section L had been repealed.

I would like to acknowledge that the Committee's most recent letter to the agency, which we received yesterday, clarified the intent of the legislation's provisions regarding graduating center priority, and we concur with your continued support of the performance-based nature of the program going forward. I have full faith we can resolve any remaining issues requiring clarification in a manner satisfactory to all.

Now, I also want to be clear that our intent is to implement this legislation immediately and continue to ensure the funding is an effective and reliable mechanism for the most deserving centers across the country. I wanted to also take this opportunity to walk through what I think is a very achievable timeline for the agency to do so, and this timeline is very much informed by the Inspector General's recommendations to move the grant process earlier in the fiscal year.

First, we would issue program announcements for both the new and the renewal grants within the first 60 days of fiscal year 2008.

Second, we would publish the program announcements for 30 days to allow for sufficient time for Women's Business Centers to react to the requirements, ask questions, and prepare their applications. We have found that anything less than 30 days does not provide Women's Business Centers an appropriate opportunity to respond to the program announcement.

Once the applications are received, we will complete the competitive selection of all new and all renewal grants inside of 30 additional days, which includes the 1- to 2-week time lag that we have to undergo as we receive all grant packages from grants.gov. Thus, we are hopeful that in 120 days, we will be prepared to issue the notice of award again, as soon as practicable, once we receive confirmation of appropriations. So inside of 120 days, again, the SBA will have completed all of its work to get these grants ready for notice of award.

The SBA is committed to furthering our positive impact on women and business across our lending and Government contracting and technical assistance programs. Again, we have begun the process towards greater transparency and accountability but there is still more work to be done to improve our customer service, especially with regards to the grant disbursements to the Women's Business Centers.

We welcome the findings of the Inspector General to inform our way forward and I look forward to working with my colleagues at the agency and the Committee in the coming months to implement both the IG's recommendations and the legislation with urgency.

Chairman Kerry, thank you. This concludes my testimony.

[The prepared statement of Mr. Prakash follows:]

Testimony of
Anoop Prakash
Associate Administrator, Office of Entrepreneurial Development
U.S. Small Business Administration

Before the
Senate Committee on Small Business & Entrepreneurship
September 20, 2007

Chairman Kerry, Ranking Member Snowe and Members of the Committee, thank you for the opportunity to speak with you today regarding the Small Business Administration's (SBA) programs that support women's entrepreneurship and business development. I am Anoop Prakash, Associate Administrator for the Office of Entrepreneurial Development (OED), and have been with the SBA since May 2007.

In my brief time at the Agency, I have had the privilege and opportunity to meet with many Women's Business Center (WBC) directors and counselors, women small business owners, and leaders of the National Women's Business Council, to discuss women's entrepreneurship and the state of SBA programs serving women. During this period, I have witnessed a renewed sense of optimism and energy in the community of WBCs and women owners of small businesses. This is due in part to increased transparency, accountability, and accessibility of agency contracting and grant programs, demonstrated by the SBA publication of agency-wide procurement scorecard in July.

While the majority of my discussions have been overwhelmingly positive, I am also aware of the management challenges that have resulted in grant disbursement backlogs and delays, and other customer service issues that have affected at least one-third of Women's Business Centers and have periodically placed them in difficult financial circumstances.

My remarks today will focus on three key areas – First, I will share some key performance metrics and trends regarding SBA programs and their engagement with women entrepreneurs. Second, I will provide an update on the WBCs grant program, including a discussion of management challenges and plans to implement new legislation in FY2008. Lastly, I will discuss the great progress made in making women-owned business government contracting achievement more transparent and thus holding agencies accountable.

Performance Metrics across all SBA Programs and Services

I am proud to share with you several performance measures from our technical assistance and capital access programs as they relate to women clients.

In 2006, the SBA Entrepreneurial Development network, which includes Small Business Development Centers (290,582), WBCs (86,126), SCORE (96,788), and on-line training through the SBA's Small Business Training Network (SBTN) (163,880),

accounted for 637,376 women entrepreneurs counseled or trained. Overall, women represent 45% of all clients counseled and trained.

Also worth noting is that the number of loans, both 7(a) and 504, made to women has been on the upswing. At this point in 2006, 20,321 7(a) loans had been made to women clients compared with 21,324 thus far in 2007, an increase of approximately 5%. In the 504 portfolio, 1,475 loans were made to women at this point last year compared to 1,630 today, an increase of 5.25%.

Three months ago, the Agency launched the Patriot Express Loan Pilot Program. Patriot Express is available to veterans, service-disabled veterans, active-duty service members eligible for the military's Transition Assistance Program, reservists and National Guard members, current spouses of any of the above, and the widowed spouse of a service member or veteran who died during service or of a service-connected disability. To date, 211 Patriot Express loans have been made and of those, 40 have been to women with an average loan amount of $84,800. Thus, 20% of the Patriot Express loans that have been approved were made to women owned small businesses.

Women's Business Center Program: Management Challenges and Opportunities

I am particularly proud to be working with the dynamic social entrepreneurs who lead the network of WBCs. These centers distinguish themselves by going beyond the task of small business counseling, by also creating a community of mutually supporting women entrepreneurs, counselors and mentors in their respective locations.

The centers account for roughly 10% of the total clients served by OED's technical assistance programs (1,420,897 in 2006), and receive 11% of the grant funds. Over the course of the program's life, the number of WBCs has grown steadily, starting with 13 centers in 1989, with 96 centers receiving funds in 2007, and an additional 26 centers that have previously graduated from the grant program.

While the size of the network has grown, including an eightfold increase in appropriated funds over 18 years, the SBA resources assigned to manage and provide service to the portfolio of centers, namely the Office of Women's Business Ownership (OWBO) and Division of Procurement and Grants Management (DPGM), have declined due to decreases in the overall Agency budget.

The result has been a program that has outgrown the initial set of policies and manual, paper-based procedures, and an Agency program office that has had challenges managing the enormous amount of reimbursement requests and oversight paperwork generated in supporting the 96 centers in the program under the current process.

Since the program offices have been aware of these challenges during early FY2007, both OWBO and DPGM took specific measures to improve the grants process. For example, realizing that the process was inefficient and WBCs were often unclear as to what paperwork was required, OWBO created a grant disbursement manual, with the

assistance of DPGM, and presented the manual at the annual Post Award Conference in September 2006. The manual and training were very well received by the WBCs.

After the 2006 post awards, in response to additional WBC concerns, OWBO and DPGM began examining its processes and identifying bottlenecks and inefficient or unnecessary steps in the payment process.

As a result of this examination, on March 1, 2007, OWBO and DPGM took the following actions:

- Centralized the processing of pay requests to one point of contact in its office, to improve continuity of service to the WBCs
- Eliminated the submission of the pay request first to the district office and advised centers to submit the requests directly to the OWBO pay request manager, to eliminate a bottleneck in the current process
- Created a log to track the receipt and processing of pay requests, to measure and track the length of time for processing
- Initiated a prescreening process, to identify any missing documentation prior to a review of the pay request, eliminating the time spent reviewing incomplete requests
- Implemented a policy of notifying the WBC when a pay request has been forwarded to DPGM with a recommendation for payment, to increase transparency

These changes have resulted in a more efficient processing of pay requests, though there are additional improvements we can make to better serve WBCs.

As the manager accountable to the Administrator for the performance of the Office of Women's Business Ownership, I have spent a considerable amount of time trying to understand the customer service, management and performance issues in my first 3 months with the Agency. As recent as last week, my team and I had focused meetings with senior lead directors of the WBCs programs, board members from the Association of Women's Business Council, and our SBA District Office Technical Representatives who work most closely with the WBCs in their districts to understand what is working and what is not working. We came away with a rich set of concerns and recommendations that will inform our work going forward.

Further, we have taken the opportunity to explore best practices and centers of excellence across the Federal government in how other agencies manage similar grant disbursements more effectively.

Lastly, we fully embrace the Inspector General's report, which will clarify some of the existing issues we have not considered, and inform our efforts by providing us a series of recommendations which will greatly improve the current process.

It is clear to all involved that the program policies and procedures, as administered by the OWBO and DPGM, requires a focused re-engineering effort to

automate the exchange of forms and information, and streamline the number of reviews and touch-points within the Agency. We are committed to engaging in the re-engineering process immediately, in time to effect and enhance the performance of the program in the new fiscal year.

Women's Business Center: Implementation of Recent Legislation

I would now like to address the committee regarding our plans to implement the legislation included in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery and Iraq Accountability Appropriations Act of 2007, and some remaining questions we have regarding the legislations intent.

First, I would like to address the question of why we could not implement the new legislation in fiscal year 2007, regardless of the intent. When reviewing the legislation SBA noted that the legislation specifically states, "(b) Repeal- Section 29(l) of the Small Business Act (15 US.C. 656 (l)) is repealed effective October 1 of the first full fiscal year after the date of enactment of this Act." As you know, Section 29(l) governs the WBC program sustainability grants. The SBA can only operate under the newly legislated guidelines in the new section 29(m) once the date to repeal the old guidelines (October 1, 2007) has passed. To further complicate matters, the grant funds in question would have expired by then – on September 30, 2007, at which time the funds would be returned to Treasury if not obligated this fiscal year. We believe that view is also supported by the language establishing a "Transitional Rule" in section (b). Clearly if a transitional rule is required the legislation must require SBA to transition from 29(l) to 29(m). This position was further supported by the different language in sections 29(l) and 29(m), it was clear to SBA that these provisions were not to operate simultaneously.

The Agency would have also been unable to start the award process over upon passage of the legislation because there simply would not have been sufficient time to complete the new award process. The Request for Proposal (RFP) had already been issued several months prior to passage of the legislation, and in fact was nearing expiration, when this legislation was signed into law.

Second, I would like to also ask for clarification on the intent of the legislation. The new law, as written, gives graduated centers funding priority. The SBA currently has 26 additional centers that would require these grant monies. Based on the 2007 appropriation and with a mandate to fund graduated centers first, SBA would not have been be able to fund any new centers and would have been forced to significantly diminish funding to existing centers. We understand the intent of the committee is *not* to halt the growth of the WBC program, and would appreciate clarification regarding the stated "priority" as we look to develop our program announcements for FY2008.

Additionally, we are unclear on the Committee's intent regarding performance-based funding of centers. As you know, a key distinction of the WBCs, and a distinction the program centers are rightfully proud of, is that they each represent the best applications received by the SBA. That is to say, they have been awarded their grants in a

competitive process that values consistent performance. The graduated center priority does not clarify whether all graduated centers would qualify for funding based solely on years in the program, and not on performance. The SBA would strongly oppose giving grants to graduated centers regardless of their performance in assisting their clients. This would also contradict the intent of section 29(h)(2) of the Small Business Act which specifically references program examinations and the performance of centers funded through sustainability grants. Again, we would ask the committee for clarification on this matter.

I have full faith we can resolve the remaining issues in a manner satisfactory to all. To be clear, our intent is to implement this legislation in a timely manner, and continue to ensure the funding is an effective and reliable mechanism for the most deserving centers across the country. We will also use this opportunity to concurrently address the service issues that have been highlighted in my earlier testimony.

Government Contracting

Lastly, I would like to address contracting. SBA recognizes the need for improving our Government Contracting programs and is taking the lead, along with the Office of Management and Budget's Office of Federal Procurement Policy (OFPP), to carry out a number of initiatives, including working with agencies to ensure their small business contracting reports are accurate. The integrity of the data reported to Congress and the public is crucial to instill confidence in the Federal contracting system. Along with the Administrator of the OFPP, Administrator Preston issued a memorandum to all federal agencies requiring them to review their procurement data and identify any necessary changes to help resolve apparent discrepancies in the Federal Procurement Data System.

Although the Federal government was not successful in meeting the procurement goals for HUBZones, women-owned small businesses, and service disabled veterans, the report shows that contracts with women-owned small businesses from FY 01-FY 04 increased by $3.6 billion, going from $5.5 billion to $9 billion, which equates to 3.03 percent in FY 04. Nevertheless, we are still far short of the five percent goal.

Under Administrator Preston's leadership, SBA recently published the first Small Business Procurement Scorecard. The scorecard is a method to help ensure that Federal agencies provide the maximum possible opportunity for small businesses in the Federal marketplace, consistent with statutory contracting goals. It reflects current performance at the time of publication, as well as progress being made in improving such performance. The new scorecard uses the same approach as the President's Management Agenda to ensure that agencies have clear goals and action plans, and are regularly assessed on their performance, and data integrity is a key element of it. Additionally, the Scorecard is an important tool to both increase procurement opportunities for small businesses while more accurately measuring individual Agency's results.

We have developed simple, straightforward, and measurable criteria for the government-wide Small Business Procurement Scorecard. SBA implemented the fist Scorecard for FY 06. Every six months the Scorecard will allow agencies to measure their achievements and progress in making contracting opportunities available to small businesses, and provide the public the opportunity to assess agencies' performance in meeting their goals. SBA's purpose in implementing the Scorecard is clear: to ensure agency compliance with small business goals individually and as part of the overall small business goal.

The SBA is committed to furthering our positive impact on women in business across our lending, contracting and technical assistance programs. We have begun the process towards greater transparency and accountability, though there is still work to be done to improve our service model, especially with regards to grant disbursement to WBCs. We welcome the findings of the Inspector General audit report to inform our way forward, and I look forward to working with my colleagues in the Agency and the Committee in the coming months to implement their recommendations.

Chairman Kerry, this concludes my testimony today. Thank you.

Chairman KERRY. Thank you, Mr. Prakash. We appreciate it.

With respect to the 120 days, when does that begin to toll?

Mr. PRAKASH. That begins today, sir.

Chairman KERRY. Only today? So it is 120 days from today?

Mr. PRAKASH. Correct.

Chairman KERRY. Why would it not have been previous to today? I don't quite understand that. Why would the bell toll starting today?

Mr. PRAKASH. Senator, as legislation was passed, we did receive notice of the legislation passing about 2 weeks after the bill had been signed. We looked at it, and we did get the General Counsel's response, again, that we could not implement the program until after October 1 due to the section that talked about repealing Section L on October 1 and then moving forward with Section M. Again, the legislation was——

Chairman KERRY. I know there was a disagreement, and there now isn't a disagreement, but I suppose the question—I don't want to waste a lot of time going back into what the reasoning was—but it is pretty hard to understand why, based on what we were trying to do and on the intent which you all agree with now, there wouldn't have been a simple interpretation that we were looking for and the paragraph that we passed in order to change the process was, in fact, the operative paragraph.

Mr. PRAKASH. Senator, I think the intent was clarified for us with the exchange of communications between the Committee and our agency. Again, we received that clarification, and we are ready to move forward.

Chairman KERRY. The IG report recommends two very easy fixes. One, putting training in handbook and program changes online, which it seems to me is sort of a no-brainer in today's world, and allowing Women's Business Centers to provide missing or incomplete sections of their application without resubmitting an entirely new application. Are you prepared to implement both of those?

Mr. PRAKASH. Yes, I am, Senator.

Chairman KERRY. Is there any reason why the agency needed to be prodded from outside to do that?

Mr. PRAKASH. Senator, I can only speak to what I believe is a long history of, again, the program ramping from 13 centers to 96 and the processes and policies not ramping with it. So I don't believe there is any reason we can't fix it, and again, we embrace this Committee's efforts to engage the IG to highlight some of these areas that just were not being necessarily watched.

Chairman KERRY. You know, one of the things that I think bothers Senator Snowe and me—and we have had reversing roles here for a period of time—there just seems to be a constant process where you all come up here and you get prodded by the Committee and you sit there and you say, "Boy, that sounds good. Yes, we are going to do that going forward," et cetera, and we are sort of always having to ask you to do something or push you to do something or prod you to do something. Of course, in these hearings, it always makes a lot of sense, and then we go back to this struggle.

I think there is a frustration level with this, that Members of the Committee on both sides feel. Where is the proactive sort of vision-

ary leadership where you come up here and tell us, here is what we are doing to make life easier for these folks?

Mr. PRAKASH. Senator, I certainly can't speak for my colleagues who have been here before. I have been in the office since May and immediately——

Chairman KERRY. That is the other thing that happens. We keep getting people sent up here who have had about a month at the agency.

Mr. PRAKASH. Senator, I can tell you that the Administrator, having finished his first year, in my estimation, has provided visionary leadership and given me full autonomy to fix this issue and streamline other programs that are also under my purview, including the Small Business Development Centers and SCORE.

Chairman KERRY. What is going to happen with respect to the complaint from many of the folks that they get sent back and forth between the offices in SBA? The IG report specifically mentions communication and coordination problems with the Women's Business Ownership and the Grants Management Office. Are you undertaking steps to guarantee that that coordination is present where it hasn't been?

Mr. PRAKASH. Yes, Senator. I can tell you that right now, there are just far too many touch points within the agency that are creating the opportunity for paperwork to be lost, for misinterpretation of requests, for a different response to different Women's Business Centers. We are going to standardize that and limit the touch points. I am already exploring ways that we can look at some of the Centers of Excellence around Government. We have spoken to several that manage much larger grant programs than even the Women's Business Centers and we feel that would be a great option. It will allow transparency. It will allow Women's Business Centers to work with an automated system, have full transparency as to where their case is or where their application is, and——

Chairman KERRY. Well, that would be terrific. I mean, the sooner you can get something like that, the happier a lot of people would be.

What about the changing requirements that the report also talks about before the centers get grants, these requirements constantly changing and then there is a delay as a consequence?

Mr. PRAKASH. I think the requirements changing is a byproduct of the fact that there are two offices within the agency today working with the Women's Business Centers. Again, the IG report identified the Office of Women's Business Ownership, which sits in the Office of Entrepreneurial Development, which is my office, and then there is the Division of Procurement and Grants Management. The two offices have not communicated well. They have, therefore, had these communications with the Women's Business Centers which at times have been inconsistent, depending on which office was leading those communications.

Chairman KERRY. Is that clarified now?

Mr. PRAKASH. We are keenly aware of it and have been keenly aware of it. I think the IG report, frankly, helps us get our arms around it and address it immediately, whereas before, some of these issues are longtime management, people, and cultural issues that are hard to address.

Chairman KERRY. Well, do you believe the money will get to the centers faster now?

Mr. PRAKASH. Based on what we have reviewed as far as other programs that are out there in the Federal Government, they are telling us that in their automated systems, they range anywhere from 3 to 15 days.

Chairman KERRY. With respect to the procurement program, it is supposed to be in place less than 2 weeks from today. Will it be?

Mr. PRAKASH. Senator, what the SBA has done to move that forward, we have submitted the draft final version of the rule to OMB. That was submitted on April 23. It is currently in the interagency process that is managed by OMB. We are hopeful we will get a response soon, but as you know, it is a complex rule. It is not a typical rule. And they are commenting basically on—the 24 agencies that effectively have procurement programs have to all make comments on the impact of a Women's Procurement Program.

Chairman KERRY. In other words, it won't be in place in 2 weeks?

Mr. PRAKASH. I couldn't say. I can't speak for OMB——

Chairman KERRY. Well, if you don't have a rule, if you don't even have a rule yet, you haven't got any implementation orders or anything.

Mr. PRAKASH. The draft rule is written and has been submitted. Again, it is——

Chairman KERRY. Well, this is April, you said, right?

Mr. PRAKASH. Correct, Senator.

Chairman KERRY. So what happened in May, June, July, August?

Mr. PRAKASH. It has been reviewed by 24 different agencies, Senator. I can't speak for the pace at which those agencies can review.

Chairman KERRY. Well, do deadlines mean anything?

Mr. PRAKASH. I think they do, sir.

Chairman KERRY. What do they mean?

Mr. PRAKASH. I think the deadline, the intent, and I again can't speak for my colleague, was to make sure that we were doing everything as an agency possible to move this forward. What we had to do and follow the process of rulemaking is to submit our rule to OMB. Again, we cannot control process and progress, although we are doing everything we can to track it and move it along.

Chairman KERRY. Well, I am not sure what—I am going to talk to Senator Snowe and try to figure out with her what we think we ought to do here. Because I have got to tell you, I mean, she said 6 years. I said 7. I guess it depends on when we begin to count. But call it 6. Call it 5. Call it 4. It is just disgraceful. I know you weren't there then, but it is disgraceful. This sort of a complete indifference to the law, to a sort of pride in job and in accomplishment. I don't know what it is. It is either an indifference, or an arrogance. It is one or the other. But either way, it is pretty unacceptable, when you say April, whether there were 5 or 6 years prior to April, where this thing has been sitting out there.

I think this Committee really ought to think about what we can and ought to do to have the Administrator up here and have whoever is responsible for this up here to talk about it, if it can't get

implemented. It has got to get implemented. You don't want to miss another $6 billion of procurement opportunity. I don't know. We have got to figure out what we are going to do, and we will figure it out.

Are we going to anticipate that this SBA implementation is going to actually address all of the disparities that have been present in the statistics we have seen in this?

Mr. PRAKASH. Senator, I believe you are referring to the Rand study?

Chairman KERRY. Yes.

Mr. PRAKASH. I have not personally read the Rand report. I have been briefed on its findings.

Chairman KERRY. Do you know which set of statistics are being used to create the program?

Mr. PRAKASH. At this time, there is an active dialogue on that. What has been placed for comment is the opportunity for agencies to weigh in on the effect of either rule on moving forward with a program.

Chairman KERRY. Senator Snowe.

Senator SNOWE. Thank you, Mr. Chairman.

Well, as you can detect, it is a deep-seated frustrating with the way the SBA has consistently approached the Women's Business Centers and the Women's Procurement Programs and Set-Aside Program. Obviously, it does display a complacency or a disregard for the value of those programs and women entrepreneurs.

There was a recent training conference here in Washington with the SBA and the Association of Women's Business Centers where there was a lot of conversation about all of this. I think those conversations are illustrative of the failure of the SBA to implement the 3-year renewal program. I mean, it seemed to me that was pretty obvious how the new grants should be implemented and it is just hard to understand as to why, exactly, the SBA refused to do it. It was clear under the law that the SBA could have moved forward.

There is a general feeling that there is a disconnect between SBA and the Women's Business Centers in terms of attitude, philosophy, and the culture at SBA. This disconnect is reflected in the way the agency treats this program. I can understand why there would be this widespread sentiment among these participants, in terms of the attitude of the SBA towards the Women's Business Centers Program, because there have been repeated setbacks to the program, certainly illustrated by the contracting set-aside. It is just almost hard to imagine you don't implement something for 6½ years. So here we are.

So you can understand why we feel the way we do today. I guess I would like to just get a clearer picture this morning in terms of exactly what is going to occur, step by step, one, with the renewal program. It wasn't necessary to have the announcement of grants before they could apply. But I would like to know, step by step, the implementation plan for the renewal grants and what we can expect by when. So can you give us, first, an understanding when the steps will be implemented exactly?

Mr. PRAKASH. Yes, Senator. Absolutely.

Senator SNOWE. And two, what are you doing now to prepare for the new program? When do you plan to publish the announcement of new sustainability grants? Is that going to be soon?

Mr. PRAKASH. The current winners, or this year's grant recipients?

Senator SNOWE. The new ones.

Mr. PRAKASH. The new ones. I will speak to that.

Senator SNOWE. OK. And how soon will these awards be made after the enactment of the appropriations for 2008, because obviously there is considerable lag time. So can you give us a complete picture in terms of the implementation of these renewal grants, and also speak to the overall attitude, because you can understand it is a compounding effect after a while.

Mr. PRAKASH. Absolutely.

Senator SNOWE. Will you also speak to Mr. Shear's issue that there a difference in philosophy, between SBDCs, SCORE and Women's Business Centers in terms of clients served? There are obviously some issues here that need to be resolved.

Mr. PRAKASH. Great. Thank you, Senator. I will speak first to your earlier comment about the training conference. I attended the Women's Business Ownership and AWBC conferences as we were co-hosting, and I did ask Ann Marie Almeida, who is executive director of AWBC, to convene a focus group of center directors so I could speak to them personally with our Office of Women's Business Ownership management outside the room and to get some real candid and curt feedback, and I did. I really appreciated some of the experiences that they have had. I was, frankly, embarrassed by some of them, and I was very happy to also hear from them some real concrete solutions and ideas that they had that would enrich not only their ability to do their work, but also allow us to maintain some semblance of due diligence that is required by the legislation. So I did hear them, and it is from that discussion and from the IG's report that we have a number of recommendations.

One of the historic trends in this program has—because the amount of sustainability funding and appropriations prior to the new legislation varied from year to year, there was an admittedly conservative approach by the agency to wait for appropriations so they knew how much money was available. I believe we now hear from the IG, and I have looked at it closely, we believe we can get those program announcements out much more quickly, and again, we will just have to wait for notice of award upon appropriations.

As I mentioned previously, the first step in implementing this is to issue the new program announcements. We are underway in looking at the previous program announcement. As you read in the IG testimony and from the GAO testimony, the previous program announcement itself needs to be revised significantly, not only to reflect the new legislation, but also just to, I believe, revamp and retune the requirements that we put on the applicants for the grants.

I am proposing that that will take us 60 days. It takes us 60 days, one, because we internally have to rewrite these program announcements. We have to review them. We would like to get comment from the AWBCs to make sure that they can have a chance to look at it and give us some informed comment before we go pub-

lic with something that they are not supportive of. And we also have to get the internal clearances from the Office of General Counsel to make sure we are not asking for something that we cannot legally ask for in an application. So that is a 60-day process that we are committed to follow, and again, we are talking in the next 60 days, not after the next fiscal year.

We will then publish those program announcements as per the previous plan to publish. Program announcements have in the past—historically been published for 30 days and we have found that that is the optimal amount of time for Women's Business Centers to receive the announcement, react to it, consider the requirements, assemble them, ask any clarifying questions, and then submit those applications. In the past, we have actually gotten feedback that 30 days wasn't enough, that we may want to keep it open for longer. However, we think, in most cases, 30 days has been a manageable amount of time for most Women's Business Centers to get their package together in time.

Once we have published that program announcement, 30 days will pass. We will have received new grant and sustainability or, excuse me, renewal grant applications. We will then have to review all applications received, which at this point we do receive a significant amount of applications. This year we received 60 applications for the new center grant opportunity. So that is a significant selection process. Again, I want to bring that back down to 30 days, lock people in a room, have them read every application, and score it right there on the spot, and make sure we get those done and turned around in a timely manner.

And that is the 120-day process in which we will be ready once appropriations hits, as soon as practicable after that point from a legal perspective to issue the notice of award.

Senator SNOWE. Mr. Shear or Ms. Ritt, can you comment on what Mr. Prakash has just mentioned, anything based on your review that you think is consistent or inconsistent with what you have identified as problems?

Mr. SHEAR. Can I start with——

Senator SNOWE. Yes.

Mr. SHEAR [continuing]. What I will call the coordination issue among the three programs, if I could go through each point there, the oversight issue and then implementing the renewable grants? Could I go in that order?

Senator SNOWE. Yes.

Mr. SHEAR. OK. Thank you. On the coordination issue, something that shows up over and over again is the failure to use technology and to come up with clear, formal, structured guidance that in this case WBCs could use to help facilitate their coordination.

We observed some very, what could be called, best practices or promising practices used by WBCs in coordinating in their own areas, and we also had some who just said, we are challenged by this and we are looking for guidance from SBA. One of the promising practices is in our written testimony, an example from Wisconsin, but there are many more. And just at the real simple level, use of a Web application and trying to use technology to create some structure could provide some guidance. I think that this is what the Women's Business Centers are looking for, and it is what

is really called upon if SBA has these requirements, and they are statutory requirements. So some of that could start at a very simple level, but it involves use of technology.

As far as the oversight issue, it is a question of resources and expertise. I know it is just meant as kind of an expression, we are going to lock people in a room to look at applications, but the question is of having a structure in place and part of that can involve technology. Part of it can just be, let us come up with a plan on how we are going to do this and coordinate these offices. Over the course of time that we have done our review on the reimbursement question which we have deferred to the IG, there was basically one change the District Office Technical Representatives used to be involved with reimbursement. So that has changed in the last year. But it is a very tiny move.

So I would hope that this proactive approach he is talking about for looking at the oversight issue could be improved. Technology could be improved, that capacity, training needed for the DOTRs, a rationalization of how much they can have on their plate at any one time. We would hope that those were things that they could look at proactively.

On the funding issue, I am glad to hear for the first time that they are consulting with other agencies as far as how they could get the funds out in the absence of an appropriation. Basically, based on our knowledge of programs—and we do look across the Government—our discussions with our appropriations lawyers, agencies do things all the time where they are going through a grant application process with the idea that they can go through the application process with the understanding that they have to wait for the appropriation to actually expend the funds. We would hope that they would be able to learn some lessons from what other agencies do in this area because basically you have a number of policy choices here, and if the policy choice is what it seems to be, there are actions that can be taken.

Senator SNOWE. Well, you raise a very important point about structure, and specificity, and the need for a definite program in place to address these issues. Rather than just sort of casual ad hoc management, Mr. Prakash, I think that Mr. Shear makes a very good point that there needs to be some certainty and predictability to the type of structure and program in place. In order to realize results and deadlines, and whatever else is necessary requires certainty. That doesn't sound like that is what is going to happen. It is just going to be, hopefully it is going to work, but maybe not. You have got to hold people to deadlines. I appreciate it. Thank you.

Chairman KERRY. Thank you, Senator Snowe.

Senator Enzi.

Senator ENZI. Thank you, Mr. Chairman. Ms. Ritt, your written testimony reveals some troubling statistics regarding the ability of SBA to make payments in a timely manner. Could you give us some specificity on how this problem has affected the operation of the centers that you investigated and maybe give us some idea of whether it is possible for SBA to announce grant opportunities earlier in the fiscal year and how that would help?

Ms. RITT. Sure, Senator. Some of the things that we heard from the Women's Business Centers that we surveyed was that the payment delays were so egregious in some instances that they had to turn to bank lines of credit or to their parent organizations for funding. In some cases, they had to lay off staff, curtail operations—that sort of thing.

I think that there are many opportunities to streamline the process. Like we said in the report, first of all, doing concurrent reviews of each year's appropriation and the grant announcement, those reviews could probably be completed within a month.

And then I think they also need to decouple the evaluation of existing Women's Business Centers who are returning every year for the remaining years on their grant from the evaluation process that they use for new entrants into the program. The returning centers do not need to compete for funding. All that is required is an evaluation of their performance, and some of that information comes at year end because they have to determine the impact that the centers have had by surveying their customers, and then they have to approve the budget that the centers submit. So for the majority of these centers, I would see that they could probably get an award within—or get the payments within 3 months. The new centers, however, would have to submit a brand new proposal and go through a more rigorous evaluation process.

Senator ENZI. I am glad to see Mr. Prakash taking some notes there.

Mr. Shear, your study found a significant number of centers expressed a concern about communication with the SBA. Did centers indicate whether these difficulties extended to the regional offices, and does feedback differ between the centers that have graduated, versus those that have recently been established?

Mr. SHEAR. The concerns tend to be that there are these monthly conference calls and the centers don't find them to be really an effective means to get feedback on their performance and other matters. I will go back to the idea of having something structured and formal in place because certain operations can greatly lead to improvements in such interaction.

There are certainly concerns about District Office Technical Representatives that are stretched too thin and may not have the appropriate expertise, things that I would say are related to the reimbursement issue that the IG's Office has taken the lead on.

As far as whether new, versus those who have graduated, where most of our interaction has been with those that are still in the new and new sustainable grants, as far as differences there, I really can't say that we have any finding as far as which ones expressed more concern about the lack of communication and structure.

Senator ENZI. Thank you. My time has almost expired. I yield back.

Chairman KERRY. Thank you, Senator Enzi. I appreciate it.

Senator Thune.

Senator THUNE. Thank you, Mr. Chairman and Senator Snowe, for holding the hearing today, and I appreciate the testimony of our witnesses and thank the panels for joining us today, as well. I think these are effective forums for us as Members of Congress to

better understand the critical role that women play in our Nation's economy. It also provides us with an opportunity to ensure that the programs that we have created are successful, that they help those who need it the most and that they are not overly burdensome.

The good news is the availability of opportunities to women businesses has been improving in recent years. Currently in my State of South Dakota, just over 38 percent of all privately-held firms are at least 50 percent women-owned. These women-owned firms generate $4.6 billion in revenue annually and employ about 37,000 people.

While those statistics are impressive, more work still needs to be done and this is especially true in South Dakota and other rural States where we have smaller populations and larger distances that sometimes make it difficult for individuals to transform a good idea into a successful business.

So I again want to thank our witnesses for being here today, for being willing to testify before the Committee. Your input along with that of our constituents gives us a good information base on which to draw when we make important policy decisions, and those decisions hopefully will continue to help strengthen America's women-owned small businesses.

I just have a couple of questions I would like to pose to this panel. First, to Mr. Prakash, the IG report spends a great deal of time discussing the divide that exists between the Program and Grant Offices, and I guess my question is, do other programs have this dual processing, and if so, do they run into similar problems?

Mr. PRAKASH. Senator, thank you for the question. I think all the grant programs and contracting programs go through the division of programs and grants management. I will say that it varies throughout the agency. I think my fellow panelist from the GAO has spoken to leveraging technology, leveraging different structures to manage a grant and contracting program, and depending on how manual or paper-based the process is, how many hand-offs have to go down to grants management. I think you will find that it varies, but most cases where there is a double touch-point, there are issues and challenges in coordination and communication.

Senator THUNE. Ms. Ritt and Mr. Shear, you both discuss how communication problems between the SBA and the WBC, Women's Business Centers, are a continuing problem. In conducting the research, did either of you learn in what way WBCs would prefer to have this communication improve?

Mr. SHEAR. Yes, I will go first. It is clear to us what the WBCs find less useful, which is relying on the monthly conference calls which they don't think is that good of a forum for all types of communications, they are asking for structure and guidance and it is not clear that they are getting consistent guidance and coordination, those type of issues. It is from that—this is still ongoing work for us, but I would say in terms of the recommendations that we plan to make, we expect to make in our final report when it is issued will be what we think are ways, based on the input we have received from WBCs and others, that we think could help this process. But more of what we have received is what could be called challenges associated with the current processes.

Senator THUNE. I am sorry. Ms. Ritt, did you want to respond?

Ms. RITT. Yes. I just wanted to say that we did a survey of the Women's Business Centers and they had many good suggestions. Many of them thought that automating the process would prevent their paperwork from getting lost in the mail because that was a big source of frustration, having to resubmit things multiple times. They thought using Web-based instructions and guidance would be a good way to communicate changes in requirements. And I think they favored the idea of more transparency so that when they called someone, they could find out the status of their request. So a tracking system that would let them know where it was in the process would be very helpful.

Senator THUNE. Mr. Shear, I am sure you have already answered this question, but when is your final report?

Mr. SHEAR. I haven't answered it yet, actually. We plan to issue it by the middle of November—there will be a period of time where we will be providing a draft report to SBA for comment, and that is an important part of our process, to get their comments and incorporate those comments into our final report. Then we plan to issue it in the middle of November.

Senator THUNE. We will look forward to seeing that final report when it is ready.

Mr. SHEAR. Thank you.

Senator THUNE. Thank you, Mr. Chairman.

Chairman KERRY. Thank you, Senator Thune.

Mr. Prakash, 120 days is January 18. I am inviting you back today, and I hope you will accept today to be back here before the end of January to review with us where we are with respect to these issues.

Mr. PRAKASH. Senator, I would be happy to.

Chairman KERRY. And I am also going to be issuing an invitation to the Administrator to be here at that time to also review the other issues the Committee has raised in the oversight hearings to date with respect to emergency, the disaster assistance lending, the procurement target goals overall, and other issues where we have had almost a similar kind of lapse, if you will, or gap between what the law is and what the SBA has done.

All of us on the Committee recognize that Mr. Preston is working hard to achieve these things. He came into a situation that was difficult. We understand that. But that will be well more than a year that he will then have had the helm of the agency, and I think it is important for the entire small business community to know where we stand with respect to all of the issues that have been raised in the context of oversight this year.

So I just want to serve that notice to the agency, and I think it is fair to say that the Committee would expect the budget requests for next year's budget to reflect what you have talked about in terms of shortfalls and inability to do the job. We don't want to come in here and be told, you know, the budget is short, or we are not able to do it. It is time for this entity to live up to the expectation that the law requires and that the community is waiting for.

Senator Snowe, while you were gone, I said 120 days is January 18 and before the end of January, we are going to revisit these and the other issues that the Committee has, and I think that is fair notice to you and the Administrator. I think it is a fair expectation.

Mr. PRAKASH. We welcome the opportunity to return and tell you how we have improved the program.

Chairman KERRY. Good. On that note, we ask for the second panel, please. Thank you very, very much, each of you. We appreciate it.

Thank you all for coming. Thanks for your patience. We appreciate it.

Ms. Goldsmith, we will begin with you and we will just run right down the table. Thank you all.

STATEMENT OF WENDI GOLDSMITH, PRESIDENT, BIOENGINEERING GROUP, SALEM, MA

Ms. GOLDSMITH. Good morning. Thank you all for inviting me. I am really honored to provide some testimony that can hopefully influence and help advance the Women's Procurement Program in particular.

I have 15 years of experience as a business owner and Federal contractor, and I can speak from that experience and hopefully share some——

Chairman KERRY. Could you pull the microphone a little closer, Ms. Goldsmith——

Ms. GOLDSMITH. Sure.

Chairman KERRY [continuing]. And Mr. Prakash, I appreciate your staying to listen.

Ms. GOLDSMITH. My company began working on small-scale projects tied to wetland restoration and river and coastal flood protection providing certain research and development and technical training to the U.S. Army Corps of Engineers through their Waterways Experiment Station. We work for other clients, too. And over the years, due to their technology transfer agency function at the Waterways Experiment Station, we were introduced to a number of other Corps of Engineers districts.

We began small, performing small engineering projects, mostly on a pilot scale, but over the years, we were afforded incremental opportunity to take on larger responsibilities. Within the last year, we formed a joined venture with ARCADIS, the Dutch-owned firm regarded globally for their expertise in sea defense engineering, and our joint venture has received $200 million worth of contracts to date with the U.S. Army Corps of Engineers focused on planning, design, and construction management of improved hurricane protection infrastructure and related coastal wetland repair in Louisiana.

I have been told by the Corps of Engineers that our $150 million contract is the single largest Federal civil engineering contract ever awarded, so clearly this is a success story for women-led business enterprise.

My firm is essentially an engineering company, but we are not conventional civil engineers. We are an interactive team of ecologists, earth scientists, landscape architects, and engineers from different disciplines. We don't just plan, design, and oversee the execution of various large land development and public infrastructure projects. We help involve the community in the decisionmaking process and we all work together to achieve environmentally beneficial, sustainable outcomes. We see each project budget as an op-

portunity to leave the human and ecological communities in better shape, and we pursue the triple bottom line of economic, social, and ecological benefits in relation to project costs. We find this approach avoids many problems, wins support from many corners, and most of all, leaves the project team really proud of our results.

It is extremely unusual for an engineering firm to be founded and managed by a woman, and a non-engineer at that, and I believe our culture, which is unique, is in fact influenced by my leadership style as a woman, fostering communication and participation by people with differing perspectives. In short, I see women leadership in business as a plus.

Regarding any constraints, I can speak best about my personal experience in the industry in which I have spent my career, and believe it or not, the engineering and construction world is still heavily dominated by men. Although women have become increasingly involved, the number of women in decisionmaking roles remains quite small, and in the first decade of my career, I estimate that fewer than 2 percent of decisionmakers who were involved in selecting, approving, or managing contracts awarded to my firm were women, and typically those women were, in fact, relatively new to their roles and wielding less influence than their male counterparts.

This is important because as an engineering consultant, selection is based not on price, but on assessment of qualifications, and most importantly, on relationships and past track record. It is virtually impossible to win work through a competitive process without a level of comfort that comes through personal relationships, be they long-term relationships—going to school together, working together or what have you, or the rapidly-formed relationships that can be developed in a sales and marketing process. In my early career, I often faced situations where I was selling to a group of people who did not look like me, and it was an uphill process.

One way that small business typically gained experience, especially in Government contracting, is through teaming with large businesses and other businesses, and of course, there are requirements for large businesses to share work appropriately through subcontracting plans. However, women still face disproportionate hurdles in forming teaming relationships with large firms and at times actually suffer some unfair costs because of how these programs are set up.

In many cases, small firms are recruited onto teams to help win work as called for in contract solicitations. We appear in the proposals, often at great expense to the small and minority and women-owned businesses due to the work related to researching and compiling proposal materials, only to never actually receive work under the contract. I cringe to recount how many times that happened to my firm and to tally how much money, namely hundreds of thousands of dollars my firm involuntarily contributed in order to help other firms win and perform work, while we received none or sometimes a token amount.

I can also say there were certainly cases where the relationships were fair and responsible and helped really build that track record through teaming. But the times when we were treated unfairly and at great cost to us were not any kind of exception, they were an

oft repeated pattern, and I believe, in fact, this pattern is inadvertently caused by current small business subcontracting program structures.

One key step to changing this pattern and relieving women-owned firms of the extra burden of participating in these proposal efforts that yield no subcontracting fruit is to promote prime contracting opportunities directly for qualified women-owned firms through set-asides and other means.

Additionally, the small business community and, in particular, women-owned firms would welcome greater enforcement of existing small business subcontracting rules so that our efforts don't fail to bear fruit.

In my view, sole-source contracting is also a valuable tool to boost the position of women-owned business. I experienced sole-source contracting, first by virtue of being recognized for providing truly unique technical expertise that could only be accessed by the Government that way, and then later, through 8(a) status which afforded my firm sole-source contract access.

By gaining Government contracts through these mechanisms, I continued to grow and evolve my business, build relationships, and establish the technical track record that allowed me to, in turn, advance through other channels, including outside the Federal market.

The 8(a) program also facilitated two mentor-protege relationships over the last 6 years which helped provide management, financial and technical support during challenging periods of growth for my business. Similar mechanisms, I am confident, would be very beneficial to other women-owned business.

In addition to benefitting the business who receives sole-source contracts, I would also like to point out what has often been a clear advantage for the clients who access our firm that way. Sole-sourcing affords the chance to openly negotiate a set of services, often through thoughtful collaboration between the user and the service provider. The conventional approach to contracting typically forces a separation between the contractor and the end user, and this approach can typically dampen innovation, or tailored problem solving, generally inviting or even enforcing that the methods used to perform the work will be established methods, not innovative ones.

My firm has performed some first-of-a-kind work, some urgent deadline-driven project facilitation, and other high-performance consulting and design services for agencies that could not have accessed the level of quality, creativity, and efficiency through conventional acquisition methods. For instance, we have led the Department of Homeland Security through the process of incorporating green building principles into their new facilities by performing an award-winning level of detailed design and cost estimating work, and we also found ourselves guiding and clarifying for our client, along the way, how and why the green building approach differs from conventional design decisionmaking, and generally helping to advance the green building policy within the agency through our outreach efforts.

In another case, we performed the stakeholder coordination and due diligence process for a transfer of 62,000 acres of Special Con-

servation Land in California. This land transfer had been stalled in the Army BRAC process for 15 years and our innovative and tailored approach helped the Army Corps solve their thorny issue, while saving time and money to the Government.

These examples illustrate how sole sourcing can benefit Federal interests, not only the firms receiving the contacts.

I would like to recommend and support any measures that will help other qualified women business owners take their vision of success and their commitment to problem solving into the Federal marketplace with improved policies to help reduce the burdens they will face along the way. All entrepreneurs bravely face risks, and now would be a good time to clear away some of the special obstacles that interfere with women conducting business in the Federal sector. We are going to serve the country well, and not only by performing and keeping with expectations, but in many cases by exceeding and redefining them.

Thank you very much.

[The prepared statement of Ms. Goldsmith follows:]

Wendi Goldsmith, President
Bioengineering Group
18 Commercial St.
Salem, MA 01970
617-901-2306
wgoldsmith@bioengineering.com
www.bioengineering.com

20 September 2007

Testimony to US Senate Committee on Small Business & Entrepreneurship

I am honored to be invited to provide testimony which may help in the formulation and adoption of proposed programs to assist women owned businesses, and particularly those who contract with federal agencies. The firm that I founded in 1992 has been growing, evolving, and working for federal agencies and other clients for over 15 years. Although I am fortunate to have experienced much success along the way, there have been many obstacles and a few near death experiences as an entrepreneur. I am happy to share some of my experiences and lessons learned to help foster insight in federal small business contracting practices, issues related to teaming with large firms, obstacles faced by entrepreneurs, and special constraints encountered by women in business.

My company began working on small-scale projects tied to wetland restoration and river and coastal flood protection, providing research and development and technical training to the US Army Corps of Engineers Waterways Experiment Station and a smattering of other clients. Over the years, due to the technology transfer function of the Experiment Station, we were tapped by a growing number of Army Corps Districts. We began small, performing engineering work initially on pilot scale jobs, but we were afforded incremental opportunities to handle increasingly larger projects. Within the last year, we formed a Joint Venture with ARCADIS, the Dutch-owned firm regarded globally for their expertise in sea defense engineering. Our Joint Venture has received $200 million worth of contracts to date with the US Army Corps of Engineers focused on planning, design, and construction management of improved hurricane protection infrastructure and related coastal wetland repair in Louisiana. I have been told by the Corps of Engineers that our $150 million contract is the single largest federal civil engineering contract ever awarded, so clearly this is a success story for women-led business enterprise.

My firm is essentially an engineering company, but we are not conventional civil engineers, we are an interactive team of ecologists, earth scientists, landscape architects, and engineers of different disciplines. We don't

just plan, design, and oversee the execution of various land development and public infrastructure projects, we help involve the community in the decision-making process, and we all work together to achieve environmentally beneficial outcomes. We see each project budget as an opportunity to leave the human and ecological communities in better shape, and we pursue the triple bottom line of economic, social, and ecological benefits in relation to project costs. We find this approach avoids many problems, and wins support from many corners, and most of all leaves the project team proud of our results. It is extremely unusual for an engineering firm to be founded and managed by a woman, and a non-engineer at that (since I am trained as a scientist and designer) and I believe our culture is indeed influenced by my leadership style as a woman, fostering communication and participation by people with differing perspectives. In short, I see women leadership in business as a plus.

Regarding the constraints, I can speak best about my personal experiences in the industry in which I have spent my career. The engineering and construction world is so heavily dominated by men, that although women have slowly become more involved, the number of women in decision-making roles remains quite small. In the first decade of my career, I estimate that fewer than 5% of the decision-makers who were involved in selecting, approving, or managing contracts awarded to my firm were women, and typically these women were relatively new to these roles, hence wielding less influence. This is important because as an engineering consultant, selection is based not on price, but on assessment of qualifications, and most importantly on relationships and past track record. It is virtually impossible to win work through a competitive process without a level of comfort that comes through personal relationships, be they long-term relationships or the rapidly formed relationships that can be developed in the sales and marketing process. In my early career I often faced situations where I was selling to people who "did not look like me" and it was an uphill process.

One way that small businesses typically gain experience, especially in government contracting, is through teaming with large business, and of course there are requirements for large businesses to share work appropriately amongst small businesses. However women still face disproportionate hurdles in forming teaming relationships with large firms, and at times actually suffer unfair costs. In many cases small firms, including women owned businesses are recruited onto teams to help large firms win work as called for in contract solicitations by appearing in the proposals (often at great expense to the small minority and women owned business due to the demands of researching and compiling proposal materials) only to never actually receive work once the contract is awarded. I cringe to recount how many times that happened to my firm, and to tally how much money, namely hundreds of thousands of dollars, my firm

involuntarily contributed in order to help other firms win and perform work while we received none or sometimes a token amount. I can also say that in many other cases the relationships were fair and responsible, though the times we were treated unfairly and at great cost to us were not rare exceptions, but rather an oft repeated pattern. In fact this pattern is inadvertently caused by current small business subcontracting program structures. One key step to changing this pattern and relieving women-owned firms of the extra burden of participating in proposal efforts that yield no subcontracting fruit is to promote prime contracting opportunities for qualified women-owned firms through set-asides and other means. Additionally, the small business community and in particular women-owned firms would welcome greater enforcement of small business subcontracting rules so our efforts are not exploited to help other firms win contracts which they then do not share as represented.

In my view sole source contracting is a valuable tool to boost the position of women-owned business. I experienced sole source contracting first by virtue of being recognized for providing truly unique technical expertise, then later through 8(a) status which afforded my firm sole source access. By gaining government contracts through these mechanisms, I continued to grow and evolve my business, build relationships, and establish technical track records which in turn improved my ability to compete through open channels including outside the federal market. The 8(a) program also facilitated two Mentor-Protégé relationships during the last six years which helped provide management and technical support during challenging periods of development for my business. Similar mechanisms would be beneficial to other women-owned businesses. In addition to benefiting the business who receives sole source contracts, I would like to point out what has often been a clear advantage for the clients who access our firm that way: sole sourcing affords the chance to openly negotiate a set of services, often through thoughtful collaboration between the user and the service provider. The conventional approach to contracting forces a separation between the contractor and the end user and this approach dampens innovation or tailored problem-solving, generally inviting or even enforcing that the methods used to perform work will be established methods. My firm has performed some first-of-kind work, some urgent deadline-driven project facilitation, and other high performance consulting and design services for agencies that could not have accessed the level of quality, creativity, and efficiency through conventional acquisition methods. For instance, we have led the Department of Homeland Security through the process of incorporating green building principles into their new facilities by performing an award-winning level of detailed design and cost-estimating work. We also found ourselves guiding and clarifying for our client along the way how and why the green building approach differs from conventional design decision-making, and generally helping to advance the green building policy within the agency through outreach efforts. In another

case we performed the stakeholder coordination and due diligence process for the transfer of 62,000 acres of land in California with special conservation value. This land transfer had been stalled in the BRAC process for fifteen years, and our innovative and tailored approach helped the Army Corps solve their thorny issue while saving time and money. These examples illustrate how sole-sourcing can benefit federal interests, not only the firms receiving contracts.

In general, as a woman business owner I have faced constraints tied to access to working capital and dismissive treatment by bankers; the need to figure out how and why to tap a network of mentoring and advisorly resources, then building one from scratch; and cultural challenges tied to recruiting and retaining male staff. But I won't dwell on these issues—though they are very real—since over I time I learned to overcome them. On the flip side, my firm has been greatly successful developing women leaders within the firm, and by building a diverse staff who thrive in a collaborative teamwork-based work environment. I remain very happy with the pursuit of my technical and entrepreneurial calling, and wish to continually share my knowledge and other resources to help others do the same. I would like to recommend and support any measures that will help other qualified women business owners take their vision of success, and their commitment to problem-solving into the federal marketplace with improved policies to help reduce the burdens they will face along the way. All entrepreneurs bravely face risks, and now would be a good time to clear away some of the special obstacles that interfere with women conducting business in the federal sector. We will serve the country well, not only by performing in keeping with expectations, but in many cases by exceeding and re-defining them.

Thank you!

Chairman KERRY. Thank you very much. Congratulations to you on what you have created. I will tell you, we have heard stories of these small entities that are used, literally used by larger ones to meet the qualifications and get contracts, and then they never see any of the work or any of the money. It is an issue the Committee needs to do some thinking about to see how we can create some accountability with respect to that.

Ms. Almeida.

STATEMENT OF ANN MARIE ALMEIDA, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ASSOCIATION OF WOMEN'S BUSINESS CENTERS, CAMDEN, ME

Ms. ALMEIDA. Honorable John Kerry, Chairman, the Honorable Senator Snowe, Ranking Member, Members of the Senate Committee on Small Business and Entrepreneurship, and your amazing staff members, greetings from Maine. My name is Ann Marie Almeida, and I am president and CEO of the Association of Women's Business Centers, and I am honored and pleased to participate today, both to thank the Members for their steadfast and continuing support for women entrepreneurship and also to raise some important issues for the Committee to consider with the SBA as we move forward.

I also submitted written testimony, which I would like to be read into the record, if you might.

Chairman KERRY. Everybody's testimony will be put into the record in full, and if everybody can just summarize in about 5 minutes, it would be helpful.

Ms. ALMEIDA. Great. That is all I am going to do.

I also want to thank the GAO and the IG. Their comments and their recommendations are spot on from the comments that I hear from the field. I am also interested in that January 18 update, so thank you for requesting that.

The AWBC is a national nonprofit organization representing Women's Business Centers and the women and men we serve. We were founded in 1998 to support entrepreneurial development for women as a way to achieve self-sufficiency, create wealth, and expand participation in community economic development through training, education, technical assistance, mentoring, developing and financing opportunities. The vision of the AWBC is a world where economic justice, wealth, and well-being is realized through the collective leadership and power of successful entrepreneurial women and now men. We are the organizing force of Women's Business Centers and the people we serve. Together in this place of hope, under this dome of possibility and in the halls of civil engagement, we are invited to interrupt the status quo and provide solutions and visions for our fellow Americans, and I am honored and pleased to thank you all for your good work.

In the wake of our recent Women's Business Centers Entrepreneurial Leadership and Training Conference that we had last week here in the District of Columbia, I bring rousing unanimous and heartfelt thanks from the leaders of the Women's Business Centers representing each of our 50 States for the introduction of the amendment to what became public law and provided permanent funding to the Women's Business Center Program. Our special

thanks to Senators Kerry, Snowe, and Sununu for introducing the amendment and for working for its passage.

The Women's Business Centers have a remarkable record of achievement over the past 19 years. This year, and in years past, we continue to provide counseling to over 150,000 clients annually, emphasizing outreach to the economically-disadvantaged women and women of color. We are also now proud to report that 20 percent of our clients are men. They are smartening up.

Results from the research conducted by the National Women's Business Council documents that the WBCs provide a staggering 15-to-1 return of investment on Federal tax dollars in businesses launched, revenues generated, and jobs created. You can't get a better ROI anywhere, as far as I know.

But in our dealings with the SBA, we have often been treated like a stepchild. With the passage of the legislation in May, we finally feel recognized for the hard work that WSBCs have accomplished over the past 19 years and we are grateful this program is now made permanent. It empowers our conversations with you and the SBA.

On the heels of this hope, we would like to address three specific issues that need your attention and certainly have our concern. One is the unequal and non-transparent level of funding for individual WBCs. Two is the lack of communication and uneven application of performance standards in evaluations. And three, significant delays in grant disbursements for WBCs.

One, the permanent funding allocation should be consistent and transparent. We constantly hear that the amount of grants awarded not only varies significantly across centers, but vary year to year within each center. We realize that part of this variance may be the appropriations level, but appropriations have been nearly flat for the past several years. The SBA has put in a tiering system for peer center funding, but the formula for tiering is not clear. The SBA is neither communicating the amounts of upcoming disbursements to centers nor the reasons why the amounts vary from each year and across centers. More clarity and transparency is essential.

We had a conference this year, had roundtable last week and had roundtable discussions, and what we hear from the field are simply this. Clarify tiering. I am quoting, "Clarify how to move to the top centers. Specify the factors that you use in weighting WBCs. We suggest a quality assurance program. Do away with the tiering. Give people the 150K if that is what is promised. If the centers aren't performing, put them on probation or let them go. Transparency must be communicated in all tiers."

Two, performance-based funding allocations should be communicated clearly and evenly. WBCs have struggled in recent years with a great deal of uncertainty, not only regarding whether they receive funding, but how much they will receive. The new legislation removes that uncertainty. It also will help to curtail the "black box" approach that has been recently taken up by the SBA with respect to per center funding decisionmaking. The centers also tell us, again from the field, I quote, "We need transparency in how milestones and benchmarks are set. Focus on results in addition to the numbers coming through the doors. Performance criteria should be in line with the center's population and not cookie-cutter.

Accept input from the WBCs for performance criteria. The performance needs to be transparent at all levels. Standardize the milestones and performance goals based on market size. We urge the Committee to clarify the performance standards."

Three, program disbursements should be made in a timely manner. We believe that both the names of the grant recipients and the value of the awards should be made public. The SBA has not fully disclosed this information. We suggest that these deadlines be established during the time when the SBA will disburse the awards. In recent years, many WBCs have waited months, sometimes until the end of their very fiscal year before they receive funds, even though they are still providing services. This puts our members, all of whom are relatively small nonprofits, in severe cash crunch flow. This has not set good money management examples for the center clients and it violates the Federal Government's Prompt Payment Act. We urge the Committee to communicate directly with the SBA on this matter.

The cry for improved payment process rings loudly across metropolitan, urban, and rural areas where Women's Business Centers continue to provide services on scarce resources. They are asking for streamlining the process for submission and payment in a timely manner. "The manual and antiquated cumbersome system needs to be upgraded, as we have heard, to be online, automated, speeded up. The turn-around time needs to be turned around. Be able to submit electronically and able to navigate the system."

While many Business Centers have noted improvement in the payment process, there is still room for improvement. An executive of the Women's Business Center in Chicago bitterly notes that she has reluctantly given the U.S. Government an interest-free loan of $220,000 for the 2 years while she has waited for her reimbursements.

There are so many success stories that breathe life into the numbers that Senator Snowe stated around the State of Maine. The Women's Business Centers have not only an economic impact on our State, but across the Nation, and in fact, we believe that their efforts are not only revitalizing communities and villages but, in fact, are helping to restore peace.

We thank the Members of the Senate Committee on Small Business for your longstanding support. We thank you for your recommended $16.8 million in appropriations and for all your efforts. We are in solid agreement that the SBA procurement process is long overdue, long overdue. We are honored to be here with you today, and we welcome any collaborative conversations. Thanks so much.

[The prepared statement of Ms. Almeida follows:]

STATEMENT REGARDING WOMEN'S BUSINESS CENTERS AND REAUTHORIZATION OF THE U.S. SMALL BUSINESS ADMINISTRATION

SUBMITTED TO THE
U.S. SENATE COMMITEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
THE HEARING:
" EXPANDING OPPORTUNITIES FOR WOMEN ENTREPRENEURS: THE FUTURE OF WOMEN'S SMALL BUSINESS PROGRAMS"
September 20, 2007

To The Honorable John F. Kerry, Chairman, The Honorable Olympia J. Snowe, Ranking Member and other members of the Senate Committee on Small Business and Entrepreneurship:

The Association of Women's Business Centers (AWBC), a national not-for-profit organization representing women's business centers and the women and men they serve, is pleased to provide both a written statement and oral testimony to the Committee on the occasion of this important hearing regarding women's enterprise development.

The AWBC was founded in 1998 to support entrepreneurial development for women as a way to achieve self-sufficiency, to create wealth and to expand participation in community economic development through educational, training, technical assistance, mentoring, development and financing opportunities. The vision of the AWBC is a world where economic justice, wealth and well-being are realized through the collective leadership and power of successful entrepreneurial women. As an organizing force of women's business centers and women business owners, the mission of the AWBC is to develop and strengthen a network of women's business centers to advance the growth and success of women business owners. The AWBC builds the capacity of women's business centers, develops public and private resources to support member centers, advocates on behalf of women's business centers and women business owners and otherwise promotes women's business development nationally and internationally.

I am honored and pleased to participate in this Committee hearing, both to thank the members of the Committee for your steadfast and continuing support for women's enterprise development, and to raise some important issues for the Committee to consider as you move forward with SBA reauthorization.

First of all, in the wake of our recently-completed WBC Entrepreneurial and Leadership Training Conference, I bring **rousing, unanimous and heartfelt thanks** from leaders of women's business centers from each one of our 50 states for the introduction of the amendment to what became **Public Law 110-28** on May 25 of this year, which brings **permanent funding to the**

Women's Business Center Program. Our thanks especially to Senators Kerry, Snowe and Sununu for introducing that amendment and working for its passage.

As the Committee members are well aware, the Women's Business Center program has been an important part of the SBA's entrepreneurial development efforts since the passage of The Women's Business Ownership Act of 1988. The program has grown from 4 "demonstration sites" in its first year to 99 SBA-funded Women's Business Centers (WBCs) in FY2007, with an additional 16 Centers currently operating outside the formal program.

Women's Business Centers have a remarkable record of achievement over the past 19 years, including impressive results in recent years as the program has come into its own. WBCs provide entrepreneurial training, technical assistance and counseling to over 150,000 clients annually, emphasizing outreach to economically disadvantaged women and women of color. We are also proud to report that nearly 20% of our clients are men. Results from research conducted by the National Women's Business Council in 2004 documents that WBCs provide **a staggering 15 to 1 return on investment of Federal taxpayer dollars** in businesses launched, business revenues generated, and jobs created.

Yet, in our dealings with the SBA, we have often been treated as a step-child because of our "demonstration project" status. With the passage of the legislation in May, we finally feel recognized for the hard work that WBCs have accomplished over the past 19 years. We are truly grateful that the program has now been made permanent – not the least because it will empower our discussions with Congress and the U.S. Small Business Administration to improve the program going forward.

That brings us to three important areas that we would like to make the members of the Committee aware of as you deliberate the reauthorization of the SBA – all of which could use significant improvement. These are:

- Unequal and non-transparent funding levels for individual WBCs,
- Lack of communication and uneven application of performance standards and evaluations, and
- Significant delays in grant disbursements for WBCs.

1. Per-Center Funding Allocations Should be Consistent and Transparent

In our discussions with our members – women's business center leaders – we hear constantly that the amount of the grants awarded not only vary significantly across the centers, but from year to year within each center. While we realize that part of this variance may be due to changing appropriations levels, when one looks back at the program over the past six years, funding has been nearly flat.

The SBA has put in place a "tiering" system for per-center funding, but the formula for tiering is not clear. The SBA is neither communicating the amounts of upcoming disbursements to centers nor the reasons why the amounts vary each year and across different centers. More clarity and transparency is essential to our WBC leaders – each of whom must have this critical information for cash-flow planning and program management

In a recent survey of our members, here is what they said about funding allocations:

- *Clarify tiering*
- *Clarify how to move to the top tier*
- *Specify the factors in weighting WBCs*
- *Suggest quality assurance committee*
- *Do away with tiering. Give everyone $150K. If not performing, put on probation and then if not performing – out.*
- *Transparency –<communicate> why WBCs are in certain tiers*
- *Transparency in the tiering system (rural vs. urban)*
- *Tiering is subjective; make the decisions based strictly on performance*

We are heartened that WBC funding will now be permanent, and performance-based. However, funding levels should be communicated clearly, and any formulas for per-center funding should likewise be communicated a priori. The process as it is applied now seems neither transparent nor fair, and makes it nearly impossible for WBC leaders to manage their centers' budgets effectively. We recommend that the SBA reauthorization legislation address this matter.

2. Performance-Based Funding Allocations Should be Communicated Clearly and Applied Evenly

Women's Business Centers have struggled in recent years with a great deal of uncertainty – not only regarding whether or not they will receive funding, but how much funding they will receive. Title II, Section 201, Subsections 2 and 3 of the SBA Women's Programs Act of 2007 will remove that uncertainty – establishing three "tiers" or cohorts of WBCs (new, adolescent, and established) and setting funding levels and budget allocations for each tier. We believe that the 40-20-40 allocation is eminently fair, and recognizes the economic contributions made by WBCs that have an established track record of service. It also acts to curtail the "black box" approach that has been taken lately by the SBA with respect to per-center funding level decision-making.

Knowing the performance is the cornerstone for continued improvement and client delivery services, Women's Business Center leaders request clearer information and transparency in the performance evaluations:

- *We need transparency of how milestones & benchmarks are set and how we can improve*
- *Results driven in addition to the numbers coming through the door*
- *Performance criteria should be in line with the center populations not cookie-cutter criteria*
- *Accept input from WBCs for performance criteria*
- *The performance criteria needs to be TRANSPARENT at all levels for all WBCs*
- *Standardize the milestones and performance goals based on market size*
- *10% [goal growth] every year infinitely is unrealistic – not applied to District offices*
- *The make-up of the individual centers need to be taken into consideration, i.e. of the center's service area has a small minority population to serve.*
- *New centers need to be given 2-3 years to get up and running before funding is based on performance criteria*

We urge the Committee to clarify that performance standards should be developed with sensitivity to the age of the center, demographic composition of the community in which it is based, and communicated widely and in advance of the period of performance.

3. Program Grant Disbursements Should be Made in a Timely Manner

We believe that both the names of the grant recipients and the value of the awards should be made public. As we stated earlier, in the past the SBA has not fully disclosed such information. We suggest further, though, that there be a deadline established during which time the SBA should disburse the program awards. In recent years many WBCs have waited months – often until the very end of the fiscal year – before they receive the funds for the services that they were delivering throughout the course of the year. This puts our members – all of whom are relatively small non-profit organizations – in a severe cash-flow crunch. This does not set a good money-management example for the Centers' clients, and it violates the Federal government's Prompt Payment Act. We would urge the Committee to communicate with the SBA on this matter.

The cry for an improved payment process rings loudly across metropolitan, urban and rural areas where Women's Business Centers continue to provide services on scarce resources:

- *Streamline the process for submission and pay in a timely manner*
- *The manual antiquated cumbersome system needs to be upgraded*
- *Automate it and make the process available online*
- *Turnaround time needs to be turned around (advances, notices of award, reimbursements)*
- *Speed it up*
- *Be able to submit electronically & easier to navigate*
- *We appreciate that OWBO has improved in this area. Cross training of staff so reimbursements won't be held up.*
- *We don't know the rules of the game – we just want the rules. This is like a lottery*

While many Women's Business Centers have noted improvement in the payment paying process, there is still room for significant improvements. An executive of the Women's Business Development Center in Chicago bitterly notes that she has reluctantly given the US government an interest free loan of $220,000 loan during the past two years as she waits for her reimbursements.

Improving the consistency of program funding, performance evaluation and communication, and timely disbursement of grant awards will go a long way to improving WBC program success.

The WBC at Coastal Enterprises in Maine is a case in point:
Maine's population is predominantly rural; less than a dozen communities have populations greater than 20,000 and the largest urban area has only 65,000 people. Maine is a poor state, with sharp regional disparities: there are pockets of poverty where rates approach 20 percent and unemployment is as high as 12 percent. Overall, the growth in the economy trails that of the nation and the region, and per capita income consistently lags behind those for the rest of the region and the country. Approximately thirty-four percent of Maine's businesses are women-owned.

The Women's Business Center at Coastal Enterprises, Inc. (CEI) headquartered in Wiscasset, Maine provides essential business development services to its clients. The WBCs clients range from women who are contemplating starting a business to women who have been in business for over twenty years; from low-income women struggling to become economically self-sufficient to women who are interested in enhancing their profitability and creating good jobs for other women; from home-based service businesses to manufacturing operations; from traditional crafts to technology-based enterprises. They are brought together by their desire to build their management skills and the importance that they place on being part of a program that is targeted to women.

The CEI approach is characterized by innovation, flexibility and interaction. Innovation comes from working closely with customers to develop services for existing women business owners, such as peer groups and Advisory Boards and developing services, such as training and technical assistance in uses of the Internet and E-commerce, to help women business owners remain competitive in the 21st Century. Flexibility is evidenced by a willingness to design programs specifically to meet the needs of marginal business owners clustered in rural communities or to design a three-part, nine-hour start-up training for low-income women to fill a gap in the range of business assistance services available in Maine or to provide technical assistance on-site at a business. Interaction comes from limiting the size of workshops and training sessions to maximize interaction and facilitate peer support and networking.

Renewable funding will enable the Women's Business Center in Maine to continue its good work, understanding of the needs of women business owners and providing targeted services for women business owners in Maine. The following profiles illustrate just a few of the ways that the Women's Business Center benefits women business owners in Maine:

> *Mary and her husband Henry own a dairy farm in rural Maine. The fifth generation of farmers in the family realized that they could not support themselves and their three children with dairy farming alone. They decided that diversifying their operation was their only option. Mary approached the Women's Business Center at CEI for help. Two years later, after working one-on-one with a business counselor on planning, marketing and financial management and participating in a peer support group, Mary and her family have transformed their farm. There are new products: hormone and antibiotic free chickens, beef and veal animals, pigs and laying hens; and there are new markets: up-scale restaurants and individual consumers. The new plan has had the added benefit of involving Mary's sons and a nephew in the operation, hopefully, laying the groundwork for a transition when Mary and her husband are ready to retire. Not only is this family now fully supporting itself with the farm, but also they have built a new barn and improved the dairy barn and the manure and drainage systems. In addition, the local high school vocational class built a small shed to house the retail meat operation. They are poised for continued success.*

Jennifer owns a small store and gas station in rural Maine. After 17 years in operation, family illness nearly drove her out of business. Cash flow problems left her with virtually no inventory and most of her vendors had stopped supplying her. Rather than take the advice of those urging her to file for bankruptcy, she approached the Women's Business Center for support. With the help of her business counselor, she prepared an excellent business plan and used it to attract investors. Two members of her community responded to her plan and invested a total of $75,000, one is just an investor; the other wants to be a working partner and eventually purchase the store. Thanks to her investors, Jennifer has paid off old debt, renegotiated with her vendors, restocked the store and drawn her customers back. Sales have increased dramatically, and are approaching the level they were at before the financial problems began. She narrowly avoided total financial disaster, and now has a plan for on-going recovery. She continues to work with her business counselor on her accounting system and developing the skills to assess the profitability of each department of her store. In addition, they are working on ways to structure the new infusions of capital to best meet the needs of the business and the investors.

We thank the members of the Senate Committee on Small Business for your long-standing support of the Women's Business Center program, for **your recommended funding of $16.8 million for the WBC program** – a level that will allow full funding of existing centers as well as the addition of 6 new centers – and for your other efforts to support women's enterprise development in general, such as your support for the National Women's Business Council and for increasing access to Federal procurement opportunities to women-owned firms.

We are in solid agreement that the SBA procurement process is long past is due the date for implementation.

We look forward to continuing to work with you to increase the economic and social contributions of this Nation's estimated 10.4 million women-owned enterprises, and to the countless others that are on the drawing board, awaiting support and assistance from Women's Business Centers to launch and grow successfully.

Respectfully submitted for the record
on September 20, 2007
By Ann Marie Almeida
President & CEO
Association of Women's Business Centers
PO Box 1255
Camden, Maine 04843 USA
+1.207.236.9753 - voice
+1.207.236.2954 - fax
ama@awbc.biz

Chairman KERRY. Thank you. Thank you for your energy and passion for this. We love it and we appreciate it very, very much.

Ms. Bratton, we are very happy that you have traveled from Wyoming, love the work you are doing there. It is impressive. We appreciate your being here. I just want to take a moment, because I have just been called by Senator Reid, and I need to go over to the floor for a moment and I apologize. Senator Snowe will preside in my absence, and I hope I can get back. I don't know. It depends on what is happening. But I want to thank you up front for your work and turning that early effort into a nonprofit, which is pretty impressive, and the work itself is very important.

And Ms. King, I wish you had brought some of those cookies.

Ms. KING. We will send some.

Chairman KERRY. Well, I hope so. I happen to be a chocolate chip addict.

Ms. KING. I will make a note of that.

Chairman KERRY. But I am also very impressed with what you are doing. We are so appreciative for all of you for taking the time to be here, for putting these issues on the table. It is enormously helpful and I know Mr. Prakash and others are listening carefully. We look forward to trying to facilitate what you are trying to do and your testimony is very important.

We are going to leave the record open so that colleagues who aren't able to be here right now because of conflicting hearings and meetings will be able to submit some questions, conceivably, in writing if they want to. We will leave the record open to do that.

Again, thank you, and I do apologize to my colleagues and to you. Thank you.

STATEMENT OF ROSEMARY BRATTON, EXECUTIVE DIRECTOR, WYOMING WOMEN'S BUSINESS CENTER, LARAMIE, WY

Ms. BRATTON. Thank you, Mr. Chairman. Members of the Committee, I do appreciate the opportunity to appear before you today. As our Senator Enzi from Wyoming mentioned, the Women's Business Center began as a project of the Wyoming Coalition Against Domestic Violence and Sexual Assault while I was executive director of that organization, and I can honestly say that it was my vision and my personal experience that led to the creation of the Women's Business Center.

Long before I began my career in the field of working with survivors of domestic violence and sexual assault, I experienced firsthand the economic struggles that many women in Wyoming endure and the success that can come from small business ownership. After a failed marriage and faced with caring for my three boys as a single parent with few resources, I started a cleaning company in Story, WY. We were called Mopsy and Dusty, the Cleaning Company. No house too big, no pad too small, from floor to ceiling, we cleaned it all. On some days, I was Mopsy. On other days, I was Dusty. And on many, many days, I was both.

In addition to Mopsy and Dusty, to further increase our income, I made and sold purses created from recycled jeans. The success of my small businesses enabled me to raise my children and earn a college degree. The experience began for me a commitment to work

as an advocate for women who are socially and economically disadvantaged.

The combination of rural character, geographic obstacles, and harsh climate creates economic distress for many Wyoming residents. Our economy, however, has been improving, although the high-paying minerals extraction employs primarily men. Work that is traditionally considered women's work—nursing, teaching, office work—is still undervalued, with wages for these positions much lower in Wyoming than in other States. The gender-based disparity in Wyoming continues to be the highest in the Nation, with the average Wyoming woman earning 57 percent to 67 percent of what a man earns for full-time, year-round work.

While Wyoming's vastness contributes to its natural beauty, it also creates isolation that keeps women business owners from meeting, networking, and sharing information. Wyoming Women's Business Center programs include a microlending program, individual development accounts where we can match savings for low-income individuals, Works of Wyoming, business technical assistance training, counseling, networking opportunities, personal financial management training and counseling, Internet training.

There is still a strong need for rural frontier Women's Business Centers. The Wyoming Women's Business Centers is not only vitally necessary to the economy of Wyoming, but also appeals to the personal interest by helping women forge better lives for themselves and their children in the State with the highest gender wage gap in the Nation.

I would now like to speak to you briefly about our experience with SBA's Office of Women's Business Ownership. In 1999, the Coalition was awarded a 5-year grant. From the inception of the Wyoming Women's Business Center as a projection of the Coalition, our goal was to eventually separate and become an independent, private 501(c)(3). While we were a project of the Coalition, we operated as a distinct entity with separate accounting, separate grant writing and fundraising, and separate physical locations.

Our last application as a Coalition project with OWBO was for a sustainability grant in 2004. On October 1 of last year, we officially separated with our application as a nonprofit corporation to the State of Wyoming. In March of 2007, we received our determination letter and were in a position to apply as a new Women's Business Centers with OWBO for the physical year 2007–2008 funding.

I would like to mention that throughout the process of our separating from the Coalition, we were in communication with SBA's district office in Casper, as well as the OWBO office in the District of Columbia. With the separation from the Coalition, we were no longer eligible for sustainability funding, but were assured, although certainly not promised, that we would be in a favorable position when we applied as a new center, whether that was for the current year funding or future funding.

Although I have never actually seen the rule or the statute, we were told that SBA couldn't have the sustainability funding follow the Women's Business Centers as it would be considered pass-through funding from one nonprofit to another and that that is illegal. And of course, with the new legislation, graduated, established

centers receive funding priority, and I need to add here—which was not in my written testimony—that I absolutely support that decision. So even though in reality we are an established center, according to OWBO, we are no longer eligible for sustainability funding.

We submitted our grant application to Grants.gov on May 22, 2007. To date, I have heard nothing official about the status of our grant. In August, as I was preparing our budget for our next fiscal year, I called the OWBO office, talked with someone there on staff, and was told simply that Wyoming was not funded. At that time, I was told that the grant review process was conducted by an independent committee and that funding was based on a point system. When I inquired about a priority being given for States without SBA-funded Women's Business Centers, I was told that that was no longer a consideration, so I was left to believe that our grant did not rise to the top six based on the point system.

I discussed with our DOTR in the SBA District Office in Casper about how helpful it would be if I knew where our proposal was weak. Last week, she e-mailed OWBO and asked that question. Her response was that Wyoming's grant was incomplete and, therefore, not considered at all, that we had not submitted the technical proposal to Grants.gov.

After numerous phone calls with Grants.gov and much research on their part, it was determined that our grant proposal was received by Grants.gov, retrieved and validated, then submitted to OWBO, where it was retrieved by them. During this process, I was in touch with both Senator Enzi's and Senator Snowe's offices, who made inquiries to OWBO about Wyoming's grant. Subsequently, I was invited by the Committee to be here.

I was writing this testimony on Monday afternoon. I learned on Monday morning that OWBO staff e-mailed our SBA office in Casper to say that they had found our grant application, that it was complete, and that it would be evaluated by a panel as soon as possible. In a later conversation, OWBO staff indicated that if our proposal was strong, with points higher than the lowest of the six new centers scheduled to receive funding, that one of them would be eliminated from funding, and we would be included.

This is very troubling to me for several reasons. What would have happened if I had not contacted Members of this Committee? While I realize that it is more likely that we will not be funded, what happens to the Women's Business Centers who attended the post-award mandatory training last week and now one of them will be defunded? Were there other applications that were simply lost? And what level of tenacity is required to get honest answers from OWBO?

There have been other challenges with OWBO over the years. I realize I am way over my time, so I will make this brief. I don't think that I can add much to what has already been highlighted for you.

One of the things that we did based, on the loss of reports and reimbursement request, is that we instituted a practice where we would send all of our written documentation by a carrier where we would get an electronic signature verification just to insure that it got there, but we still continued to make numerous copies of our

reports because we knew even with the electronic signature we would have to be sending it back again.

And you might be wondering why with all of these problems we would want to apply again for OWBO funding, and we did carefully consider the frustrations that we have experienced. We have enjoyed a truly positive working relationship with SBA in Casper, with the Association of Women's Business Centers, and with the SBA's Microenterprise Development Branch. We have secured State general funding for the required matching dollars for both OWBO and the Microloan Program. And then there is always the hope that OWBO will provide us with consistency and respect. Today, I have more hope than I have in the past. And there was a sense of pride and accomplishment that we were funded by OWBO. The most important consideration is the increased services we can provide for women entrepreneurs in Wyoming. We could hire staff to make Works of Wyoming a strong studio incubator and provide the needed staff to offer services in other parts of the State.

For me personally, I want, as highlighted again in my written testimony, for Liz to have the support she needs for her coffee/tea house. I want Joan to have the support she needs for her trash management service. I want Lucinda's art gallery in Sheridan, Wyoming, to continue to be the amazing success that it is now. I want Cowlick and Hooves Beauty Salon in Powell, Wyoming, to continue to be successful. And I want a woman cleaning houses and making purses in rural frontier Wyoming to know that there is a Women's Business Center that values her work and will provide her with encouragement, counseling, financial resources, networking, and mentoring with other amazing Wyoming women.

Thank you very much.

[The prepared statement of Ms. Bratton follows with supporting documents:]

Testimony of Rosemary Bratton
Executive Director, Wyoming Women's Business Center
US Senate Committee on Small Business and Entrepreneurship
September 20, 2007

Mr. Chairman and members of the Committee:

I appreciate the opportunity to appear before you today. The Wyoming Women's Business Center (WWBC) began in 1999 as a project of the Wyoming Coalition Against Domestic Violence and Sexual Assault (WCADVSA) while I was Executive Director of that organization. Since its inception the WWBC has been serving economically and socially disadvantaged women and continues in this work today as a separate 501(c)3 non-profit. As an alternative to, or in addition to. accepting positions in low-wage, dead-end jobs. the WWBC encourages entrepreneurs to create their own opportunities by starting small businesses.

I can honestly say that it was my vision and my personal experience that led to the creation of the WWBC. Long before I began my career in the field of working with survivors of domestic violence and sexual assault, I experienced first-hand the economic struggles that many Wyoming women endure and the success that can come from small business ownership. After a failed marriage and faced with caring for my three boys as a single parent with few resources, I started a cleaning service from my home in Story. Wyoming. Mopsy and Dusty, the Cleaning Company, no house to big, no pad to small, from floor to ceiling we cleaned it all. On some days I was Mopsy, other days I was Dusty and on many days I was both. In addition to Mopsy and Dusty to further increase our income I made and sold purses created from recycled jeans. The success of my small businesses enabled me to raise my children and earn a college degree. The experience began a commitment to work as an advocate for women who are socially and economically disadvantaged.

In Laramie. our offices are located on the University of Wyoming Campus and the Laramie Civic Center. Currently one outreach office is located in Cheyenne and another is planned to be located in the central part of the state. The target service area for the WWBC is the entire state of Wyoming. Currently there are three employees, the Executive Director, an Administrative Assistant and our Director of Client Services.

Wyoming has been described as a "small town with very long streets." The state's 98,000 square miles make it the 9th largest state in land area but its population of less than 550,000 is the lowest in the nation. More deer and antelope inhabit Wyoming than people, 92% of our state is considered rural. The state's open prairies, intimidating mountain ranges, and long empty roads combine to form a unique geography. Weather conditions can be extreme. with snowfall possible any month of the year. Winters are often long and harsh, with low temperatures, strong winds, and driving snow storms making travel difficult.

This combination of rural character, geographic obstacles and harsh climate creates economic distress for many Wyoming residents. Other than the minerals industry, economic opportunities with large industry are few. Albany. Fremont, Niobrara, Lincoln and Hot Springs counties, as well as the Wind River Indian Reservation qualify as Historically Underutilized Business Zones.

Wyoming's economy has been improving although the high-paying mineral industry employs primarily men. Work that is traditionally considered "women's work" (nursing. teaching, office work) is still undervalued with wages for these positions much lower in Wyoming than in other states. The gender-based disparity in Wyoming continues to be the highest in the nation, with the average Wyoming woman earning 57% to 67% of what a man earns for full-time, year-round work.

While Wyoming's vastness contributes to its natural beauty. it also creates isolation that keeps women business owners from meeting. networking and sharing information. WWBC programs bring women entrepreneurs together throughout the state by sponsoring roundtables located in six communities and participating in other economic related functions, small business expos and conferences.

WWBC's services and activities offered to Wyoming's women owned small businesses include:

- **WWBC's Microloan Program** started in 2000 and provides access to capital through loans for business start-up or expansion to those who are unable to secure financing through traditional means. The majority of the WWBC's loan capitalization is from the US Small Business Administration's Microloan program, which makes loans to intermediary relenders, who in turn make smaller loans locally. Most loans are for amounts ranging from $500 to $10,000 although the WWBC can approve loans up to $35,000. Any interest, application fees or late fees are reinvested into the loan program.
- **Individual Development Account (IDA) Program** was started in 2004 by the WWBC. It matches the savings of people with low incomes to encourage them to save towards acquiring specific types of assets. including purchasing or repairing a home, business capitalization or expansion and higher education. The WWBC matches participants' savings at a rate of 1:1 up to $2,000.
- **Works of Wyoming (WOW)** services include skill-based education and mentoring to help artists and craftspeople achieve mastery of their art, entrepreneurial education and mentoring that empowers women to establish their own art-based and often home based business. As funding allows WOW will promote retail outlets and an online marketplace to position products in niche markets. Any revenues above expenses generated by these sales will be reinvested in the program.
- **Business technical assistance, training, and counseling** are offered to women on a variety of business topics. The goal of these programs is to assist clients to develop their capacity for business planning and management, and ultimately

make their businesses more successful. These programs were started in 1999 when the WWBC was still a project of the WCAVSA and provide the foundation for all of the WWBC's other programs. Minimal fees may be charged to offset the expenses incurred in providing some of these services.

- **Networking opportunities** include roundtables as previously mentioned where participants learn from invited speakers as well as from each other on a wide range of business topics including marketing, business insurance, financing and banking relationships, accounting, time management and organizational skills, employment issues, bankruptcy laws, legal considerations of business structure, business research and business planning. Through the roundtable format, the WWBC encourages more experienced business owners to mentor those with less experience.
- **Personal financial management training and counseling** provides information on various personal financial topics including budgeting, understanding credit, and basic financial products. The program's purpose is to assist women to solidify the personal financial foundation upon which they build their businesses.
- **Internet training** is offered on our website www.wyomingwomen.org. We have partnered with Hewlett Packard for online operations and management, finance, communications, marketing and technology management. This training program is interactive incorporating audio and video. In addition WWBC has purchased an extensive QuickBooks and Microsoft Office training module through Custom Guide. This online training module allows the user to work at their own pace while WWBC can track each person's progress and time spent on the chapters of each training program.

Collaboration is essential to the WWBC's mission. We work in partnership with the Small Business Administration's District Office located in Casper, WY, Wyoming's Small Business Development Center, the Wyoming Business Council, the University of Wyoming, Wyoming State Division of Vocational Rehabilitation, Wyoming Workforce Services and the Wyoming Coalition Against Domestic Violence and Sexual Assault. The WWBC also partners with statewide banks and other financial institutions for support for networking events including space, food and financial contributions for roundtables and conferences. The Wyoming State Legislature through the Wyoming Business Council has generously supported the WWBC during the last eight years and has committed $209,000 to support the WWBC in the coming year.

There is a strong need for rural/frontier Women Business Centers. The WWBC is not only vitally necessary to the economy of Wyoming, but also appeals to personal interests by helping women forge better lives for themselves and their children in the state with the highest gender wage gap in the nation.

Liz Bunya
Synergy Café
319 Bocage Dr
Cheyenne, WY 82009
(307)778-3838
http://www.synergycafe.com/

Liz envisioned a unique tea / coffee house. **Synergy Café** was created with business counseling from WWBC and our Microloan Program partnered with a local financial institution. **Synergy** just opened a 2nd location in Cheyenne.

Joan Taylor
Rolling Hills Services
21 N. Coyote Road
Rolling Hills, WY 82637
(307)436-5335

Joan began her rural trash service as a means to provide employment for her disabled daughter. **Rolling Hills Services** has grown to over 300 customers. Today Joan employs seniors, single mothers, and disabled individuals. Joan has utilized WWBC's Counseling and Microloan services.

Suzi Richards
Worland Pet Nanny
1680 Rd. 13
Worland, WY 82401
(307)347-4549
http://www.worlandpetnanny.com/

Pets in Worland know they are in good hands when their families call **The Pet Nanny**. Suzi offers many special services to her four legged clients. Business counseling and a Women & Co Equity Award through WWBC has helped Suzi expand her business.

Peggy Harnish
RubyJuice
255 Shoshoni St.
Cheyenne, WY 82009
(307)634-3022

Peggy needed capital to purchase the initial inventory to open her business. WWBC provided counseling to determine break even points. **RubyJuice** opened its doors with a WWBC Microloan and continues to employ over ten people in Cheyenne.

Lucinda Terzieff
Lucinda's Artisan Gallery
1425 Leopard St
Sheridan, WY 82801
(307)674-2595

Lucinda has been making custom hammocks for many years. 2005 brought many positive changes in her life including buying a home with WWBC IDA funds and opening **Lucinda's Artisan Gallery** in Sheridan. Lucinda used a WWBC Microloan to purchase fixtures for her new gallery. Lucinda brings works from artists throughout the Rocky Mtn. Region and the world into her gallery.

Marla Skelton
112 N. Absaroka
Powell, WY 82435
(307)754-9205

Marla has been using natural products in **Cowlick & Hooves Health and Beauty Salon** for many years. Marla has utilized many of the WWBC services including the IDA program. Marla used her IDA matching funds to bring a new natural product line to her salon. Marla and her husband have been able to purchase their home using the knowledge they gained from the WWBC Personal Financial Mgmt training program. Marla is expanding into the health food business as soon as her new location is completed.

Wyoming Women's Business Center's Experience
with
SBA's Office of Women Business Ownership

In 1999, the Small Business Administration's Office of Women's Business Ownership awarded a five year grant to the Wyoming Coalition Against Domestic Violence and Sexual Assault (WCADVSA) to create the Wyoming Women's Business Center Project. From the inception of the WWBC our goal was to eventually separate from the WCADVSA. Although we were a project of the WCADVSA for seven years, we operated as a distinct entity with separate accounting, separate grant writing, separate fund raising and separate physical locations. Our last application as a WCADVSA project with OWBO was for a sustainability grant for the 2004-2005 fiscal year. On October 1, 2006 the WWBC officially separated from the WCADVSA with our application as a non-profit corporation to the state of Wyoming. With a committed active board of directors in place, we applied in February of 2007 for our 501(c)3 non-profit determination. Having been told by the Internal Revenue Service not to expect our determination letter for eight to twelve months, we were prepared to continue providing basic services through additional fundraising, grant writing and with our state funding. Then, in March of 2007 we received our determination letter and were in a position to apply as a new Women's Business Center with OWBO for the FY 07/08 funding.

Throughout this process we were communicating with SBA's District Office in Casper, WY and the Office of Women's Business Ownership in Washington, D.C. With the separation from the WCADVSA we were no longer eligible for sustainability funding but were assured, not promised, from OWBO staff that we would be in a favorable position when we applied as a new center whether that was for current year funding or future funding. Although I have never actually seen the rule or statute, we were told that the SBA couldn't have the sustainability funding follow the WWBC as it would be considered pass through funding from one non-profit to another and that is illegal. And, of course, with the new legislation, graduated established centers receive funding priority. Even though in reality we are an established center, according to OWBO we are no longer eligible for sustainability funding. This funding priority is different from my understanding of OWBO's funding priorities in the past where new centers were in a more favorable position. Also, in the past priority was given to centers in states where there wasn't a SBA funded Women's Business Center. I was told by OWBO staff in Washington, D.C. in August that this is no longer true.

We submitted our grant application to Grants.Gov on May 22. 2007. To date I have heard nothing official about the status of our grant. In August when I was preparing our budget for FY 07/08, I called the OWBO Office in Washington, D.C. and asked about our grant. I was then told that Wyoming was not funded. At that time the grant review process was described to me and that it was conducted by an independent committee and that funding was based on a point system. When I inquired about a priority being given for states without a SBA funded WBC. I was told that such a factor was no longer a consideration. I was left to believe that our grant did not rise to the top six based on the point system. I discussed with a staff member from our SBA District Office in Casper. our liaison with OWBO, about how helpful it would be to know where our proposal was weak. Last week, our liaison emailed the OWBO in Washington. D.C. and asked that question. The response was that Wyoming's grant was incomplete, that we had not submitted the technical proposal to grants.gov. After numerous phone conversations with grants.gov and much research on their part, it was determined that our complete grant proposal was received by grants.gov. reviewed, validated then submitted to the OWBO where it was retrieved. During this process I was in touch with both Senator Enzi's and Senator Snowe's offices who made inquiries to OWBO about Wyoming's grant. Subsequently, I was invited by the committee to testify today.

I am writing this on Monday afternoon. I learned this morning that the D.C. OWBO staff emailed our Wyoming liaison to say that they had found our grant application and that it was complete and would be evaluated by a panel ASAP. In a later conversation between the liaison and staff in Washington, D.C. it was explained that if our proposal was strong with points higher than the six new centers scheduled to receive funding that one of them would be eliminated from funding and the WWBC included. This is very troubling to me for several reasons. What would have happened if I had not contacted members of this Committee? While I realize that it is more likely that we will not be funded, what happens to the Women's Business Center who attended the mandatory post award meeting last week and now is defunded? Were there other applications that were "lost"? What level of tenacity is required to get honest answers from OWBO?

There have been other challenges with OWBO through the years. I will highlight a few for your information:

- Edmis II: This new reporting system was an unfunded mandate from OWBO. Software programs had to be reconfigured and reports written to comply with the new reporting mandate. This process was wrought with complications. misinformation and continual changes.
- Online WBC: Each center was required to write articles and monitor the "new online WBC community". This program was up and running less than one year. We spent a considerable amount of time preparing our articles and scheduling our staff only to have it discontinued before it was our month to post and monitor. This time could have been more effectively used to counsel our clients.
- 641s, client intake forms, over the internet: OWBO refuses to allow 641s to be counted when they are received over the internet because they do not have an original signature. In the age of computer use, SBA needs to catch-up and allow these clients to be counted in our work efforts. Currently we have to copy the 641

and mail it to the client for the signature. This outdated system should be changed.

- Computerized counseling information: OWBO refuses to allow the use of computerized counseling information instead we are required to have paper copies of counseling records kept in each client's file.
- Reimbursement requests: Requests will sit on desks for several weeks before being processed or rejected.
- Loss of reports and reimbursement requests: We had to institute an expensive practice of sending our written documentation by a carrier using electronic signature verification to ensure that our information had been received. Many times we were told that the information had not been received and while we could prove that it was received we continued to make additional copies of all reports to send again.

You might be wondering why with all these problems we would want to apply again for OWBO funding. We did carefully consider the frustrations that we have experienced before applying. We have enjoyed a truly positive working relationship with the SBA in Casper. the Association of Women's Business Centers, and the SBA/Microenterprise Development Branch. We have secured Wyoming State General funding for the required matching dollars for both OWBO and the Microloan program. Of course there is always the hope that OWBO will provide us with consistency and respect and there was been a sense of pride and accomplishment when we were funded by OWBO. But the most important consideration is the increased services we can provide for women entrepreneurs in Wyoming. We could hire staff to make Works of Wyoming a strong studio/incubator and provide needed staff to offer services in other parts of our state.

For me personally, I want a woman cleaning houses and making purses in rural/frontier Wyoming to know that there is a Women's Business Center that values her work and will provide her with encouragement, counseling, financial resources, networking and mentoring with other women.

Thank you.

Senator SNOWE [presiding]. Thank you. I couldn't agree more.
Ms. King.

STATEMENT OF GALE KING, OWNER, TREATS BY GALE, LLC, BURKE, VA

Ms. KING. Honorable Olympia J. Snowe, Ranking Member, and other Members of the Senate Committee on Small Business and Entrepreneurship, my name is Gale King. I am the proud owner of Treats by Gale, LLC, a home-based business in Burke, VA. I was born in Barbados and came to the United States with my mother when I was 12 years old. I attended local schools and graduated from James Madison University in 1990.

When I was laid off in 2004 from my technical job at a local dot-com, it was my third layoff. I was a single mom with two children in elementary school and I decided to start my own business. I wanted to be in control of my own livelihood. Since I always loved baking, my friends suggested I start Treats by Gale. Like many first-time entrepreneurs, I decided what my product was. I would sell cookies and cakes. I printed out my own free business cards online from Vista Print and assumed the orders and the money would come.

After 6 months, I had only made $200. I realized I needed to do something different, but I had no idea where to turn. I was advised by several small business owners I met through networking events to seek out the resources of the Women's Business Center of Northern Virginia. There, I finally found the information and the support that I needed.

Over the past 3 years at the Women's Business Center, I have taken advantage of many programs, including the ABCs of starting a business. In this class, I learned about the various business entities, the importance of writing a business plan and protecting my personal assets, the commitment required by my family members, and the many resources that the center had to offer.

Business planning and financing for growth, a class that was taught by the senior vice president of a local bank where I learned the details of writing my business plan and the importance of developing a relationship with my bank manager.

Tax planning and bookkeeping, and marketing legal and risk planning, two other classes in their business tool kit series where I learned from CPAs, insurance experts, and attorneys about various aspects of business development.

The nxlevel class for business start-ups, a nationally recognized 12-week program where I had the support of my instructor and classmates. They helped me write my business plan each week. In class, I met my package designers and lots of other great professional volunteers.

QuickBooks Pro, where I used their computer lab to use the software for my business accounting.

First Friday networking breakfasts, they were a wonderful place to learn to network properly and partner with other women business owners. For example, I met Emily Murphy of Emily's Teas, and for the past 2 years, I have provided the baked goods for her educational tea parties.

The free one-on-one technical assistance counseling, where I worked with counselors on my marketing plan, understanding my cash flow, and the importance of developing my own market niche by studying my client demographics.

The SBA's Small Office Home Office Loan program where I received two loans totaling $25,000 which I used to purchase new equipment and a delivery van.

The Annual Women Entrepreneurs Expo, where I learned how to effectively exhibit my products to other business owners. I also love the center because it rents out its meeting rooms at a low cost to home-based businesses. It gave me an affordable, professional meeting space for my open houses, and I have also gotten great publicity and exposure.

When "Recipe for Success," a program featuring Al Roker on the Food Network, called my center director, I got a telephone interview with the show's producer and almost got on TV, and here I am now talking to you.

When I started Treats by Gale, there was no way I could afford the services of a business consultant or a coach. Through the Women's Business Center, I have learned from insurance agents, lawyers, bankers, marketing specialists, and accountants. These people all shared their expertise with me. I cannot imagine what I would have done without this resource. The Women's Business Center staff, they have been cheerleaders in my success, and they have been motivators during challenges.

My business has grown over the years and I am very proud of my customer list. I have longstanding contracts with the Shakespeare Theater, the Folger Library, Woolly Mammoth Theater, and Hyatt Regency on Capitol Hill. I now have more business than I can handle on my own and I am in the process of interviewing baking assistants. I am happy that I am not only able to support my family, but I am now able to employ others. In 2006, I gross over $45,000, and in the first 8 months of this year I have already grossed that same amount.

Whenever I meet someone starting out in business, I always recommend that they visit the Women's Business Center. Starting a business is really overwhelming and there is lots of bad information out there. When I send someone to the Women's Business Center, I know they will get their questions answered and they will get a good foundation on which to build their business dream.

Thank you for your time.

[The prepared statement of Ms. King follows:]

FORMAL WRITTEN TESTIMONY FOR THE U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
"EXPANDING OPPORTUNITIES FOR WOMEN ENTREPRENEURS: THE FUTURE OF WOMEN'S SMALL BUSINESS PROGRAMS"
THURSDAY, SEPTEMBER 20, 2007
BY GALE KING, OWNER, TREATS BY GALE, LLC, BURKE, VA

Honorable John F. Kerry, Chairman; Honorable Olympia J. Snowe, Ranking Member and other members of the Senate Committee on Small Business and Entrepreneurship:

My name is Gale King. I am the proud owner of Treats By Gale, LLC, a home-based business in Burke, Virginia. I was born in Barbados, and came to the United States with my mother when I was 12 years old. I attended local schools and graduated from James Madison University in 1990. When I was laid off in 2004 from my technician job at a local dot com, it was my third layoff. I was a single mom with two children in elementary school. And, I decided to start my own business. I wanted to be in control of my own livelihood. Since I've always loved baking, my friends suggested I start Treats By Gale.

Like many first time entrepreneurs, I decided what my product was. I'd sell cookies and cakes. I printed up my own free business cards online from Vista Print, and assumed that orders and money would come in. After six months, I had only made $200. I realized I needed to do something different, but I had no idea where to turn. I was advised by several small business owners I had met through networking events, to seek out the resources of the Women's Business Center of Northern Virginia. There I finally found the information and support that I needed.

Over the past three years at the Women's Business Center, I have taken advantage of many programs including:

- The ABC's of Starting a Business. In this class I learned about the various types of business entities, the importance of writing a business plan and protecting my personal assets, the commitment required by my family members, and the many resources that the Center had to offer.
- Business Planning and Financing for Growth, a class taught by the Senior Vice President of a local bank, where I learned the details of writing my business plan and the importance of developing a relationship with my bank manager,
- Tax Planning and Bookkeeping, and Marketing, Legal and Risk Planning, two other classes in their Business Toolkit Series, where I learned from CPAs, insurance experts and attorneys about various aspects of business development.
- The NxLeveL for Business Start-Ups Class, a nationally recognized twelve week program, where I had the support of my instructor and classmates to help me write part of my business plan each week. In this class, I met my package designers, and lots of other great professional volunteers.

- QuickBooks Pro, where I used their computer lab to learn the software for my business accounting.
- 1st Friday Networking Breakfasts – a wonderfully safe place where I learned how to network properly and partner with other women business owners. For example, I met Emily Murphy of Emily's Teas. For the past two years, I have provided the baked goods for her fun and educational tea parties.
- The free one on one Technical Assistance Counseling where I worked with counselors on my marketing plan, understanding my cash flow, and the importance of developing my own market niche by studying my client demographics.
- The SBA's Small Office Home Office (SOHO) Loan Program where I received two loans totaling $25000 which I used to purchase new equipment and a delivery van.
- The annual Women Entrepreneurs' Expo where I learned how to effectively exhibit my products to other business owners.
- I also love that the Center rents out its meeting rooms at low cost for home-based businesses. It gave me affordable, professional meeting space for my open houses
- And, I've gotten great publicity and exposure. When "Recipe for Success" a program featuring Al Roker on the Food Network called my Center director, I got a telephone interview with the show's producer and almost got on TV. And, here I am today, talking to you!

When I started Treats by Gale, there was no way I could afford the services of a business consultant or a coach. Through the Women's Business Center, I learned from insurance agents, lawyers, bankers, marketing specialists, and accountants. These people all shared their areas of expertise with us. I cannot imagine what I would have done without this resource. The Women's Business Center staff have been cheerleaders in success and motivators during challenges.

My business has grown over the years and I very proud of my customer list. I have long-standing contracts with the Shakespeare Theatre, the Folger Library, Woolly Mammoth Theatre Company, and the Hyatt Regency Capitol Hill. I now have more business than I can handle on my own so I am in the process of interviewing baking assistants. I am happy that I am not only to support my family but I am able to employ others. In 2006, I grossed over $45,000, and in the first eight months of this year, I've already grossed that same amount!

Whenever I meet someone starting out in business, I always recommend that they visit the Women's Business Center. Starting a business is really overwhelming and there is lots of bad information out there. When I send someone to the Women's Business Center, I know they will get all their questions answered, and they'll get a good foundation on which to build their business dream.

Thank you.

Senator SNOWE. Thank you. Thank you all for your very impressive testimony and your outstanding examples of what women entrepreneurs are all about and what we should be celebrating. That is why we want to rectify and clear the path of the barriers and impediments within the SBA that doesn't allow you to flourish and to help other women flourish. This is what it is all about. We are really trying to get to the heart of the issues, I am sorry, Ms. Bratton, that you have gone through the ordeal on securing funding for the Women's Business Center. I think that is deeply regrettable. Wyoming certainly deserves one. I will start with you.

When you talk about the gender earning disparity in Wyoming, do you think that the Women's Business Center would help to ease that disparity by providing the kind of services that would encourage entrepreneurship? I know in the State of Maine, as Ms. Almeida has already indicated, Maine has certainly been not only a small business model, but also for women-owned small businesses.

Ms. BRATTON. Senator Snowe and Members of the Committee, I do see small business ownership as an alternative to the low-wage, sometimes dead end, non-benefitted jobs that are available in our State for women. I also support the non-traditional work that is being done in our State for women moving into more of those positions that have typically been held by men.

However, there are many women, and I am one of them, I don't want to drive a truck or work on an oil rig. I would be far more content doing something which in the past would have been considered women's work. So I think we do provide that alternative, and it doesn't mean that it is going to lift someone out of poverty immediately. But many times, people living with low incomes, they income patch. So they might have a couple of jobs where they earn wages, sometimes three jobs where they earn wages, and I have always thought if one of those jobs could be their own small business that will feed their family while it makes their heart sing, then that is a good alternative for them.

Senator SNOWE. Has this been typical of your experience with SBA, the one that you just illustrated?

Ms. BRATTON. I have never had a grant that I submitted be lost before. I have experienced a long period of time between submitting a grant and learning whether or not we were actually funded. There were some years when we were funded through the Coalition that we would attend the mandatory post-awards meeting without ever having actually received our notice of award, but we would just trust that we were going to be funded, and we would make our plans to attend the meeting.

As far as things being lost, long delays in getting reimbursement, yes, that has been true through the years. We are one of those centers where we did have a line of credit because we were never able to actually receive our funding in time to meet the most important thing, payroll for our staff. So we certainly had that experience.

We also—one of the things I would like to add is that the 641s, which are the client intake forms which we have available online now in Wyoming—we are very technology-based—we are required to have an original signature before that client intake form can be counted by SBA. So that means someone will e-mail it to us, fax

it to us. We have to send it back in order to get an original signature, which wastes a lot of our valuable time. We are a staff of only 2½ people and we are serving the entire State of Wyoming. Without continued funding from SBA, we will continue to be 2½ people. So we use technology as much as we can to streamline our work so that we can continue to serve the entire State.

The same way with counseling records. Counseling records have to be documented in writing in each person's file. We are not allowed to do that electronically, and I don't really understand what all the reasons are for this, but that is what we have been told through the years.

Senator SNOWE. Thank you. Ms. Almeida, you listed—and I know we have had many conversations on this, many of these issues, the numerous difficulties with the entire implementation of the program with respect to the funding, the new renewal grants and so on. Can you tell me what you think of what you heard in the previous panel from Mr. Prakash and Mr. Shear and Ms. Ritt? Do you think we have addressed all these issues, or that they will be addressed systematically from what you heard? Where are the omissions, or where do you agree?

Ms. ALMEIDA. I have hope that they will actually meet their 120-day deadline, but like you and the Committee, the centers that I hear from are anxious that they will meet their mark. There is a great deal of concern about why didn't it happen when it was implemented. Everyone was sort of geared up and ready to respond and now we have 16 centers that are out of the system and then another 9 that have just left. So for us, it is heartbreaking because there is a gap in services for those areas.

Based on history, we have a certain measure of pessimism, but I have to say that the Women's Business Centers and the AWBC, as Mr. Prakash had suggested, that we work together to figure out why isn't this happening. There has always been a willingness on all of our parts to make it work. I mean, that was the intention of the legislation that you were so brilliant in implementing.

So I think in all cases, there needs to be communication and transparency in the process. We seem to work so hard for legislation and then get cut out of the implementation process and that doesn't make any sense to us. Since we know what needs to happen, why not include us in the process of implementation? And yet this is the first time we have heard an invitation to do that.

Senator SNOWE. So this has been the first time?

Ms. ALMEIDA. Yes.

Senator SNOWE. It has not happened in the past?

Ms. ALMEIDA. No, not for the implementation process. I know that both your staff and Senator Kerry's staff have asked for an implementation plan. We have not been invited to help work together. This was—is the first time that he has gathered a group of people together and said, how do we do this? And I think the time is right now. There is a considerable level of hope in the country now across the Women's Business Centers instead of being in the land of the living dead, because each year we were in this nightmare of funding. So there is a willingness, and even though everyone is busy, there is a capacity to help them implement a process that can work because we are on the ground.

Senator SNOWE. Well, it sounds like there is universal dissatisfaction with SBA, with the way in which they have approached and treated Women's Business Centers. I mean, I think that is abundantly clear. From what you heard today, you are encouraged, more encouraged——

Ms. ALMEIDA. I am more encouraged because I have to believe their words. I am more encouraged that the invitation was presented to us. Now we will have to follow up to make sure that that really happens.

Senator SNOWE. OK.

Ms. ALMEIDA. And I am hoping that we have communication with your staff to make sure it does.

Senator SNOWE. Absolutely, and I think that we should have a status report in that regard——

Ms. ALMEIDA. Great.

Senator SNOWE [continuing]. Both from SBA, but also from your experience and how they approach you and your interaction.

Ms. ALMEIDA. I am happy to do that.

Senator SNOWE. We just started a vote, so I am going to be quick. Ms. King, just tell me very quickly, what was your best result from the Women's Business Center? What services were the most important to you to make you obviously very successful?

Ms. KING. The one-on-one counseling, that time where, as opposed to being in a classroom where there is a broad scenario, where we were able to focus in on my situation, on my financial statement, on my customers, on my business. I realize that that is a limited resource, so the fact that someone did take their time to spend that time with me, something that would have cost $300 an hour if I had tried to do it on my own, was invaluable for me to start focusing on the correct types of customers to launch my business forward.

Senator SNOWE. So they gave you very critical information in which to move forward?

Ms. KING. Right. Individual attention is very important.

Senator SNOWE. And individual attention, the one-on-one.

Ms. KING. Yes.

Senator SNOWE. Ms. Goldsmith, I know you are in a more male-dominated industry. Were Women's Business Centers and SBA's services beneficial to you in any way?

Ms. GOLDSMITH. The SBA service centers have been, as has the SBA lending programs. We haven't made use of the Women's Business Centers, but certainly the 8(a) and Small Business Procurement Programs have afforded us an opportunity to enter into the Federal contracting arena, and based on our success within those, I would certainly look very much forward to an equally successful Women's Procurement Program.

Senator SNOWE. I think that is remarkable, because there are many challenges within those programs and that you have been able to insert yourself in that process effectively is outstanding. Securing Government contracts has been one of the biggest challenges we have had with respect to that program for any small business, let alone women-owned small business and disadvantaged small business and so on. If you can give us any ideas in

terms of how we can improve it, as well, that would be certainly welcomed.

Ms. GOLDSMITH. I would be glad to continue in any ongoing dialogue.

Senator SNOWE. Because Government contracting is a door-opener for so many businesses, given the amount of money that the U.S. Government issues in Federal contracts, 300 to 400 billion dollars is very, very important. That is money that is going to be spent. The question is how do we best help to participate in that program to be eligible to receive Federal contracts.

Senator Enzi.

Senator ENZI. Thank you, Madam Chairman. First of all, I want to thank Mr. Prakash for staying for this part of the process. Quite often after people testify, they leave. I am sure you have to be inspired, as we are, to hear these stories, some of the difficulties, but also some of the successes.

Ms. King, I am very impressed with what you have been able to do. I consider you to be one of the great inventors. You have invented a business, and you have made it successful with help of other people, and it is that networking that really does help anybody that is in business.

Ms. Bratton, I appreciate your comments that show not only what has happened to Wyoming, but also to bring some attention to rural businesses. We are a little bit more rural than most of the other States, so we are a good example for that. I appreciated your comments about what I consider to be true small businesses. I have often commented in this Committee that that is where the owner of the business sweeps the sidewalk, cleans the toilets, does the accounting, and waits on customers, and definitely not in that order.

[Laughter.]

Senator ENZI. There are a lot of small businesses out there that can make a real difference and that can close that gender gap and I really appreciate the people that are willing to take the risks, like you, Ms. Goldsmith. I hope that we can change some of the rules and perspectives, and your testimony will help to do that, so that it isn't just a sham process. That is what the Small Business Administration is supposed to be helping on, too. That has been very helpful.

Since we do have a vote scheduled, and, in fact, the five lights up there indicate that it is almost over, we are going to have to leave. I will submit some questions for each of you in writing, and since I am the only accountant in the Senate, some of them will be more detailed than the general public would be interested in hearing. But it will be information that will help us in our decisions and in forwarding information to the Small Business Administration so that we can improve things.

Thank you so much for testifying.

Senator SNOWE. Thank you, Senator Enzi, and I want to thank all of you for your exceptional testimony in helping us and guiding us through this process with the Small Business Administration. I, too, want to thank you, Mr. Prakash, for being here today and sitting through the testimony to get a sense of the concerns. These women here are extraordinary examples of what can be accomplished if we continue to cultivate women-owned businesses and do

everything we can to ensure that they have the resources that they deserve.

So I want to thank you all for being here, and Mr. Shear and Ms. Ritt, thank you very much for being here, for your contributions, as well. We are going to get to the bottom to try to resolve some of these fundamental issues so that others don't experience what you have, Ms. Bratton.

Thank you. This hearing is adjourned.

[Whereupon, at 12:06 p.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

RESPONSES BY ANOOP PRAKASH TO QUESTIONS FROM CHAIRMAN JOHN F. KERRY

I. WOMEN'S BUSINESS CENTERS

Question 1. I am concerned about reports that Women's Business Centers are not clearly being told the criteria for their evaluations or why they receive a particular score. Since funding levels are based on the score, please explain:

• What is the criteria for evaluating a center?
• How are the criteria and the center score communicated to the center?
• Also, will this criteria change with implementation of the new permanent funding program or vary for graduated versus new centers?

Answer. We are in process of reviewing and revising our proposed evaluation criteria of Women's Business Centers to ensure that the intent of the program is being met, and that there is increased transparency and clarity for applying centers.

The new Program Announcement will articulate the criteria, which reflect a policy for strategic investment in development of women's entrepreneurship that is market-driven. Selection of new centers will be evaluated based on market need and key organizational success factors.

Continued funding for existing (and returning centers) will be awarded based on successful past performance, in addition to key organizational success factors and market need—defined primarily by the center's ability and accountability to meet the grant performance criteria and the ability to serve the market as agreed.

Upon completion of our evaluation and ranking, we will provide all centers written notice of their total score and the award range as soon as practicable upon completion of the proposal evaluations.

Question 2. Your written testimony states that SBA budget cuts have made it more difficult to manage the Women's Business Center program and have been the cause of delayed funding and paperwork problems. You also mentioned in your testimony the eightfold increase in funding for this program in the last 18 years. Although that is true, the program has been flat-funded for the last 7 years.

• What changes has the agency made to compensate for budget cuts?

Answer. Our approach is to pursue improvements in program efficiency, by streamlining processes and adopting automated approaches to processing grant and pay requests, and consolidating redundant functions across grant programs. We believe these steps will achieve the appropriate balance between existing resources and OWBO's ability to administer the program at an exceptional level.

Question 2a. Women's Business Centers have asked us why SBA can't eliminate the incredible paperwork burden and have an on-line system. Is this something you are considering?

Answer. Better use of technology and payment processing centers of excellence are at the forefront of our evaluation.

Question 3. I am glad to hear that the SBA is taking steps to get money to the centers faster and glad that the SBA is embracing the IG's report. The centers complain that they get sent back and forth between offices in SBA. The IG report specifically mentions communication and coordination problems within SBA's Office of Women's Business Ownership and its grants management office.

• What is SBA doing to coordinate these offices?
• How are women's business centers supposed to get paid? Please detail all steps in the payment process.

Answer. Today, the Division of Procurement and Grants Management (DPGM) is responsible for budget and final invoice approval. DPGM establishes payment and documentation criteria. The Office of Women's Business Ownership (OWBO) is responsible for reviewing payment requests from the WBCs for documentation sufficiency prior to DPGNI's final review and payment approval. Sufficient documentation criteria are established primarily by DPGM.

The SBA continues to evaluate the invoicing process utilizing lean six sigma standards to guide improvements. An internal collaborative work team between DPGM and OWBO has been formed to further simples and standardize the invoicing process.

Question 4. According to the IG, the SBA's requirements for grants are far greater than is required by OMB.

• Why are these additional requirements necessary?
• Is SBA looking to reduce these requirements, in any way, thereby, reducing the work for SBA and WBCs?

Answer. As the new program announcement is developed, we will explore every opportunity to reduce the overall program requirements, while maintaining adequate internal financial controls for the program. Best practices from other grant programs within SBA (e.g., SBDC program) and across government will inform the approach.

In addition, the SBA continues to evaluate the invoicing process utilizing lean six sigma standards to guide improvements. An internal collaborative work team between DPGM and OWBO has been formed to further simplify and standardize the invoicing process.

II. IMPLEMENTATION OF RENEWAL GRANT LEGISLATION

Question 5. I was pleased to hear that you plan to implement the new permanent funding for graduated centers by January 18, 2008, and I look forward to working with you to do so.

• What is the SBA's plan for implementation?

Answer. We established a 120-day timeframe (from the date of the September hearing) for the new program announcement development, dissemination, review and award process. We expect to have our evaluation of applications complete by mid-January.

Question 5a. Will centers in renewal status be eligible to receive funding for costs incurred prior to receiving the award? It is my understanding that this is done by other agencies. It would help WBCs tremendously.

Answer. We will evaluate the OMB rules for grant making to assess this possibility, If possible, please provide the specific examples of programs and contacts for where this is done, so we might follow up to learn whether those approaches are applicable to this program.

Question 5b. How soon after Congress appropriates funds can we expect to see centers in the program for more than 10 years begin receiving grant money from the SBA?

Answer. Our goal is to have the selection and notices to centers made at the end of the 120-day timeframe, subject to the availability of funding. Whenever appropriation is confirmed, we will engage our newly established payment process, to include advance-funding requests at the beginning of the grant.

Question 6. The IG Report says that SBA could decrease the time it takes to award grants by adjusting the schedule of the grant application reviews, so that returning grantees are reviewed at a different time. I am told that this would smooth out the burden on SBA at any given point, making it easier on SBA personnel and decreasing the time until grants are distributed.

• Is the SBA planning to do this? If not, why?

Answer. SBA has published three program announcements on grants.gov that will close January 24, 2008. Evaluation and review for all renewable and initial grant applications will be conducted simultaneously, with an anticipated completion of the process by March 1.

Question 7. According to the IG, the grant process for graduated centers can be different than that for new centers.

• In light of the fact that graduated centers have an established record (and thereby a clear record of whether they have met their goals and are effective), does SBA plan to streamline the process in any way? It is my understanding that doing so would reduce the burden on SBA and WBCs.

Answer. We are developing program announcement and grant criteria that will be based on the most transparent and efficient method to award and distribute funding to all WBCs, including the centers "rejoining" the national network.

Question 8. The IG Report says that SBA could decrease the time it takes to award grants by: 1) announcing the grant opportunity in the first quarter of the fiscal year and 2) having the different SBA offices review the grant language at the same time.

• Is the SBA planning to make these changes? If not, why?

Answer. Yes.

Question 9. We are committed to helping these centers get their funding and wish to work with you in order to see that happen.

• What can this Committee do to help you implement the new legislation as quickly as possible?

Answer. [No answer was provided by press time.]

III. WOMENS PROCUREMENT PLAN

Question 10. At our contracting hearing in July, SBA testified that the Agency would implement the Women-Owned Small Business Federal Contracting Assistance Program by the end of this fiscal year. We are now into the new fiscal year and implementation still has not occurred.

• Can you tell us where SBA is in the process of implementing this program?

Answer. SBA has prepared a Proposed Rule containing the procedures for implementation of Section 8(m) of the Small Business Act and incorporating the industries in which women-owned small businesses are underrepresented or substantially underrepresented in the Federal Procurement arena. This Proposed Rule was submitted to the Office of Management and Budge (OMB) for review. The OMB has now completed their review and, on December 20, 2007, the agency submitted the proposed rule to the Federal Register for publication, providing for a 60 day period for public comment. This time allows interested parties, and the public as a whole, the opportunity to comment on the Proposed Rule and in this case, the proposed implementation of Section 8(m).

Question 11. Of critical importance to me is what set of statistics the SBA is using to formulate the program. The RAND study analyzed women's contracting in several different ways, and I am concerned that SBA will choose to use statistics which will lead the agency to create a procurement program that only applies to a few industries. That would make a mockery of what we have been fighting for, for all these years.

• Can you tell the Committee which set of statistics are being used to create the program? Can we expect that SBA will construct a program that addresses all disparities?

Answer. The SBA is relying on the findings of the RAND Corporation Study, an independent analysis that determined in which Federal procurement areas women are underrepresented or substantially underrepresented.

Question 12. The President's budget request for Fiscal Year 2008 did not include any funds specifically for implementing the Women-Owned Small Business Federal Contracting Assistance Program.

• What is the estimated cost for implementing this program, and how does the SBA plan to fund the cost?

Answer. The estimated costs for implementing this program and SBA's plan will be addressed in the rule.

Question 12a. Did the Administrator request funds to implement this program?

Answer. As Congress has not authorized any office within the SBA to specifically manage this program, the Office of Government Contracting and Business Development will include these duties within the current structure and personnel allocation. Further, the SBA did not request additional funds for this program and will use the currently allocated Agency budget.

RESPONSES BY ANOOP PRAKASH TO QUESTIONS FROM SENATOR JOSEPH I. LIEBERMAN

Question 1. You mention in your testimony that the ability of OED to administer the Women's Business Centers Program as well as its other programs has been adversely affected by an overall decline in the agency's budget. Given the rise in complaints about SBA, and the fact that Federal funding for SBA has declined in real dollars since fiscal year 2001, do you think your office has sufficient resources to complete its mission?

Answer. Yes. Our approach is to pursue improvements in program efficiency, by streamlining processes and adopting automated approaches to processing grant and pay requests, and consolidating redundant functions across grant programs. We believe these steps will achieve the appropriate balance between existing resources and their ability to administer the program at an exceptional level.

Question 2. Ms. Ritt's written testimony cites a lack of coordination between OWBO and DPGM as a reason for much of the delay in grant payments to WBCs. She reports that each office reviews requests separately and often uses different

standards in evaluation grant requests. These procedures seem complex and arbitrary, and I fear this kind of needless bureaucratic morass will discourage many meritorious WBCs from applying for grants. What steps has your office undertaken to increase communication between the two offices? Have you attempted to develop an integrated plan for WBC grants requests? Has any thought been given to having both offices review requests together, or at least concurrently?

Answer. The SBA continues to evaluate the invoicing process utilizing lean six sigma standards to guide improvements. An internal collaborative work team between DPGM and OWBO has been formed to further simplify and standardize the invoicing process. We have also hired an expert consultant to guide this process improvement team.

Question 3. One complaint I have heard a lot about from small business owners and other interested parties is that, due to budget cuts, many SBA field offices have either cut their staff or had them transferred to Washington. This personnel reduction has greatly reduced the level of service these offices can provide to small business owners in their community. Mr. Shear's testimony indicates that due to these cuts, the district office of technical representatives (DOTRS) assigned to oversee local WBCs have too many other responsibilities and lack the expertise to effectively oversee and assist the WBCs. Could you tell me about some of the efforts your office is undertaking to address these complaints and to restore the quality of service and oversight provided by the field offices?

Answer. We have detailed to SBA central office a senior DOTR from Vermont to guide our improvements in the areas of technical training and relationship management for our field representatives. A workgroup of DOTRs are developing the work plan for us to follow. We are also working with the Field Advisory Council to improve communications with the District Directors in this regard.

RESPONSES BY ANOOP PRAKASH TO QUESTIONS FROM SENATOR OLYMPIA J. SNOWE

Question 1. What problems does the SBA anticipate in creating the new evaluation criteria and requirements for the new 3 year renewable grant program which were created as part of the "Troop Readiness, Veterans' Care, Katrina Recovery and Iraq Accountability Appropriations Act of 2007"? What is the SBA doing to prevent these difficulties?

Answer. The SBA anticipates no problems in developing new evaluation criteria and requirements in response to the new legislation. We are on pace to meet the time commitments made during the September 20, 2007 hearing

Question 2. The SBA's testimony states that the SBA has taken six steps since March 2007 to improve the processing of WBC grant disbursements. What performance metrics is the SBA using to prove these steps are successful?

Answer. A new partnership with the Department of Health and Human Services—Grants Payment Management System, will convert the current paper-based reimbursement payment process to an automated payment advance system, with two major reconciliation points—one at mid year and one at year-end closeout. The advance system, with appropriate checks and balances, will provide a remedy for grantee's with cash-flow concerns. Our objective is to meet the OMB prompt payment standards of 30 days or less, and respond in a similar timeframe if there are questions or issues with the payment request.

Question 3. What steps is the SBA taking to address centers' concerns about ranking criteria? What is the SBA doing to make the ranking criteria, for the new renewable grants as well as the other WBC grants, based on relevant, fair, understandable, and transparent measures?

Answer. We are in process of reviewing and revising our proposal of evaluation criteria to ensure that the intent of the program is being met, and that there is increased transparency and clarity for applying centers.

The new Program Announcement will articulate a policy for strategic investment in development of women's entrepreneurship that is market driven. Selection of new centers will be evaluated based on market need and key organizational success factors.

Continued funding for existing (and returning centers) will be awarded based on successful past performance, in addition to key organizational success factors and market need—defined primarily by the center's ability and accountability to meet the grant performance criteria and the ability to serve the market as agreed.

Question 4. Moving forward, what specific recommendations does the SBA have for ensuring that new and rural centers will be funded in the coming years?

Answer. The new Program Announcement will articulate a policy for strategic investment of resources that is market driven. Selection of new centers will be evaluated based on market need and the service gaps or growth opportunities identified in the current portfolio of Women's Business Centers.

Question 5. Will the SBA need additional appropriations to continue to expand the WBC program? If so how much additional funding would be necessary? Will the SBA be able to open new centers if additional funding is not provided? Please explain why or why not and all the possibilities for expanding the WBC program.

Answer. The program's intent is to seed and develop centers in areas of greatest need, and we believe the current levels of funding achieve that intent.

Question 6. What should be done to help rural women's business centers expand their services to women's businesses?

Answer. Rural-based Women's Business Centers face unique challenges in getting WBC services to their clients. These challenges will be factored into the new selection and funding criteria.

Question 7. How is the SBA leveraging technology to help rural centers better meet the needs of their women business owners? What else should be done to help rural centers use technology to their advantage?

Answer. The SBA has identified best practices within all of its resource partner networks that exemplify innovative use of technology in service delivery. We are working to improve the dissemination of these best practices throughout the networks. We have also recently invested in several new web-based assessments and training modules to support entrepreneurs not able to receive local counseling assistance. These investments have already drawn significant attention from entrepreneurs, with over 1300 entrepreneurs daily utilizing these tools. Further, we believe a key organizational success factor in evaluating center applications is the leadership experience with technology and the presence of a technology-based element to their center's service strategy.

Question 8. What kind of training and assistance is SBA providing to WBCs to aid them in their fundraising efforts?

Answer. At the most recent national post award conference for WBCs and DOT& in early September, several opportunities were created for WBCs to hear speakers and dialog on this issue. We will continue to provide guidance and educational opportunities for WBC directors that help them expand partnerships, leverage additional funds for their centers, and achieve an appropriate balance between program delivery responsibilities and program development opportunities. It should also be noted that fundraising is not an allowable cost under grants law. Therefore, SBA faces stringent legal constraints with regard to using appropriated or grant funds to pay costs associated with providing training on fundraising to WBCs.

Question 9. Without appropriate monitoring and enforcement, prime contractors often fail to follow through with their promised plans to award small business subcontracts. What steps should the SBA take to monitor and enforce the plans for subcontracting with women-owned small businesses?

Answer. The SBA is taking the same precautions to monitor and enforce plans for subcontracting for women-owned small businesses as it does with all other small businesses. For instance, the recent SBA recertification regulation that requires companies with Federal contracts to recertify, their size status as "small businesses." This will increase opportunities for more small businesses, including those that are women-owned, to receive contracts from the Federal Government.

In addition, subcontracting plans are reviewed by both contracting officers and SBA prior to contract award. Furthermore, SBA's Commercial Market Representatives (CMRs) are available to assist small businesses, including women-owned small businesses, with subcontracting opportunities.

Question 10. As a result of the lack of monitoring by the SBA's and other agencies' contracting personnel women-owned small businesses, as well as other small businesses become frustrated and discouraged from pursuing Federal subcontracting opportunities. What is the SBA specifically doing to ensure women-owned small businesses continue to pursue subcontracting opportunities?

Answer. The SBA is committed to furthering our positive impact on women in business across our contracting programs. Additional resources for women are available through SBDCs, WBC, SCORE, PTACs (at DoD facilities—Procurement Tech-

nical Access Centers). Furthermore, all agencies have Offices of Small Disadvantaged Business Utilization (OSBDU) and within the OSDBU, there are often women's business advocates.

Each of these can make a difference and can encourage more women-owned businesses to join the Federal contracting system. More women-owned businesses in the system should directly translate into more contracting dollars going to women-owned small businesses.

Question 11. What is your agency doing to increase Federal contracting opportunities for women-owned small businesses?

Answer. SBA's semi-annual scorecard of the other procuring Agencies is a great example of the Agency's plan to increase Federal contracting opportunities. The scorecard is providing transparency and accountability for the procuring agencies. It is publicly calling on them to achieve all of their small business goals, including focusing 5 percent of all contracting dollars to women-owned small businesses.

Question 12. At a recent hearing in the House Small Business Committee, Administrator Preston stated the SBA has recently submitted a new rule, relating to the women's contracting set-aside program, for interagency review, The Administrator stated that it will take at least another 90 days before a response is given. The women's contracting set-aside pro gram was enacted nearly 7 years ago. How much longer will it sake fop the law to be implemented? What other steps is SBA taking to ensure the law is implemented immediately following the 90 days?

Answer. The proposed rule has been submitted to the Federal Register for publication. The public will now have an opportunity to comment on the Proposed Rule for a period of 60 days. Upon completion of those 60 days, SBA will review and respond to all of the comments received in a final rule. Since we have just started the public comment period, any estimation of an implementation date is premature.

RESPONSES BY WILLIAM B. SHEAR TO QUESTIONS FROM SENATOR JOHN F. KERRY

Question 1. As you outline in your testimony, the lack of certainty over funding is one of the most critical problems facing Women's Business Centers, as it has been since the program was first implemented. In your opinion, to what degree was this lack of certainty detrimental to the ability of Women's Business Centers to fulfill their purpose, to assist women entrepreneurs and business owners, particularly those of lesser means? In your opinion, is the new legislation an improvement over the old system?

Answer. Concerns about funding were common among the WBCs that we spoke with. For example, some WBCs in both the regular and sustainability programs said that they were concerned about their ability to continue operations after losing SBA support. In addition, OMB reported in its Program Assessment Rating Tool (PART) that frequent changes in the WBC program's funding structure, delays in extending sustainability funding, and uncertainty about the future had created challenges for the program. The new legislation, which provides continuous funding for WBCs through renewable 3–year awards, directly addresses concerns WBCs expressed about a lack of long-term or permanent support from SBA. Nevertheless, SBA may encounter some challenges going forward. For example, it is unknown how the new awards will impact SBA's ability to fund new centers.

Question 2. In your investigation you looked into SBA oversight over the WBC program. What is your opinion of SBA's current oversight of the program—is it effective? Are there ways of improving it that would maintain oversight, while decreasing the burden on SBA and the centers?

Answer. The oversight process that SBA has in place, as well as the performance-based aspect of the WBC program, are intended to assist WBCs in complying with the requirements of the program and in carrying out its mission. However, SBA faces challenges in its oversight of WBCs, including imbalances in its staff resources to oversee the program and ineffective communication with the centers. SBA has an opportunity to increase the effectiveness of its oversight by ensuring that the centers receive clear and timely guidance. While our work did not include an assessment of WBC compliance, oversight and the assurance of WBC compliance could be improved by addressing the challenges we identified. For example, better communication between SBA and WBCs about program requirements could improve the oversight process.

Question 3. According to GAO and the Office of the IG, communication within SBA and between SBA and the centers is a major problem. Do you have any rec-

ommendations for addressing the communication problems? Is using the web a good idea?

Answer. WBCs we spoke with cited several communication issues with SBA. In addition, a separate study we cited in our testimony found that over half of the 52 WBCs surveyed said that SBA could improve its communication with them. We think that effective communication among SBA's offices that oversee the program and between SBA and the centers is essential in ensuring that the program is achieving its goals. To this end, SBA should make use of available technology, including the Internet, in its efforts to communicate program requirements and other key information. We anticipate making a recommendation to address this issue in our final report.

Question 4. Women's Business Centers have complained about the unclear criteria upon which they are evaluated. As someone who has looked at the program very closely, what do you think are fair and accurate benchmarks for evaluating the performance of a center?

Answer. Some WBCs told us that SBA did not provide them with feedback on their performance or that SBA's criteria for determining annual award amounts were not clear. When we followed up with SBA, agency officials told us that they were aware of this concern and would provide regular feedback to the centers going forward. They also said that they were working toward making the WBC evaluation process more transparent. We think that SBA's performance-based funding process encourages high performance among the centers. Although we did not assess SBA's specific performance benchmarks for WBCs, we think that making the process more transparent and improving communication with WBCs about their performance would improve the process for evaluating the performance of centers.

Question 5. You mention that, oftentimes, Women's Business Centers are not able to coordinate with SBDCs and SCORE in a way that benefit all of the SBA programs involved. Based on what you have learned from your study of Women's Business Centers, do you feel that it is possible to create synergy between those programs? What measures can SBA take to reduce duplication of services and highlight the unique nature of each particular program?

Answer. In line with the WBC program's mission, we found that the WBCs we spoke with focused on serving women, including those that were socially and economically disadvantaged. Additionally, representatives from the WBC, SBDC, and SCORE programs that we spoke with, as well as SBA officials, often differentiated the programs by a typical client with regard to stage of business or the type of assistance needed. In our testimony, we also note that an SBA study found that WBC clients tended to have fewer employees and smaller revenues than clients of other SBA business assistance programs. However, in some instances, WBC clients may be able to benefit from services that a local SBDC or SCORE chapter offers and vice versa. In some markets, we found evidence that program representatives were very aware of what each program offered and saw examples of active coordination to meet the needs of small business clients. For example, five co-located SBDCs and WBCs we contacted shared administrative support and leveraged counseling staff in order to better serve clients. Although local markets vary, SBA could make sure that others understand each program's uniqueness and provide examples of promising practices to highlight coordination opportunities and reduce the potential for duplication. We anticipate making a recommendation to address this issue in our final report.

Question 6. Another major issue that you address in your testimony is that the District Office Technical Representative charged with carrying out oversight of the Women's Business Centers often lack the expertise necessary to effectively do this work or have so many other responsibilities that they cannot dedicate the time necessary to do it properly. Do you think that it is possible, within the current SBA structure, to allocate personnel specifically to the role of overseeing Women's Business Centers? What role should the District Office play?

Answer. In our review, we found that some District Office Technical Representatives have too many responsibilities overall or lack expertise in certain areas to carry out WBC oversight effectively. Nevertheless, district office staff can have a useful role in oversight because they are closer to the centers, are more likely to be knowledgeable about the communities in which they operate, and are able to conduct site visits. Though SBA faces agency wide challenges as a result of downsizing, we believe SBA can achieve effective oversight with an appropriate allocation of responsibilities between headquarters and district office staff. We anticipate making a recommendation to address this issue in our final report.

Question 7. As you are aware, the new legislation alters the funding structure for Women's Business Centers, allowing the centers to apply for a Renewal Grant every 3 years, with no limit to the number of years they can receive grants. Based on your review of the Women's Business Center program and your expert knowledge of the SBA, what suggestions or recommendations can you make for implementing this as quickly as possible?

Answer. SBA can begin the application review process for fiscal year 2008 prior to receiving its appropriation. In addition, SBA could develop a structured approach to implementing the new program that provides a timeline or plan for updating the award announcements, incorporating changes it may have in the application process, and specifying how coordination among relevant SBA offices shall occur. Since the goal of the new legislation is to implement continuous funding for WBCs, SBA could also consider giving some priority to facilitate uninterrupted funding for centers that graduated at the end of fiscal year 2007 and are eligible to continue in the program.

RESPONSES BY WILLIAM B. SHEAR TO QUESTIONS FROM SENATOR OLYMPIA J. SNOWE

Question 1. With the creation of the renewable grants enacted in the Troop Readiness, Veterans' Care, Katrina Recovery and Iraq Accountability Appropriations Act of 2007, the SBA will be required to rank and evaluate all of the existing centers as well as all of the graduated centers. What steps is the SBA taking to address centers' concerns about ranking criteria? What is the SBA doing to make the ranking criteria, for the new renewable grants as well as the other WBC grants, based on relevant, fair, understandable, and transparent measures that will be used in the evaluation process?

Answer. With regard to implementing the new renewable 3-year awards, SBA officials told us that they anticipate revising certain criteria to incorporate the new program structure and the mixed pool of applicants. At the time of our review, SBA was still reviewing the criteria. However, some WBCs told us that SBA did not provide them with feedback on their performance or that SBA's criteria for determining annual award amounts were not clear. When we followed up with SBA, agency officials told us that they were aware of this concern and would take steps to make the WBC program's performance-based funding process more transparent.

Question 2. In its testimony, the GAO stated that centers felt the SBA did not provide sufficient feedback on center performance. What changes should the SBA make to better evaluate centers and help centers understand how to improve their performance?

Answer. Some WBCs told us that the lack of feedback regarding their performance was a concern. This concern was part of a broader issue among WBCs about SBA's communication with them. We asked SBA officials about providing the centers with performance feedback and they told us that in the past, they provided feedback when the WBC needed to make a correction. They also said that they were aware that the centers had this concern and would provide regular feedback to the centers going forward.

Question 3. Without specific guidance from the SBA, have Women's Business Centers taken steps to coordinate with Small Business Development Centers and SCORE on their own initiative? If so, please describe these steps.

Answer. Some WBCs have coordinated with SBDCs and SCORE in local markets using a variety of approaches. For example, a WBC in Wisconsin that was working with SBDC, SCORE, and other small business assistance providers to develop a detailed triage system for small business clients so that the providers could divide resources and systematically determine where to refer clients. Under a memorandum of understanding, WBC, SBDC, and SCORE representatives in South Carolina organized informal groups with other area small business providers to plan events, coordinate services, or facilitate training. In several locations, WBCs were co-located or shared space with SBDCs and SCORE chapters. Co-located WBCs were often able to benefit from reduced overhead costs that came from shared facilities and office space. For example, in California, a WBC that was co-located with an SBDC often referred clients to SBDC counselors if WBC counselors were not available in order to maximize resources and better serve small business clients.

Question 4. Would a detailed SBA plan explaining coordination efforts between its business assistance programs reduce uncertainties in the duplication of services? Why or why not?

Answer. A detailed plan that included information on promising practices and examples of successful coordination would help to reduce uncertainties and would also facilitate and encourage coordination efforts. Recognizing that local markets vary, successful coordination strategies can also vary between different markets depending on factors such as the programs available in a given area, specific program offerings, and the level of interaction between program representatives. Increased awareness of each program's services at the local level could facilitate coordination and reduce the potential for duplication. We anticipate making a recommendation to address this issue in our final report.

Question 5. Given the various SBA technical assistance programs serve different clientele, why would duplication be an issue?

Answer. In general, the potential for duplication could still be an issue because all of the programs offer counseling and training services and small business clients do not always know which program best meets their needs. Because local markets vary, there may also be more potential for duplication between the services that WBC, SBDC, and SCORE offer in some areas than others. In their efforts to coordinate and avoid duplication, SBA's technical assistance programs may also find opportunities to leverage resources. For example, WBC clients may be able to benefit from services that a local SBDC or SCORE chapter offers and vice versa. Overall, small business clients would be best served where the programs and SBA coordinate to serve businesses at all stages of development and with a variety of needs, and where potential clients have a clear understanding of which program can best meet their needs at any given time.

RESPONSES BY DEBRA S. RITT TO QUESTIONS FROM CHAIRMAN JOHN F. KERRY

Question 1. Based on your work at other Federal agencies and reviews of the practices in other offices at SBA,

• Are the grant problems with Women's Business Centers typical? How does the Women's Business Center office compare to other offices in SBA?

Answer. The grant problems experienced by Women's Business Centers (WBCs) are not typical of other grant programs administered by SBA. Authorizing legislation requires that WBC grants be administered by SBA's Office of Women's Business Ownership (the program office). However, we found that both the program office and SBA's Division of Procurement and Grants Management (the grants office) share responsibility for processing the grant awards and payment requests. Our audit determined that problems experienced by WBCs in receiving timely payment resulted from disagreements between the program office and the grants office in their understanding of the information that WBCs must submit to get paid. In contrast to the WBC program, both the Small Business Development Center grants and earmarked grants are disbursed more timely than the WBC grants.

Question 2. Your written testimony says that offices within SBA did not work together to develop payment requirements in the program manuals. It is my understanding that these manuals are distributed to Women's Business Centers during mandatory training.

• How good are these manuals—do they include all the necessary information? Does every center have one?

• What additional information should be included that is not?

• Do you have any suggestions for how best to communicate manual changes to the centers?

Answer. Annually SBA updates the WBC program manuals to reflect the most current eligibility and payment requirements. The manuals are fairly comprehensive and user-friendly. However, we noted that last year the grants office was not sufficiently involved in developing the manuals, which resulted in the omission of some payment requirements. It also led to an open disagreement between the grants office and the program office during WBC training and throughout the 2007 grant administration process. For example, the manuals did not stipulate that WBCs must submit original supporting documents and original signatures. The manuals also provided conflicting and unclear requirements about the reporting of changes in center personnel to SBA. For example, one section of the manual instructed WBCs to submit the names of all personnel changes to SBA, while another section advised that only changes in key personnel must be reported. The manual also did not adequately define key personnel.

Program manuals are provided to only those Women's Business Centers who attend annual training. We found that after the manuals were distributed to WBCs

and training conducted, the program and grants offices introduced new requirements for payment requests. These changes were not always communicated to WBCs in time for them to make required changes to their payment requests nor were the manuals updated.

Our report recommends that the manuals, and any updated information, be posted on SBA's website so that the latest, most comprehensive information is available to all WBCs.

Question 3. Women's Business Centers have complained about the unclear criteria upon which they are evaluated. As someone who has looked at the program very closely:

• Do you agree that there has been confusion about the evaluation criteria and how WBCs are scored? Is that a problem?

• Based on your familiarity with the program, what criteria do you believe would be fair and accurate for evaluating these centers?

Answer. Because our audit focused primarily on the processing of grant payments, we did not evaluate SBA's communication of its grant evaluation criteria or determine whether the criteria were fair and accurate. However, we did note that SBA's grant solicitation announcement includes the criteria that the Agency will be using to evaluate WBC grant proposals, as required by the authorizing legislation.

Question 4. Mr. Bill Shear from the Government Accountability Office testified that the District Office Technical Representative (DOTR) charged with carrying out oversight of the Women's Business Centers often lack the expertise necessary to effectively do this work or have so many other responsibilities that they cannot dedicate the time necessary to do it properly.

• Did you find this to be a problem?

• If so, what role should the district office play?

Answer. We have some indications from previous audits that SBA's district offices may be understaffed and that district employees have many collateral duties. In 2003 the OIG also reported that district personnel assigned to perform oversight of a Texas WBC did not have the financial background or proper training to perform financial reviews of the WBC. SBA relies heavily; however, on DOTRs to carry out many WBC program responsibilities even though they have other full-time responsibilities. In March 2007, the SBA's Office of Women's Business Ownership (the WBC program office) relieved the DOTRs of duties associated with reviewing and certifying payment requests, and assumed those responsibilities exclusively at SBA Headquarters. While DOTRs no longer review and certify payment requests, they continue to oversee the activities and operations of local WBCs in their districts.

The role that district offices should play in the WBC program is currently evaluated by the Agency. Recently, the Associate Administrator for Entrepreneurial Development established a task force to examine all roles and responsibilities associated with the award and administration of WBC grants. Part of that examination will include a review of DOTRs' roles and responsibilities.

Question 5. With your in-depth knowledge of the grant making process perhaps you can give some advice to the Agency on how to include centers newly eligible for funding in the next round of grants.

• Can you outline a timetable for how SBA could administer the grant process for new and older centers?

• Is it true that pre-award costs can be eligible for reimbursement?

• Also, is it true that different requirements can be used for each program—the new centers versus the permanent funding for existing centers?

• Although centers are required to meet their goals and show that they are effectively providing services, is competition required for distributing grants such as these? How do other agencies handle similar situations?

Answer. A timetable for the award of the renewable grants is currently being developed by the Associate Administrator for Entrepreneurship Development to ensure that the grants are awarded by January, 2008, as requested by the committee. In general, we believe that SBA could more expeditiously award WBC grants for both new and established centers, according to the following timetable:

• Post the grant solicitation or formal announcement by October 31 of each fiscal year for a minimum of 30 days. Additionally, this announcement could be augmented by a year-round publication on SBA's website of the availability of WBC grants, much like student grant programs are advertised all year, with stated deadlines (i.e., cutoff dates) and requirements for application.

• Review the proposals and make selections by late December.

• Announce grant awards by mid-January.

Based on information obtained from OMB, pre-award costs can be eligible for reimbursement provided that they are specifically addressed in the grant opportunity announcement.

Different application requirements can be used for new versus existing centers. Older centers only need to submit information on their past performance and budget, whereas new centers must furnish greater detail about their 5-year plan with clear goals and time-phased activities, a milestone chart, a list of the types of training and counseling offered, and the required certifications.

According to appropriations law, whether a grant program is competitive depends on whether the grants are mandatory or discretionary. In a mandatory grant program, grant awards are usually directed to one or more classes of prospective recipients who must meet specific eligibility criteria. These grants are often awarded on the basis of statutory formulas. The concept of competition generally applies to discretionary grants. The Federal Grant and Cooperative Agreement Act encourages competition in order to identify and fund the best possible projects to achieve program objectives. The WBC grant program is a discretionary program where the centers compete annually for the maximum award amount.

Further, the authorizing legislation for the WBC program specifically required that sustainability grants be competed simultaneously with requests for proposals from new and returning entrants in the first 5 years of the grant program. While not specifically requiring competition for new entrants and for returning entrants in the first 5 years, the authorizing language included a requirement that SBA evaluate and rank applicants in accordance with predetermined selection criteria that were to be stated in terms of relative importance and be made publicly available in each grant solicitation for applications. In addition, the authorizing legislation required the Office of Women's Business Ownership to select applicants to participate in the program, and required that SBA consider a center's past performance before awarding grants.

Other agencies, like SBA, follow appropriations law governing the award and administration of mandatory and discretionary grants.

Question 6. Are there any other changes or suggestions that you would recommend for implementing this new law and improving the process for WBCs and the SBA?

Answer. First, SBA should decouple its evaluation of new entrants from that of established WBCs seeking renewal grants or option year funding as established centers should not have to submit the same amount and type of information that is required from new entrants. If a center is already in the program and returning for option year funding or applying for a renewal grant, SBA already has historical performance data for that center. Therefore, SBA should adjust its evaluation requirements to better match the maturity of the center. Further, placing all returning grantees on the same evaluation schedule as new entrants requires the expenditure of substantial resources, for example, to evaluate potentially over 100 proposals every year, and unnecessarily delays returning grantees from requesting payment earlier in the year.

RESPONSES BY DEBRA S. RITT TO QUESTIONS FROM SENATOR OLYMPIA J. SNOWE

Question 1. Provisions in the Troop Readiness, Veterans' Care, Katrina recovery and Iraq Accountability Appropriations Act of 2007 require the SBA to create the Women's Business Centers 3 year renewable grant program in fiscal year 2008. What problems does the SBA IG anticipate the SBA may have by implementing the 3 year renewable grant programs and what should the SBA do to prevent these difficulties?

Answer. SBA will be challenged to meet the January 2008 commitment for the award of renewable grants. This is because SBA has to re-engineer its award process, publish evaluation criteria for the 2008 grants, post the announcement, wait 30 days for proposals, and then evaluate the proposals and select awardees. As of November 1, 2007, SBA had not posted the request for proposals.

Further, it is anticipated that since the 2008 grantees will be announced in January, SBA will be disbursing both the 2007 and 2008 grants concurrently upon receipt of payment requests from the WBCs. This volume of payment requests may be difficult for SBA to process timely.

Question 2. Why are timely payments to Women's Business Centers so difficult for the SBA to achieve? How should SBA reduce these delays?

Answer. Our audit determined that timely payments to WBCs were difficult for SBA to achieve because of poor coordination and communications between two SBA

offices that processed payment requests, the inability of these two offices to work in an integrated fashion, and flaws in the payment process itself that caused paperwork to be rejected or lost. To ensure that grant funds are disbursed more timely, our report made several recommendations to either streamline or automate the processing of payment requests, including that the Associate Administrator of Entrepreneurial Development:

• Enter into a Memorandum of Understanding (MOU) requiring collaborative development of criteria and an interpretation of payment requirements for complete and appropriate submittals, agreement on criteria changes, and agreement on respective roles and responsibilities in rejecting payment requests. If an acceptable agreement cannot be reached, either place grants specialists within the program office or outsource the WBC grants reimbursement function.

• Annually develop and provide WBCs a consolidated checklist of payment requirements and supporting documentation to ensure payment requests are complete.

• Establish a change control process to prevent or minimize changes made to payment requirements after the grant award, and to ensure that handbooks and information required on the payment request forms are appropriately updated.

• Automate the payment request review and approval process to the fullest extent possible. Leverage existing grants office automation capabilities and apply them to the WBC grants, tailoring the process as needed to meet the requirements of both SBA offices as contained in the signed MOU. In the meantime, ensure that all issues are identified before returning the payment requests for correction so that WBCs only have to submit one set of corrections.

• Permit WBCs to provide missing, incomplete or incorrect sections of their payment requests so that the complete request package does not have to be returned to WBCs and resubmitted to avoid restarts of the payment review process. Also disburse all funds except those costs that are in question to enable WBCs to get partial payments until their requests can be fully resolved.

• Enable web access by WBCs to the training, handbooks and program changes.

• Develop and post a complete log of payment review events on a secure password-protected website for viewing by WBCs and both SBA's program and grants offices so that WBCs can determine the status of their pay requests and can match their requests to specific invoices; and the Agency can monitor the timeliness of processing actions.

Question 2. Does the SBA have sufficient procedures in place to recreate consistency and accurate check payment to Women's Business Centers going forward? Is the SBA sufficiently using technology to help streamline this process and reduce the wait time for check payment?

Answer. Our audit found that SBA lacked sufficient procedures to ensure consistent and accurate payment of WBCs going forward. Our audit disclosed that SBA rejected payment requests before both the program and grants offices completed their reviews of the request, creating multiple restarts of the payment process. When payment requests were rejected, the entire original package, and corrected versions were mailed back and forth between SBA and the WBCs instead of only correcting the document(s) affected. Both offices also differed in their interpretations of the payment requirements. The Agency's lack of a tracking system to identify when the payment request is received, reviewed, and paid, also contributed to delays. We understand that SBA is in the process of revising its WBC grants disbursement processes and procedures and expects to have these changes finalized by January 15, 2008. Until these changes are implemented, we expect that payment delays will continue to plague the program.

RESPONSES BY WENDI GOLDSMITH TO QUESTIONS FROM SENATOR OLYMPIA J. SNOWE

Question 1. On July 18, 2007, the SBA stated at a recent contracting hearing before this Committee that women-owned small business contracts accounted for $11.6 billion in fiscal year 2006 and 3.4 percent of total Federal procurement, an increase of $1.4 billion (or 0.3 percent) over fiscal year 2005. What can the SBA do, in addition to implementing the women contracting set-aside program, to further increase women-owned small business contracting opportunities?

Answer. My key recommendation is to establish a set-aside program, but also to include sole-sourcing measures similar to the 8(a) program. As discussed in my answer above, there can be a catch–22 situation where the women owned business needs proven experience in order to compete, even on a set-aside basis, for additional work.

Question 2. The government needs to quantify women's participation in government contracting in order to determine if, and by how much, women's contribution levels are increasing or decreasing. Which contracting measurement, numbers of dollars or number of contracts, should be used to measure women participation levels in government contracting? Please explain the benefits of your recommended measurement method.

Answer. I believe that numbers of contracts is important because it ensures that a variety of contracts, across a full spectrum of NAICS codes, are being used. It is this number of contracts that will allow women owned firms to build experience, and in my view this is the best way to track performance of the program. However in the final assessment, I believe that the dollar value of contracts awarded to women owned firms must stand as the key measurement, and I believe that the goal should be significantly higher than the present goal, and that the progress toward increasing the level of funds directed toward women owned firms should more closely reflect demographic parity.

Question 3. Your website states that innovation is critical in your ecological planning work. How have you, as a small business owner, been able to think outside the box on ecological restoration, in ways that larger companies have not?

Answer. Thank you for asking this question! I know from experience that the staff we attract and retain, and the relationships we cultivate with our clients is very different from large firms'. When you are solidly established and have a lot to lose, it is natural to avoid risks and potential conflicts, and stick to conservative approaches. There has long been a perceived and often very real antagonism between pragmatic engineers and idealistic environmentalists. Hence it has been innately risky for engineering institutions to embrace ecologically attuned methods, and even when they try, environmental stakeholders have been slow to accept and believe their attempts. It has been possible for the Bioengineering Group, as a small business, and as a firm with key leaders who are themselves rooted in both the pragmatic and the idealistic realms, to define specific approaches and processes to build concensus and integrate ecological functions into engineering solutions. We have brought these skills to serve various Federal clients over the years, and I firmly believe that the small business programs that have allowed us to develop our capabilities and our client relationships have benefited not only our firm, but chiefly our clients. Small business breeds innovation and resourceful problem-solving and our spin on this has been ecologically based interdisciplinary planning and design solutions.

Question 4. You mentioned that you'd like to see greater enforcement of subcontracting rules so that small businesses are not exploited by larger firms. Have you contacted SBA with your concerns about specific cases of exploitation? If so, and what was SBA's response?

Answer. I have contacted SBA on various occasions to discuss this issue but have not received help from them. One reason I realize is that without some comprehensive data on how the full set of contractors is fulfilling their small business commitments, it is difficult to single out specific firms and situation for intervention. Currently I understand that no such dataset exists, though I have heard rumor of some data being collected by certain agencies for their own use. Also I should note that the SBA personnel I have discussed this issue with lack knowledge and familiarity with my industry and have appeared to me to lack tact in addressing such matters. I have, on two occasions, dropped the matter due to my concern that SBA intervention would backfire and cause damage to my contracting relationship, and potentially a ripple effect spreading to other firms. There is not simple way for me as a small business owner to blow the whistle on my prime contractor for failing to use me as promised without being identified as the "complainer". However I fully support the use of systematic enforcement of subcontracting plans including random rigorous review and evaluation of subcontrating performance including anonymous interview with small business subcontractors to air complaints and make suggestions. I would assume that if penalties were severe, and new contract awards made tightly contingent on past subcontracting performance (there is a growing but still weak awareness that this topic matters in the selection process). Also the key loophole is that the subcontracting plan only applies if work is subcontracting at all, and currently small businesses are used to flesh out a strong competitive proposal, then the large business often self-performs the vast majority of the work, rather than adhering to prior worksplit provisions with subcontractors. Federal subcontracting program rules do not address this problem, though perhaps this should be changed so that prior worksplit commitments be shared with the government and used for measurement of performance.

RESPONSES BY WENDI GOLDSMITH TO QUESTIONS FROM SENATOR MICHAEL B. ENZI

Question 1. During the hearing, you commented about the difficulties of finding a starting point in the government procurement process. Your point was especially well taken when you described the specific challenges of being awarded contracts in the field of engineering. What efforts on behalf of the Small Business Administration and the Women's Business Center might better facilitate the needs of women seeking business through competitive bidding processes?

Answer. In order to build the level of experience needed for women business owners to compete successfully for Federal contracts, especially in highly technical fields such as engineering, it may well be necessary to use both sole-source and set-aside measures. In my own business experience, without the possibility of gaining experience through sole source opportunities, my success would have been doubtful. Set-aside opportunities may provide a suitably sheltered climate for women owned firms to compete, but in my experience, these channels do not work well unless prior experience of a targeted nature can be demonstrated—hence a catch 22 situation where you need to have experience to get experience. As I described earlier, small firms often spend considerable resources participating as subconsultants for proposal preparation, only to wind up getting little or no work from the contracts, so unfortunately gaining experience that way has proven uncertain and costly. I would like to believe that through greater involvement by SBA and/or Womens Business Centers in providing oversight and accountability to subcontracting programs, including advocacy and enforcement when there are problems, that the situation could be corrected. However sole sourcing and set-asides simplifies the problem by putting women business owners in charge of the work, rather than wrangling for their portion.

Question 2. I was pleased to learn that you found great success in sole source contracting and the Mentor-Protege program. From your experience, in what ways can the Mentor-Protege program and opportunities for sole source contracting be improved?

Answer. Much as outlined above, it would often be helpful to have advocacy and enforcement support through SBA or the WBCs to cultivate better use and understanding of both sole-sourcing mechanisms, and also of navigating Mentor-Protege relationships. In my experience I found that Federal contracting officers remain inconsistently informed to this day about suitability and methods for issuing sole-source 8(a) contracts, and the situation is worse when marketing directly to many end users who have less training and react with fear to sole-sourcing which sounds "to easy and too good to be true, therefore it must be fishy". In my experience SBA personnel have refused to assist in these situations, citing that it is the responsibility of the 8(a) firm to conduct marketing, and the SBA simply approves the sole source contract action. In my experience, though, the problem is often that the end user is not comfortable even initiating this step do to poor information and high levels of suspicion and discomfort. In one instance a year ago a user recommended to a superior that my firm receive a sole source contract for which we were eminently suited, and the supervisor's reaction was discomfort and reluctance. The end user contacted that agency's ethics officer and/general counsel to verify that the approach was appropriate, but the supervisor still rejected it, based on various faulty statement about the sole-sourcing being inappropriate. Worst of all the interaction created a lot of bad blood between various parties. Earlier in my career I experienced frequent obstacles due to misinformation but with the highly practiced negotiation skills and program knowledge I now possess, these obstacles still exist. It would be helpful to have an ombudsman or similar resource to call upon in such instances to clarify facts and most importantly smooth out any suspicions or fears of ethics violations before they spin out of control. My main recommendation for the Mentor-Protege program is that SBA could establish a tutorial for Mentor-Protege relationship kick-offs, and a forum for firms with Mentor-Protege relationship experience to aid small firms in identifying and selecting Mentors. In my experience large firms do not automatically adopt an attitude of support and cooperation to aid and collaborate with their Proteges, but rather fall into long-standing patterns of strong-arming small business as is typical in subcontracting relationships. Even when some large firm staff grasp the nature of the Mentor-Protege relationship, other key staff typically fail to understand and act appropriately. I believe that improvements could be made through an outreach program that features a set of relationship guidelines, and most importantly shared case studies of top performers and weak performers. After all we entrepreneurs large and small like to excel, and if educated about the highly mutual and supportive Mentor-Protege strategies that lead to great shared benefit, most would pick that outcome over the alternative of greed, manipu-

lation, and even destructive behavior that I know from experience can otherwise occur.

RESPONSES BY ROSEMARY BRATTON TO QUESTIONS FROM SENATOR OLYMPIA J. SNOWE

Question 1. Today, women-owned businesses are the fastest-growing segment of the economy; they comprise roughly a third of all businesses and are represented across all industrial categories. However, women-owned businesses are of much smaller scale in size and continue to generate significantly lower incomes than businesses owned by men. According to the Small Business Administration's Office of Advocacy, the average firm owned by a woman generates only 78 percent of the profit of the comparable business owned by a man. Please explain these trends. Why are more women-owned businesses developing at much smaller scales, and with significantly lower profit margins than businesses owned by men? What factors could be contributing to this disparity? What policies could Congress enact to rectify this disparity?

Answer. Women owned businesses and other small business need specific contracting assistance on an immediate need basis. RFP's should be user friendly with adequate time to respond. In addition, a national help line call center needs to be in place for small business owners to get immediate answers and contracting assistance when preparing a RFP. A nationwide call center could be staffed with employees who can assist clients through the bidding process on an as needed basis. Without this specialized assistance clients lose the opportunity to participate. These services should be available during regular business hours across all U.S. time zones. Creating a program for WBC's to actually "certify" women owned business on a recognizable national basis would assist with contracting opportunities. Currently women owned businesses must pay large amounts of money to private firms to become "certified". It is our experience that businesses operated by women are not those that are traditionally operated by men making a comparison difficult. Women in Wyoming are less likely to borrow adequate capital because they are perceived by the banking community as less qualified due to their lack of personal capital investment and tangible assets to be pledged as collateral.

Question 2. According to the National Women's Business Council, 9 out of 10 women business owners want to expand their business and 83 percent want to increase their firm's profitability. Yet, only 3 percent of these businesses generate one million or more in annual revenues. Why are women finding it difficult to expand their businesses? What specific steps would you recommend that Congress and the SBA take to address these difficulties?

Answer. The lack of specific duties to be performed by the various SBA funded organizations (WBC, SBDC, SCORE) provide for overlap of services. This overlap confuses small business owners by requesting assistance from all organizations at once instead of having orderly steps to proceed with specific assistance from each organization. The specific scopes of work covered by each organization would allow SBA to better track each funded organizations' effectiveness and facilitate better decisionmaking for the funded organizations in the future. Please refer to Appendix A for further breakdown of suggested categories and scale of the term "small business". Rural business owners whether male or female have very different challenges than urban areas in expanding their small businesses. Often there are few available workers to expand except for those businesses who franchise to other communities or become high tech on line.

Question 3. Currently, four more rural states—Wyoming, Montana, Idaho, and Kentucky—do not have SBA funded Women's Business Centers. What should be done to help rural states secure SBA funded women's business centers or expand their existing services to women's business owners?

Answer. Rural states also have unique challenges for program delivery to entrepreneurs. One organization cannot provide all the services to all the small businesses. Streamlining SBA funded program organizations to develop specific scopes of work to guide entrepreneurs through each level of business planning, management and troubleshooting will create organized series of steps for each entrepreneur. The rural entrepreneur will know what services are available from each organization and request services accordingly. It is Imperative that every rural state have at least one SBA funded women's business center. Increased funding for additional staff members to handle rural areas is necessary to maintain a high level of service. Question 4 plays a large role in rural areas.

Question 4. How is the SBA leveraging technology to help rural centers better meet the needs of their women business owners? What else should SBA do to help rural centers use technology to their advantage?

Response. Technology availability is a requirement for rural centers. The first concern to be addressed before we discuss availability of technology based information to clients is the technology available from SBA to the individual centers for program management.

(a) Edmis II brought about many changes in reporting to SBA. The problem with Edmis 11 is that it did not include and address the need for a cohesive reporting and client management system throughout the organization of SBA and all the WBC's. Edmis 11 needs to be upgraded to include a complete client management system to track counseling, training, projects, microloans, and client information such as annual sales and earnings along with jobs and employee salary information. This client management system could be created to automatically generate the needed reports to SBA as well as reports for each center to track their progress. The new system could have a client reporting module that could be placed on each center's website to annually report their financial information that would feed directly into the client management data base for tracking by the SBA and the centers. The time wasted with administrative duties could be cut by more than half for SBA and WBC employees. This time could be better utilized assisting the taxpayers (our clients). SBA would have instant access to the same information as the centers. Information sharing is a necessity to make sound decisions based on properly compiled information, not a hodgepodge of information filtering in from individual centers based on their system reporting capabilities. This consistent client management data base would prove useful in implementing best practices for the entire network of Women's Business Centers.

(b) Rural client technology is imperative to effectively serve rural clients. Traveling hundreds of miles to attend a specific training is not feasible for most small business owners (especially during the winter months in Wyoming). Online training technology must be made available through the use of Learning Management System (LMS) software. The SBA has the power to negotiate a contract with a LMS provider to make this type of online learning available to all centers. The online training could also be converted to CD to mail to clients living in rural areas that don't have access to high speed internet capabilities. The SBA could negotiate a reduced price to make this type of software affordable for all centers. Currently, having a website is a requirement to being a WBC, so providing online training would not be an issue if the LMS software was affordable. LMS software providers offer extensive training and support which could be made available to the individual centers.

RESPONSES BY ROSEMARY BRATTON TO QUESTIONS FROM SENATOR MICHAEL B. ENZI

Question 1. The hearing revealed that women's business centers have experienced continued difficulties with receiving feedback on the status and outcome of grant applications from the Small Business Administration. In addition to receiving little or no feedback on applications, concerns about the transparency of the grant scoring process have also continued. What experiences have you had in receiving responses on grant applications?

Answer. We were told by OWBO that the sustainability funding that we were receiving as a project of the Wyoming Coalition Against Domestic Violence and Sexual Assault (WCADVSA) could not follow us as we separated and formed our own 501c3. OWBO had known from our inception that we planned to separate and encouraged us to become independent. Although I have never actually seen the rule or statute, according to OWBO the original grant was made to the WCADVSA and to have the funding follow us as a separate 501c3 would be considered pass through funding and is illegal. While we were never guaranteed that we would be funded as a new center we were told that we would be in a "favorable" position based on our years of providing excellent services. We applied as a new center in May of 2007 and as of today, November 1, 2007 I have not received any "official" notification of the status of our grant. Unofficially I was told by staff from the SBA District Office in Casper on 9/27 at a conference that we scored high but not as high as the 6 new centers that OWBO is funding. Also, I did receive a copy of the email that was sent to our district office on 9/21/07 indicating that our grant would not be funded and that the official notices would be mailed soon.

In August as I was preparing our budget for our next fiscal year I finally called the OWBO office, talked with someone there on staff and was told simply that Wyoming was not funded. I discussed with our DOTR in Casper about how helpful it

would be if I knew where our proposal was weak, she emailed OWBO and asked that question. The response from OWBO was that our grant was incomplete and therefore, not considered at all because we had not submitted the technical proposal to Grants.gov.

After numerous phone calls with Grants.gov and much research on their part, it was determined that our grant proposal was complete, was received by Grants.gov, retrieved and validated, then submitted to OWBO where it was retrieved by that office. I later learned from our district office that OWBO had found our grant application that it was complete and that it would be evaluated by the panel as soon as possible. OWBO staff also indicated that if our proposal was strong, with points higher than the lowest of the 6 new centers scheduled to receive funding, then one of those centers would be eliminated for funding and we would be funded instead. This was very troubling for several reasons. What would have happened if I had not contacted members of the Small Business Committee? What a devastating impact on one of the 6 newly funded centers to have already attended the mandatory post award training and then not receive funding! Were there other applications that were simply lost? What level of tenacity is required to get honest answers from OWBO? Maybe the answer to that question is testifying before the Senate Committee on Small Business and Entrepreneurship? In fact it may take more that testifying for as I mentioned before it is now November 1 and I have never heard anything directly from OWBO about grant.

Question 2. A question that I wanted to ask you and have placed in the record pertains to the unique challenges of serving rural areas. I found your comments on the need to improve the electronic signature portion of the applications especially helpful. I am concerned about the Office of Women Business Opportunities not allowing counseling information to be kept electronically. Could you please describe the difficulties you have faced working with your clients across Wyoming in keeping and doing business with physical documents?

Answer. Two issues need to be addressed with this question. First the original signature requirement for form 641 and second, the paper files for forms 641 and 888.

(a) Many WBC's have the "client intake form" (form 641) on their websites. This practice allows the clients to complete the form and email it directly to the center. Unfortunately, SBA still requires original signatures. This requirement means the center must print and mail the form 641 back to the client to sign and return before they can be considered a client. This practice is cumbersome, time consuming and expensive to the center, not to mention burdensome on the client that has taken the time to complete the form electronically and return the form via email. This requirement adds to client confusion and frustration. We have found many clients fail to return the form with an original signature which creates WBC employee time to follow-up with the client, not to mention long distance phone charges for rural WBC's. We feel the act of completing the online form 641 and emailing it to the center should constitute the client's intent to request our services. A statement could be added to the form requiring a response from the client accepting the terms and conditions stated on the form 641 including the release of liability.

(b) The paper copy of form 641 and 888 requirement wastes time and requires double duty by WBC staff. Most centers have some sort of a client management system that can be accessed by all staff members. Rural centers usually have outreach offices throughout their area so the computerized client management system is essential for assisting clients at all locations. The requirement of paper files simply does not work for rural centers because the paper files do not offer the flexibility of outreach staff members to review case files on the clients. Proper computer back-up routines and storage of offsite back-ups create a user friendly environment as well as prepare a center for any disaster that may occur. Paper files are highly destructible in a disaster such as fire, flood, tornado, etc.

APPENDIX A

Sliding Scale Small Business Definition

Level Four	Level Three	Level Two	Level One
Sales: > 10,000,000 Employees: > 250	Sales: 5,000,000 to 9,999,999. Employees: 100 to 249	Sales: 1,000,000 to 4,999,999. Employees: 50 to 99	Sales: < 1,000,000 Employees: < 50

Steps to Success

Step One—WBC	Step Two—SBDC	Step Three—SCORE
Nascent entrepreneurs with little or no business experience. Feasibility and initial planning stages. Centers offer basic business training and counseling programs and credit management. Access to capital.	Start-up through existing business ownership. Business plan assistance. SBDC offers advanced business training and counseling programs..	Existing business owners needing specialized technical assistance. Trouble shooting customized to each individual business.

RESPONSES BY GALE KING TO QUESTIONS FROM SENATOR OLYMPIA J. SNOWE

Question 1. How specifically do Women Small Business Centers help women entrepreneurs gain confidence in their entrepreneurial abilities to overcome social barriers?

Answer. Women Small Business Centers provide information, successful examples, a supportive environment, mentors and encourage peer relationships. All these things contribute to confidence.

Question 2. Why are women finding it difficult to expand their businesses? What specific steps would you recommend that Congress and the SBA take to address these difficulties?

Answer. Women find it difficult for several reasons. They are the prime caregiver in their families and often have to sacrifice the time required to grow their business to the needs of their families. There is guilt associated with balancing family and business expectations. Women also fear rejection and failure, it is safer not to try than to have to recover from obstacles. We also are unaware of many of the funding options available to us. Finally, we lack information on how to take our business beyond the "mom and pop" stage of growth.

Congress and SBA can help with education on funding for business growth including assistance with the application process. Education on business growth practices is needed. Some suggested subjects: strategic planning, corporate structure, building your core team. I am not sure how you can help with the family stresses and the fears associated with business expansion

RESPONSES BY ANN MARIE ALMEIDA TO QUESTIONS FROM SENATOR OLYMPIA J. SNOWE

Question 1. Today, women owned businesses are the fastest-growing segment of the economy; they comprise roughly a third of all businesses and are represented across all industrial categories. However, women-owned businesses are of much smaller scale in size and continue to generate significantly lower incomes than businesses owned by men. According to the Small Business Administration's Office of Advocacy, the average firm owned by a woman generates only 78 percent of the profit of comparable business owned by man. Please explain these trends. Why are more women-owned businesses developing at much smaller scales, and with significantly lower profit margins than businesses owned by men? What factors could be contributing to this disparity? What policies could Congress enact to rectify this disparity?

Answer. While women owned business are developing at a faster rate in the economy, the matter of scale is a factor. Possible contributing exogenous factors include limited access to capitol; ineffective and limiting Federal procurement policies; market and corporate myopia to fully engage with women-owned business; limited access to networks to gain greater market interest, and the gender commitment to provide greater access to employee benefits thereby reducing business profits.

Potential policy solutions: Improved Procurement Policies and adoption of Senate Snowe's Small Business Procurement Program; widespread and greater support by the Administration and the SBA to provide equal access to education; and both words and actions from that agency that underscore their understanding of the importance and impact of women's entrepreneurship in the U.S.

Question 2. The SBA Office of Advocacy has recently published a report that highlights the difference between men and women entrepreneurs. One of the differences highlighted in the study was the venture size of a startup business. According to the report, women startup business with lower levels of initial employment and cap-

italization than men. The report further concludes that these results are due to lack of larger-scaled business opportunities and the financial resources necessary to develop women-owned businesses. In your experience, is there a lack of opportunities and financial resources available to women to start-up and develop larger-scaled businesses? Why or why not? Please explain.

Answer. In a report underwritten and distributed by the Ewing Marian Kauffman Foundation which examined access to venture capital and angel financing, the results indicated two findings that I thought were particularly interesting: one, women are still only receiving 2–3 percent of the venture capital funds and those percentages remain stagnant; and two, the majority of venture capital deals are made through referrals via a fairly closed system of networks. The majority of women business owners do not have access to these networks of influence.

Question 3. Last month, the SBA Office of Advocacy announced an ambitious new regulatory reform initiative, the "Regulatory Review and Reform," or "r3" initiative. The r3 initiative would help the Office of Advocacy identify the existing Federal rules that are imposing a significant and potentially unintended burdens on small businesses—in Maine and across the country. According to the Office of Advocacy, very small firms with fewer than 20 employees annually spend nearly 45 percent more per employee than larger firms to comply with Federal regulations. What specific Federal regulations are unduly burdening women-owned small businesses from creating jobs and driving the economy? Which regulations should the r3 initiative suggest that Agencies review to mitigate small business burdens?

Answer. For the most part, regulations that impede the growth of small businesses impact both women- and men-owned firms. Setting low employment thresholds for environmental regulations, family and medical leave, and other paperwork requirements are the areas of greatest interest to the women's business community. Setting the threshold too low for these types of requirements can impede small business growth—as owners may decide not to add jobs if doing so will add significantly to their paperwork burden or put them into a more onerous category for regulatory compliance.

Question 4. In your opinion, are there duplications in the services provided by Women Business Centers, Small Business Development Centers and SCORE? What services are offered by Women Business Centers that are not found in these other business assistance programs? Should the SBA provide a detailed plan of guidelines in coordination efforts between these SBA business assistance centers? Why or why not?

Answer. Research results coordinated by the SBA along with data provided by the GAO continue to underscore that there is not a duplication of services provided by the WBCs, SCORE or SBDCs.

As detailed in the SBA longitudinal research, as well as research published by the National Women's Business Council and the Association of Women's Business Centers, and the Center for Women's Business Research, Women's Business Centers provide long-term, full scope training curriculum similar to an Executive MBA program. The multi-week training programs also introduce women entrepreneurs with a full scope of advisors such as bankers, accountants, attorneys, organizational development consultants, insurance and financial planners and others to vet the business training process that ultimately delivers a bankable business plan. Networking, mentoring and an extended range of business trainings and services such as access to loans and loan packaging are also elements of the Women's Business Centers services. One of the singular elements that distinguish the Women's Business Programs from all entrepreneurial training programs is its commitment to relationship building. In fact, the effective currency that sustains the longevity of the women's business centers and successfully supports its clients is this relationship-based training. In fact, in the study completed by Babson College regarding the effectiveness of WBC's women business centers are characterized with the capacity to deliver and support a cycle of business creation.

RESPONSES BY ANN MARIE ALMEIDA TO QUESTIONS FROM SENATOR MICHAEL B. ENZI

Question 1. I appreciated your testimony that highlighted the need to make the grant process more transparent by allowing the public to access information regarding the results of applications. For the record, could you please elaborate as to how the disclosure of this information can improve the operation of Women Business Centers and their applications?

Answer. By increased transparency we mean two things: first, that the SBA's Office of Women's Business Ownership be clearer about the timing and scheduling of its annual request for grant proposals; and second, that the criteria for evaluation and the distribution of the grant amounts be shared openly with all applicants. In recent years the grant announcements have not been made on a regular schedule, and not enough time is given for responding to the RFPs. Second, it has been unclear how the awards decisions have been made, and if grant winners are receiving equal amounts. Having a clearly identified point or rating system, and sharing the amounts of all of the grants will improve the quality of future applications, thus benefiting the entire program—as well as the taxpayer.

COMMENTS FOR THE RECORD

FORMAL WRITTEN TESTIMONY FOR THE U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

"EXPANDING OPPORTUNITIES FOR WOMEN ENTREPRENEURS: THE FUTURE OF WOMEN'S SMALL BUSINESS PROGRAMS"

THURSDAY, SEPTEMBER 20, 2007

By ML Mackey, CEO, Beacon Interactive Systems, Cambridge, MA

Honorable John F. Kerry, Chairman; Honorable Olympia J. Snowe, Ranking Member and other members of the Senate Committee on Small Business and Entrepreneurship:

Two weeks ago, I received a tentative invitation to provide testimony at last week's Senate Committee on Small Business & Entrepreneurship Hearing entitled "Expanding Opportunities for Women Entrepreneurs: The Future of Women's Small Business Programs." While the logistics did not work out, the concept created a great amount of excitement in our household. My two young daughters thought it was exciting and very cool that their mom was going to go to Washington, DC to talk to our Senators. After the initial excitement, my youngest daughter got a very confused look on her face and asked why I had to talk to you about being a woman.

What a question. I was at once both happy and disheartened. Happy that my daughters in their young lives do not know and have not yet experienced gender biased decisions. That in their world if they want to be on the soccer team or the swim team they are selected based on their capabilities and skills, not influenced by whether they are a boy or a girl. I was disheartened to have to explain to them that as they get older that will not always be the case.

After listening to the testimony given last week at the hearing, I felt compelled to share my experience and thoughts for process improvement with you in hopes that it will continue to inform the discussion on equal opportunity for women in business.

I am the CEO and Cofounder of Beacon Interactive Systems, a Cambridge, MA based, woman-owned business actively working with the Federal Government. The road from our less than auspicious beginnings fourteen years ago in a rent-control apartment to our current success has been at times both thrilling and challenging.

For the first nine years of our existence, we have provided solutions exclusively to the private sector. We designed, developed and delivered software systems for a global client list that includes MetLife, Olympus and GTE While our delivered solutions varied across customer and industry, our technology consistently focuses on supporting and improving performance of the day-to-day activities of the organization. Our technology is initially driven by a need for improved workforce performance but secondarily provides visibility into the process and content created by those activities.

For MetLife we built and rolled out Email Response Management for all their call centers. Beacon's technology not only enabled them to respond to customer requests efficiently, it also provided visibility into real-time performance metrics as well as direct visibility into the content of customer inquiries.

For Olympus we built and rolled out software technology that supported the day-to-day account management activities of their field organization; 500 distributed users across 3 distinct divisions across all of North America. Our software not only helped their sales reps be more effective and timely in

responding to customers, it also provided corporate with visibility of their customers informed by activity and information from across all their divisions.

Essentially our Performance Support software products enable organizations to become more efficient. Our software solutions provide visibility into how work is happening as well as capture the results of that work. This enables process improvement and a more informed corporate knowledge of capabilities.

Beacon's customers have universally lauded our company for the high level of service and quality. We are proud of the immense impact that our technology has had on the day-to-day working lives of thousands of people. Additionally, as described by the testimony given at last week's hearing, I am also proud of the financial viability of my business for my company and myself. The self-esteem and sense of accomplishment from running a successful business is something I wish for more women.

Over the years, because of our small size and woman owned status, we were frequently told (in a somewhat pejorative tone) "you are a woman-owned business, you should do government work." Five years ago we started working with the Navy. We did not enter into government business expecting easy wins because of our status, but I can unequivocally tell you that there has not been one time where being a woman-owned business has lead to any kind of benefit for us. In fact, it is a constant uphill battle to make the solid business development relationships necessary for success. I am often the only woman in a room full of men.

In spite of this we have enjoyed particular success at bringing our performance support expertise to the Navy. We accomplished this initially by utilizing Small Business Innovation Research contract dollars to more fully explore and research innovation in the performance support concepts that we have been delivering to our private-sector customers. Based on our work on an Integrated Maintenance Management System, we were subsequently subcontracted by Raytheon to provide direct contributions to the DDG 1000 Zumwalt Program.

In our experience, while there are a great many upsides and opportunities in working with federally funded programs, like the Women's Business Centers, one of our great frustrations is with the lag in the process of going from an idea (exciting) to the flow of money (necessary).

Instead of despairing at this challenge, however, we have taken our frustration as motivation. We responded to a Navy SBIR solicitation looking for innovation research about speeding up the process of technology insertion into Navy Programs. Technology insertion is all about taking the technology investments made and leveraging them by inserting them into active ship platforms; getting the investment to directly benefit the intended recipient.

We have taken our private sector expertise and commercial best practices and combined that with knowledge of how a government program completes the process of idea generation, through contracting and execution of investment. As a starting point we have created a software system to more fully enable the SBIR technology development process to become more efficient. It is called T3, the Technology Transition Tool.

The Program Executive Office for Ships is our initial customer and has taken a real leadership role in this effort The value in the system is: 1) speeding their day-to-day SBIR Program Management processes; 2) creating a better understanding of the structure of their processes in order to engender lifecycle improvement; 3) creating real-time visibility into what is happening across a wide range of Science & Technology projects as well as; 4) having a better and real-time view into technology capabilities. This fourth attribute allows them to be more responsive to evolving Program needs and technology insertion opportunities. Because of this system's early successes, additional organizations are also seeing the potential value. The Naval Air Systems Command SBIR Program Office is now also participating in the effort. At the Office of Naval Research, the Navy SBIR Program Management Office is investing in looking at how this software system could provide value and enhance support across the breadth of the Navy SBIR Program.

One of the benefits of this system is that the evaluation process and selection criteria of contract winners become highly structured and much more visible. This not only helps the process to happen more quickly, but it also means that there is a more rigid discipline of proposal evaluation, which enables Program Management to support clear decisions based on merit, not familiarity; decisions based on capability and skill, not the influence of a gender bias.

As was repeatedly discussed in last week's testimony, more effectively and visibly managing the process for distribution of funds is critical to success for all the stakeholders. The recipients of government dollars, especially small businesses and small non-profits like the Women's Business Centers, can not survive protracted delays in funding. Government Program Office stakeholders must have a way to act more efficiently and not get caught without visibility into what is often a widely distributed, paper-based process. Managing this funding process effectively for all stakeholders would be a major step forward. It would facilitate making our Federal investments provide a timely and effective return to the women-owned businesses these Centers serve. Ultimately, this support of small business and entrepreneurs translates into job creation and a more robust US economy.

Senator Kerry and Senator Snowe, I applaud your efforts in this matter and I urge your continued focus and diligent oversight. The Women's Business Centers are meeting a critical need and absolutely deserve a fair and balanced evaluation as well as a timely process for delivery and execution of funds.

Please do not hesitate to contact me if I can contribute further to this discussion or in any way help to increase opportunities for women owned small businesses.

Respectfully submitted for the record,
on September 27, 2007 by:

ML Mackey, CEO
Beacon Interactive Systems
30 Spinelli Place
Cambridge, MA 02138
www.beaconinteractive.com
(617) 453-5503
ML.Mackey@beaconinteractive.com

THE WOMEN'S BUSINESS CENTER PROGRAM
As of September 20, 2007

STAGE I
1st 5 year grant
Regular Funding
48 Centers

Alabama - 2 Centers
California - 11 Centers
Delaware - 1 Center
Florida - 3 Centers
Georgia - 1 Center
Illinois - 1 Center
Indiana - 1 Center
Maine - 1 Center
Michigan - 1 Center
Minnesota - 1 Center
Mississippi - 1 Center
North Carolina - 1 Center
New Jersey – 1 Center
New Mexico – 2 Centers
Nevada – 1 Center
New York – 6 Centers
Ohio -- 1 Center
Oklahoma - 1 Center
Pennsylvania – 3 Centers
South Carolina - 1 Center
Texas – 3 Centers
Virginia – 1 Center
Washington – 1 Center
Wisconsin – 1 Center
West Virginia – 1 Center

STAGE II
2nd 5 year grant
Sustainability Funding
42 Centers

Alaska - 1 Center
Alabama - 1 Center
Arkansas - 1 Center
American Samoa - 1 Center
Arizona – 1 Center
Arizona - 1 Center
California – 1 Center
Colorado - 1 Center
Connecticut – 2 Centers
Georgia – 1 Center
Hawaii – 1 Center
Iowa -- 1 Center
Illinois – 1 Center
Indiana - 1 Center
Kansas -- 1 Center
Louisiana – 1 Center
Massachusetts – 1 Center
Maryland – 1 Center
Michigan – 2 Centers
Minnesota – 1 Center
Missouri - 2 Centers
Mississippi – 1 Center
North Carolina – 2 Centers
North Dakota - 1 Center
Nebraska - 1 Center
New Hampshire – 1 Center
New Jersey -- 1 Center
New Mexico -- 1 Center
New York -- 5 Centers
Oklahoma - 1 Center
Oregon --1 Center
Puerto Rico - 1 Center
Rhode Island – 1 Center
South Dakota – 1 Center
Tennessee -- 1 Center
Texas – 1 Center
Utah -- 1 Center
Virginia – 1 Center
Vermont -- 1 Center
Washington -- 2 Centers
Wisconsin - 1 Center

STAGE III
No funding

26 Centers

Graduating September 30, 2007 (9 Centers)

Alaska -- 1 Center
Arizona - 1 Center
Maryland -- 1 Center
Mississippi – 1 Center
New Hampshire – 1 Center
New Mexico -- 1 Center
New York -- 1 Center
Puerto Rico - 1 Center
Utah -- 1 Center

2006 Graduates (6 Centers)

Alabama - 1 Center
Washington, D.C. - 1 Center
Montana - 1 Center
New Mexico - 1 Center
Texas – 1 Center
Wisconsin - 1 Center

2005 Graduates (11 Centers)

California -- 2 Centers
Colorado -- 1 Center
Maine -- 1 Center
Massachusetts -- 1 Center
Michigan -- 1 Center
Minnesota – 1 Center
New Mexico - 1 Center
Oregon- 1 Center
Pennsylvania -- 1 Center
Wisconsin – 1 Center

U.S. Small Business Administration
Office Inspector General

Memorandum

To: Anoop Prakash, Associate Administrator, Office of Entrepreneurial Development

Date: September 18, 2007

Lewis Andrews, Associate Administrator, Office of Management and Administration

From: Debra S. Ritt
Assistant Inspector General for Auditing

Subject: Draft Report on the Audit of Grant Disbursements to Women's Business Centers
Project No. 7022

This draft report presents the results of our audit of the award and disbursement of grants to Women's Business Centers (WBCs) by the Small Business Administration (SBA). These centers provide vital training, mentoring, coaching, and counseling to women who own businesses or who are contemplating business ownership.

The audit was conducted in response to a May 9, 2007, request from the Senate Committee on Small Business and Entrepreneurship to investigate the extent of delays with the grant disbursement process and to make recommendations for improvements. The Committee had received complaints from WBC leaders about difficulties they encountered in applying for grants and receiving funds once the grants were awarded. The objectives of our audit were to (1) determine the extent of delays in the disbursement of grants to WBCs, and (2) identify improvements needed to expedite disbursements. We also conducted a brief review of the WBC grant award process to identify opportunities to streamline grant awards.

To determine the extent of disbursement delays, we analyzed payment data from SBA's Denver Finance Center for fiscal years (FY) 2004 to 2007. We surveyed 21 of the 99 WBCs currently in the program about their experiences and received responses from 18. We also interviewed officials from SBA's Office of Women's Business Ownership, the Division of Procurement and Grants Management, and district offices.

We conducted our audit from May 2007 to September 2007 in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the United States A more detailed description of our audit objectives, scope and methodology is provided in Appendix I.

BACKGROUND

The WBC program was established by Congress in 1988 and has been re-authorized several times since its inception.[1] The purpose of the program is to assist in the development and maintenance of businesses owned and controlled by women. Under the WBC program, eligible private nonprofit organizations can obtain Federal grants to create and operate centers to provide training, mentoring, coaching, and counseling to women who own businesses or who are contemplating business ownership. The centers are financed by SBA grants, as well as matching funds from non-federal sources. During FY 2007, there were 99 centers participating in the WBC program.

SBA awards two types of grants to WBCs—new grants that are competitively awarded annually and funded for up to 5 years, and sustainability grants, which provide funding for another 5-year period. Previously, WBCs that graduated from the program were no longer eligible for grant funding after completing the combined 10-year grant period. On May 25, 2007; however, new legislation granted SBA the authority to renew sustainability grants for additional 3-year periods without limitation on the number of times a sustainability grant could be renewed. Congress appropriates grant funding for the program, and designates, in the appropriation language, the percentage of funds to be applied for sustainability grants. For each of the past 5 years, the WBC program has been appropriated about $12 million after rescissions.

WBCs must first apply to participate in the WBC grant program. Once approved for an award WBC grant recipients are required to resubmit a budget based on actual funding. After the budget is approved, WBCs may make requests for advance payments or for reimbursement of expenses incurred in the program. Detailed payment request information is contained in a *Pay Request Handbook* and *Program Requirements Handbook*. These handbooks are updated annually to reflect new requirements, and distributed to WBCs attending mandatory training that is conducted just after awards are made. The training addresses how to properly complete payment requests, and identifies the supporting documentation needed to ensure smooth processing by SBA of the grant disbursement.

---

[1] Authorizing legislation for the program includes the Women's Business Development Act of 1991, Small Business Reauthorization Acts of 1994 and 1997 Women's Business Center Act Amendments of 1999, and the Women's Business Center Sustainability Act of 1999.

The WBC program is currently administered by two SBA offices. The Office of Women's Business Ownership (the program office) monitors the WBC operations, serves as technical advisor, and receives the centers' payment requests.[2] SBA's Division of Procurement and Grants Management (the grants office) is responsible for awarding the grants and approving payment requests from WBCs to draw down their awarded funds. Additionally, both offices are involved in reviewing payment requests from WBCs. During FY 2007 SBA administered 48 grants[3] that were in their first 5 years of funding and 51 sustainability grants; and processed over 500 requests for payment from the FY 2006 appropriation. In September 2007, SBA awarded 6 new grants from the FY 2007 appropriation, but has not yet awarded the new sustainability grants or paid existing grantees seeking option year funding WBCs, therefore, will receive the FY 2007 grant disbursements in FY 2008

RESULTS IN BRIEF

Based on FY 2006 disbursement data (which relates to the most recent round of payments), only about 25 percent[4] of WBC payment requests involving both regular and sustainability grants were disbursed within the Agency's and the Office of Management and Budget's (OMB)[5] goal of 30 days from receipt of the payment request. The remaining 75 percent were disbursed between 30 and 353 days after receipt of the payment request. While SBA met the 30-day goal for almost 40 percent of the payment requests received in FY 2005, two requests took almost a year (340 days) to disburse. We were unable to determine what percentage of these delays were caused by SBA's untimely processing of the requests versus WBCs' submittal of payment requests that did not follow program guidance.

Some WBCs that have experienced delays told us they had to lay off staff and abandon vendors to stay in business. They also had to turn to other financial sources, such as their parent organizations and bank lines of credit, to supplement their cash flows to sustain their operations due to uncertainties over receiving

---

[2] This function was completed by district office technical representatives (DOTRs) and the grants office until March 2007 At that time, the grants office required the program office to receive requests and make recommendations for payment In March 2007 the program office took the DOTRs out of the process in an attempt to streamline the pay process for WBCs

[3] Of the 48 grants 19 were awarded to new WBCs.

[4] Delays were calculated based on WBC invoice dates, and not the dates that requests were received by SBA This is because, until recently, SBA did not keep track of when a complete pay request was accepted for review.

[5] Office of Management and Budget Circular A-110, states that when a reimbursement method is used, the Federal awarding agency shall make payment within 30 days after receipt of the billing unless the billing is improper

timely grant disbursements. A summary of WBC responses to our survey is provided in Appendix III.

The audit disclosed that delays occurred in grant disbursements because:

- The Agency's interpretation of the payment requirements frequently changed throughout the fiscal year and changes were not properly communicated to WBCs, which resulted in inaccurate or incomplete submissions by WBCs. While not all errors and omissions may have been associated with changing Agency guidance, we identified many instances where requests were rejected for missing information not identified in program handbooks.

- Payment requests were rejected before both offices had performed a complete review of the submissions, causing WBCs to submit their paperwork multiple times, and triggering restarts of the Agency's payment approval process. This also created opportunities for the paperwork to become lost in transit. Payment rejections also caused cascading delays in the approval of subsequent payment requests.

- When payment requests were rejected, the entire original package, and corrected versions were mailed back and forth between SBA and the WBCs instead of only correcting the document(s) affected. SBA also held up the entire payment regardless of the size of the error.

- The Agency lacked an integrated tracking mechanism to identify when the payment request was received, where it was in the review process, and whether a disbursement had been made within OMB's 30-day requirement.

Most of these reasons were a consequence of poor coordination and communication between the two SBA offices that processed payment requests. The inability of these offices to work in an integrated fashion, combined with flaws in the payment process, largely caused paperwork to be rejected or lost. However, not all of the delays were SBA's responsibility as some WBCs did not follow Agency guidance when submitting their paperwork. Without reviewing each payment request in detail, we could not determine the extent to which WBC errors or omissions contributed to delays.

While we were reviewing disbursements, we also noted inefficiencies in SBA's process for awarding grants to WBC. These involved the lack of a timely announcement of the grant opportunity and the processing of awards for established WBCs at the same time as new entrants.

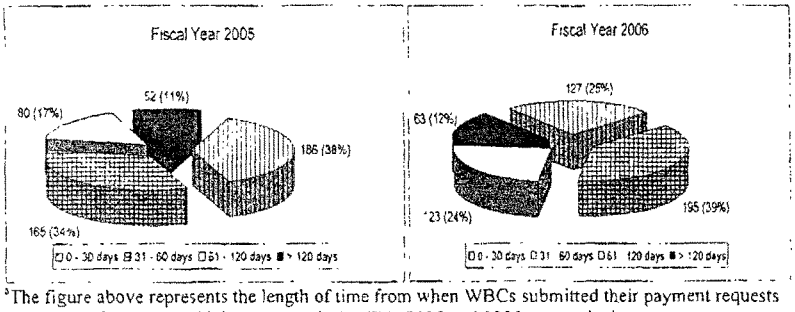
RESULTS

Widespread Delays Occurred in the Disbursement of FY 2005 and FY 2006 Grants

In FY 2006, SBA disbursed over 500 payments to WBCs for both new and sustainability grants, but only 127—about 25 percent—were made within the Agency's and OMB's goal of 30 days. The remaining 75 percent of the grants were disbursed between 30 and 353 days from when SBA received the payment request.

Delays were also experienced in FY 2005, but as shown in Figure 1, the timeliness of grant payments declined from FY 2005 to FY 2006. About 40 percent of the grants were disbursed within 30 days in 2005 compared to 25 percent in 2006. We were unable to determine what percentage of these delays were caused by SBA's untimely processing of the requests versus WBCs not following program guidance in submitting their paperwork.

Figure 1. Timeliness of WBC Grant Disbursements in 2005 and 2006[a]



[a]The figure above represents the length of time from when WBCs submitted their payment requests to SBA to when SBA paid the requests during FYs 2005 and 2006, respectively.

The audit also disclosed that several WBCs experienced delays so extreme that they were forced to seek funding elsewhere while attempting to resolve matters with SBA. For example, in FY 2006, it took 300 days for one WBC to receive payment, and 353 days for another. Extreme delays also occurred in FY 2005 when SBA took 340 days to pay two WBCs.

Delays caused some WBCs to lay off staff, abandon vendors, and curtail operations to stay in business. They also had to seek funding elsewhere, such as from parent organizations and bank lines of credit, while attempting to resolve matters with SBA.

Payment Delays Were Largely Attributable to the Lack of Coordination and Communication between SBA's Program and Grants Offices

Delays in disbursing grant funds largely occurred for several reasons:

- The Agency's interpretation of the payment requirements frequently changed throughout the fiscal year and changes were not properly communicated to WBCs, which resulted in inaccurate or incomplete submissions by WBCs. While not all errors and omissions may have been associated with changing Agency guidance, we identified many instances where requests were rejected for missing information not identified in program handbooks.

- Payment requests were rejected before both offices had performed a complete review of the submission, causing WBCs to submit their paperwork multiple times, and triggering restarts of the Agency's payment approval process. This also created opportunities for the paperwork to become lost in transit. Payment rejections also caused cascading delays in the approval of subsequent payment requests.

- When payment requests were rejected, the entire original package, and corrected versions were mailed back and forth between SBA and the WBCs instead of only correcting the document(s) affected. SBA also held up the entire payment regardless of the size of the error.

- The Agency lacked an integrated tracking mechanism to identify when the payment request was received, where it was in the review process, and whether a disbursement had been made within OMB's 30-day requirement.

The Agency's Interpretation of the Payment Requirements Frequently Changed after Grant Award

One reason that delays occurred in grant disbursements was because SBA's interpretation of the payment requirements frequently changed throughout the year. The program office and the grants office differed in their understanding of the information that WBCs must submit to get paid, and frequently provided WBCs with inaccurate information. For example, during our review of one WBC's extensive delays with payment requests, the program office and the grants office openly differed in their interpretation of the required supporting documentation. The program office was satisfied with audit report copies;

however, the grants office required documents with original signatures. It took over 300 days to pay the request. Other examples are described in Appendix III.

In another example, one WBC submitted a payment request three separate times in response to conflicting instruction from the two SBA offices, resulting in a 4-week delay in receiving payment. The two offices had a different understanding about how to report the cost of staff salary, and repeatedly rejected the WBC's requests, instead of collaborating to determine the correct interpretation. The continuing disagreement between the two offices placed the WBC in an awkward position, leaving the center no way to resolve the issue. Because of this and other experiences, WBCs are unable to submit payment requests with a consistent expectation that they will be approved by SBA.

The two offices also did not collaborate fully in the development of requirements for payment requests, which are updated each year to reflect procedural or regulatory changes, and described in the *Pay Request Handbook* and *Program Requirements Handbook* distributed to WBCs during mandatory training. According to the program office, this occurred because the grants office generally provided little input and did not contribute substantively to the program office's annual updates of the requirements handbooks, even though its input was solicited by the program office. The grants office; however, told us they had substantively contributed to prior year updates. Regardless of who is correct, open disagreement about the program requirements persists, and have been witnessed by WBCs in training sessions.

Further, after the handbooks were distributed to WBCs and training conducted, the program and grants offices introduced new requirements for payment requests. Consequently SBA has been unable to provide WBCs a comprehensive and accurate set of handbooks to address all of the information needed to process their payment requests When changes occurred, the new requirements were not always communicated to WBCs in time for them to make required changes to their payment requests nor were the handbooks updated. For example, one WBC had to re-submit its payment request because its paperwork did not adhere to changes SBA made to submittal requirements for itemizing supply and travel expenses, which were not communicated in time for the submittal to be corrected.

We believe that the program and grants offices should not be differing in their interpretations of the payment requirements should not be introducing new requirement after SBA's annual program guidance is distributed unless absolutely necessary.

Both offices have begun using checklists to assist them in making sure that payment requests are appropriately reviewed. However, each office uses a

separate checklist, addressing different aspects of the payment request, as they pertain to their areas of responsibility. Unless these checklists are coordinated, the initial check-in of the payment request by the program office could inadvertently be incomplete. As a result, while the use of checklists is a step in the right direction, a single consolidated checklist, reflecting SBA's entire review and approval process, is needed for each of the SBA offices to consult when performing reviews of payment requests. To that end, the two offices should collaborate on developing a single comprehensive checklist that includes each other's requirements, which should be shared with WBCs to assist them in submitting complete and accurate requests.

In addition to the checklist, a Memorandum of Understanding (MOU) should be developed and signed by both offices to clearly define lines of responsibility and authority and to account for changes to payment requirements. The MOU should also require that both offices collaborate fully and achieve agreement on the contents of the handbooks and other training material before they are disseminated to grantees. Alternatively, if an acceptable agreement cannot be reached, SBA should either place grants specialists within the program office or outsource the WBC grants management function.

Rejection of Payment Requests Frequently Occurred Before Both the Program and Grant Offices Completed Their Reviews, Creating Multiple Restarts

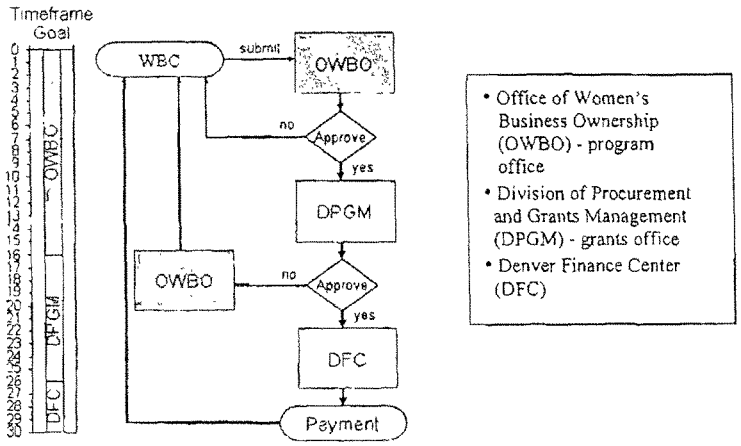
The misunderstanding between the program and grants offices on appropriate requirements for payment requests, combined with the ability of either office to reject the requests, resulted in the denial of payment before both offices had completed their reviews. This caused the re-submittal of paperwork back through the process cycle. The payment approval cycle allows a request to be rejected initially by the program office and returned for correction to the WBC before being reviewed by the grants office. Requests can also be approved by the program office and subsequently rejected by the grants office for return to the WBC

As illustrated in Figure 2, the processing of payment requests involves sequential reviews by both the program and grant offices. The program office first evaluates the reasonableness of the request based on a comparison of actual costs with previous requests, reviews supporting documentation for completeness, ascertains the WBC's level of performance, and determines whether the WBC is meeting the requirements for applying matching funds. If the program office finds errors or omissions at this stage of the review, or if matching funds are not being properly applied, SBA returns the entire request package to the WBC by mail for correction If no errors are found, the program office certifies that the request

complies with program requirements, and forwards it to the grants office with a written recommendation for approval.

The grants office performs a more detailed review of the request to ensure that costs are allowable and properly allocated along with the required matching funds, and determines whether costs are reasonable. The grants office is the only office authorized to approve payment requests for disbursement. If there is a problem, the grants office returns the package to the program office for return to the WBC. Once a payment request is approved for disbursement, the grants office communicates with the Denver Finance Center, which then transmits the funds electronically to the WBC's bank account.

Figure 2. Grants Disbursement Process



Because payment requests can be rejected at any stage of the review cycle, applications were returned to WBCs more than once. For example, the program office noted an error in a payment request made by one WBC and advised the WBC that a correction was needed. After the correction was made, the grants office rejected the request. Consequently, the payment review process does not operate as a continuum the way it should, but rather as two distinct processes exacerbated by a lack of effective communication between the two SBA offices that are responsible for reviewing grant payment requests.

Paperwork rejections also caused a cascading delay in the approval of subsequent payment requests. Rejection of one payment request sets the stage for all ensuing payment requests to be held up for payment until the faulty request is corrected.

This is because detailed paperwork requirements include past payment information to be provided on all payment requests, and that information is not available until actual payment is made on the preceding submittal. The back-and-forth between program and grant offices also resulted in paperwork getting lost. One WBC told us it had resorted to submitting payment requests with a return receipt because of the number of times its payment requests were lost. Another WBC had to re-submit the same payment request multiple times because the paperwork was lost each time by either the program or grants office.

Payment requests should undergo a complete review by both the program and grants office and the two offices should agree on whether a request is defective before returning rejected requests to the WBCs for correction. That way the entire request is reviewed and returned only once to the WBC to reduce the amount of time the request is sent back and forth between SBA offices and between SBA and the WBC

Payment Requests Were Returned and Resubmitted through the Mail When Corrections Were Needed and SBA Held up the Entire Payment Regardless of the Size of the Error

Payment requests can be rejected when calculations are incorrect, the billing is determined improper, or the WBC has failed to provide the appropriate supporting documentation. When payment requests were rejected for errors or omissions, original paperwork and corrected versions were mailed back and forth between SBA and the WBCs as original signatures were required to process the payments. This generated delays in approving requests for payment, and increased the chances of paperwork becoming lost in transit between SBA and the WBCs. For example, a payment request for one WBC was rejected because of a missing original signature, and another for failure to submit original audit documentation. Delays in processing the payment requests were incurred as the original paperwork and corrected version were mailed back and forth between SBA and the WBC.

We also found that SBA returned the entire payment request to the WBC no matter how small the error. For example, the program office approved a payment request for one WBC, and the grants office rejected it over a $30 expense charged to the wrong line item. SBA held up the entire payment due to this error when it could have awarded all funds but the $30 in questioned costs.

SBA program officials told us that although WBCs attend annual training on the grants program, many WBCs still submit incomplete or incorrect paperwork due to calculation errors, causing their requests to be rejected. Some WBCs have been able to reduce the potential for errors by employing automation programs to

duplicate the federal forms and perform calculations. However, others do not have the resources to implement this option.

Automating the payment request forms, and allowing requests to be made on line would go a long way to eliminating the errors and omissions that can occur when filling out complex forms, would expedite receipt of the requests/resubmissions by WBCs, and prevent requests from being lost in the mail.

SBA's grants office has already developed and implemented this capability for other grant programs. For these programs the required electronic forms for payment requests are available on the SBA grants office website, and can be filled out online. The forms contain instructions accessible by moving the cursor over each field, and are more intuitive to complete than the current paper forms. The program also checks for mathematical errors, and does not allow the user to proceed until all required fields are completed. This eliminates the potential for incomplete payment request packages. Changes to the forms are readily made and downloaded to the website. In addition, training can be developed, updated and made accessible on the web anytime it is needed, ensuring that changes to requirements are communicated to all WBCs timely and removing the requirement for costly travel to obtain instruction that may become outdated in the future.

SBA Lacks an Effective Tracking System for Monitoring the Status of Pay Requests

We found that SBA also did not have an effective tracking mechanism to identify when a pay request was received, where it was in the process, or whether it met the OMB 30-day disbursement requirement. In March 2007 the program and grants offices each established pay request tracking logs to document when the request was received by their offices. However, because the logs were separate, SBA could not capture the complete movement of the pay request through the full review and approval cycle. For example, when the grants office rejected a request and returned it to the program office, the program office did not always communicate back to the grants office acknowledging that it had received the request. As a result, the grants office sometimes did not know what happened to the request after it was returned to the program office.

Also, without a combined tracking system, neither office was aware that a pay request was overdue for approval. WBCs also could not determine its status without repeated phone calls to different officials. Although WBCs generally experienced polite and professional responses to their telephone inquiries, SBA officials were unable to explain the reason(s) for delays in payment approval.

Even an approved payment request was difficult to track. This is because payment information does not include a reference to the WBC's submittal number, but rather to an SBA database tracking number that bears no relevance to the WBC's request, other than the payment amount. However, because pay requests could be submitted for similar amounts, even this identifier could not be used with confidence to determine which pay request had been disbursed. As a result, some WBCs had to hire accountants to figure out which pay request belonged to which invoice.

Finally, there was no central accountability for WBC customer service although the two SBA offices shared grant award and administration responsibilities. Instead, WBCs were referred back and forth from one office to the other for a determination of the status of their payment requests and resolution of problems.

Establishing a centralized and automated pay request tracking log and/or automating the payment request process would allow SBA to better monitor where payment requests are in the approval process so that it can manage the timeliness of its payment reviews. It would also add transparency and accountability to the program, as it would enable the Agency to measure the performance of the program and grants office against OMB's 30-day goal for disbursements. Finally, it would also allow SBA to better respond to WBC inquiries about the status of their pay requests. If SBA could post its tracking system on its web site where WBCs can review them, it would potentially eliminate the need for WBCs to seek status information through phone inquiries. Finally, automating the process can help alleviate staff workload by simplifying submittal receipt and tracking, and by promoting better consistency in the documentation.

OTHER MATTERS

While we were reviewing disbursements, we noted opportunities to streamline SBA's process for awarding WBC grants. These involved the lack of a timely announcement of the grant opportunity and the processing of awards for established WBCs at the same time as new entrants.

SBA Delays Announcement of the Grant Opportunity Until Funds Are Appropriated

We noted a fiscal-year interval exists between Congressional appropriations and grant awards, resulting in appropriations from one year being used to fund activities in the next year. This occurs because SBA delays posting of the grant opportunity until it receives its appropriations, which typically occurs in the second quarter of the fiscal year (March). The practice of delaying grant

announcement was established by Agency regulations[6] that prohibit SBA from entering into a contract without advance appropriations. However, since SBA does not enter into a contractual relationship until the time of grant award, it is not precluded from announcing the grant opportunity at the beginning of the fiscal year (in October or November). Theoretically SBA could announce the grant opportunity, review WBC proposals, and make preliminary selection of grant recipients all before it receives its appropriation.

Delays in announcing the grant opportunity were also attributable to lengthy and sequential reviews conducted by SBA's program office, grants office, and counsel. Each year's appropriation language is reviewed by these offices to determine if program requirements have changed, and to identify funding levels for that year. These reviews generally take up to 3 months as one office has to complete its review before the next office's review can begin. Once the legislative review is completed, the program office takes about 1 month to develop the announcement. and then submits it for review by the grants office and legal counsel. These reviews take another month, after which the announcement is posted on grants gov for 30 days.[7] A more detailed description of the grant award process is provided in Appendix II.

We believe SBA can reduce the amount of time it takes to review the appropriations legislation and grant announcement if the various SBA reviewing offices concurrently review the legislation. Further, based on a review of the last three fiscal years' appropriations, substantive changes have not been occurring in program requirements to necessitate such an extensive review. We also believe that the grant announcement is generally boilerplate and does not require significant review from one year to the next.

Officials told us that they are reviewing their current grant award and disbursement process in an effort to accelerate grant payments. They agreed that it is possible to announce the grant opportunity earlier in the fiscal year and to reduce the time it takes to review grant announcements before they are posted.

Grant Awards for Returning WBCs Seeking Option Year Funding Are Processed at the Same Time as New Applicants

Although WBCs that have been previously approved for a regular or sustainability grant are not required to compete for subsequent year funding, we found that SBA reviews applications from these WBCs at the same time as new entrants. Because SBA only needs to verify that the WBC is performing in accordance with its pre-

[6] 15 CFR Section 656 (s) 29 (i).

[7] Due to technical difficulties with the web site in FY 2007, the announcement remained posted from April 15 to June 15, 2007 (60 days)

approved plan (approved during the initial award), it could determine grant awards earlier in the year (as soon as the appropriations is approved) Then grantees could seek payment after the Agency has received its appropriations. Placing all returning grantees on the same evaluation schedule as new entrants requires the expenditure of substantial resources, for example, to evaluate potentially over 100 proposals every year, and unnecessarily delays returning grantees from requesting payment earlier in the year.

RECOMMENDATIONS

To ensure grant funds are disbursed more timely, we recommend that the Associate Administrators for Entrepreneurial Development and the Office of Management and Administration:

1 Enter into a Memorandum of Understanding (MOU) requiring collaborative development of criteria and an interpretation of payment requirements for complete and appropriate submittals, agreement on criteria changes, and agreement on respective roles and responsibilities in rejecting payment requests. If an acceptable agreement cannot be reached, either place grants specialists within the program office or outsource the WBC grants management function.

2. Annually develop and provide WBCs a consolidated checklist of payment requirements and supporting documentation to ensure payment requests are complete.

3 Establish a change control process to prevent or minimize changes made to payment requirements after the grant award, and to ensure that handbooks and information required on the payment request forms are appropriately updated

4 Automate the payment request review and approval process to the fullest extent possible. Leverage existing grants office automation capabilities and apply them to the WBC grants, tailoring the process as needed to meet the requirements of both SBA offices as contained in the signed MOU. In the meantime, ensure that all issues are identified before returning the payment requests for correction so that WBCs only have to submit one set of corrections.

5 Permit WBCs to provide missing, incomplete or incorrect sections of their payment requests so that the complete request package does not have to be returned to WBCs and resubmitted to avoid restarts of the payment review process Also disburse all funds except those costs that

are in question to enable WBCs to get partial payments until their requests can be fully resolved.

6 Enable web access by WBCs to the training, handbooks and program changes

7 Develop and post a complete log of payment review events on the web for viewing by WBCs and both SBA's program and grants offices so that WBCs can determine the status of their pay requests and can match their requests to specific invoices; and the Agency can monitor the timeliness of processing actions.

To streamline grant awards, we recommend that the Associate Administrator for Entrepreneurial Development:

8. Announce the grant opportunity in the first quarter of each new fiscal year.

9. Institute concurrent reviews of the appropriations language and grant announcement by the program, grants and counsel offices to reduce the time it takes to review each year's appropriation language and the grant announcement.

10. Adjust the schedule of the proposal review to match the type of grant candidate so that resources are more efficiently assigned and to expedite awards.

ACTIONS REQUIRED

We would appreciate receiving your written comments within 30 calendar days. Please provide the original signed document and an electronic version in Word, not a scanned version, so that your comments can be incorporated in the final report. If you concur with the findings and recommendations, please indicate the specific action taken or planned for each recommendation and the target date for completion. If you do not concur, please provide your rationale. You may provide alternative courses of action that you believe would resolve the issues presented in this report.

We appreciate the courtesies and cooperation of the Office of Entrepreneurial Development and the Office of Management Administration. If you have any questions concerning this report, please call me at (202) 205-7203 or Heidi Leinneweber, Director, Business Development Programs, at (202) 205-7489.

cc: Wilma Goldstein
Daryl Hairston

APPENDIX I. OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this report were to (1) determine the extent of delays in the disbursement of grants to Women's Business Centers (WBC), and (2) identify improvements needed to expedite disbursements.

To obtain an overview of the history, funding, organizational structure, and issues associated with the WBC Program, we conducted interviews with the Directors and staff of the Small Business Administration's (SBA) Office of Women's Business Ownership (program office) and SBA Division of Procurement and Grants Management (grants office). We also reviewed and analyzed financial data showing funding for all the centers obtained from the program and grants offices. We discussed the results of our analyses with officials from the program and grants offices.

To determine the extent of delays in the disbursement of grants awarded to WBCs, we reviewed program data (including the number of WBCs awarded grants and the type of grants) obtained from the program office. We reviewed SBA policies and procedures related to section 29 of the Small Business Act—the provisions for the WBC program. We judgmentally selected and surveyed 21 WBCs to obtain an understanding of the extent and impact of the delays experienced by the centers. We received survey responses from 18 WBCs We also interviewed management staff in both the program and grants offices to determine the processes for requesting and paying a grant disbursement and for coordinating responsibilities. In addition, we reviewed program handbooks,[8] which included duties of the program and grant offices as they relate to the WBC program, the template notice of grant award, and the specific Office of Management and Budget (OMB) circulars[9] governing the WBC program. Moreover, we reviewed the pay request handbook that explains the required financial forms and necessary information for the budget, a payment advance, or reimbursement.

We evaluated the timeliness of WBC grant disbursements for payments made between FY 2004 and April 30, 2007. We measured the disbursement time by comparing the date the pay request was signed by the WBC to the date that SBA's Denver Finance Center paid the request. We also flowcharted SBA's grant award cycle to identify opportunities to streamline the process.

---

[8] *Pay Request Handbook* and *Program Requirements Handbook*

[9] OMB Circular A-21, *Cost Principles for Educational Institutions* (relocated to 2 CFR, Part 215 and including changes to Part 220), OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-profit Organizations*; OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, (relocated to 2 CFR, Part 230); and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

APPENDIX I. OBJECTIVES, SCOPE AND METHODOLOGY

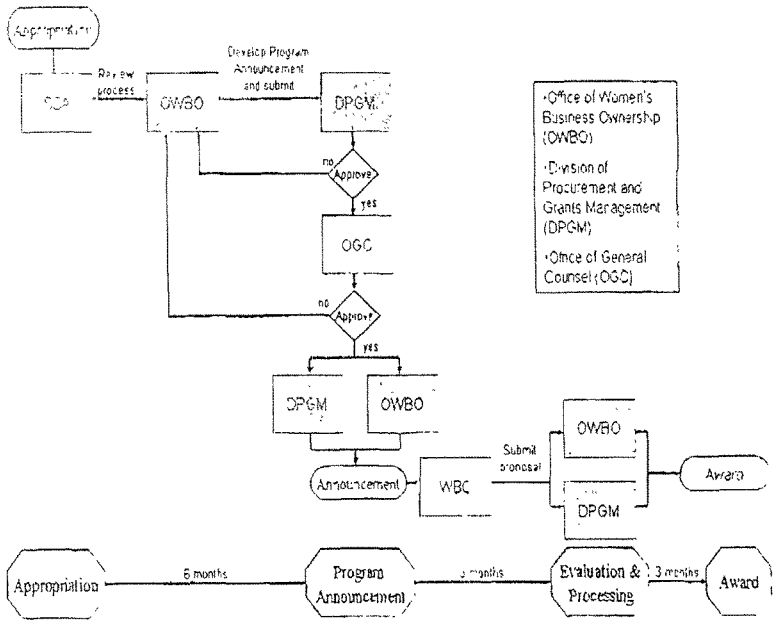
To identify improvements needed to expedite disbursements, we developed a work flow of the disbursement process based on program documents and interviews with program officials.

We conducted our audit from May through September 2007 in accordance with the *Government Auditing Standards* prescribed by the Comptroller General of the United States

APPENDIX II. OVERVIEW OF THE WBC GRANT AWARD PROCESS

As shown in Figure 1, SBA waits to receive its appropriation before beginning the process of announcing the grant opportunity. SBA generally takes 6 months after it receives its appropriation to announce the grant opportunity. During this time the appropriations language and grant announcement undergo a sequential review by the program office, grants office, and counsel. The grant opportunity is then posted for 30 days, during which candidates must submit their proposals. After proposals are received, it takes SBA another 6 months to accept the proposals and to award the grants, even though some of the applicants are previously approved for a grant and are simply seeking continuation of funding.

Figure 1. Standard WBC Grant Award Process



APPENDIX III. WOMEN'S BUSINESS CENTER (WBC) SURVEY RESPONSES

WBC Identifier No.	WBC comments
1	The WBC received inconsistent information from program officials and became reliant on the SBA Micro Lender contact person to ask questions about the WBC program. Pay requests had to be resubmitted because they were filled out incorrectly by the WBC or misplaced by SBA.
2	Nearly all pay requests had to be resubmitted because of additional requirements that were not communicated to the WBC and paperwork lost by SBA. WBC wasted time and money in tracking the status of pay requests. The Grants Management Specialist assigned to the WBC was difficult to contact. Other personnel from the grants office were polite, but unable to help A checklist to assist the WBC with the pay request process would be helpful. In addition, the WBC never knew what voucher was being paid because the statement from the Denver Finance Center did not reference the voucher numbers. The WBC accountant spent hours trying to determine when and for what invoice the WBC was paid, as well as how to account for the outstanding vouchers
3	Several times financial reports got separated from the pay requests and the WBC had to resubmit portions of the package The WBC had to fax corrected pages from time to time due to mathematical errors or wrong dates covered by the pay request. On one occasion, the program office determined that an error had been made on the WBC's pay request. The WBC gave written authorization to make the correction, however, DPGM did not accept the change and set the pay request aside taking no further action until the WBC followed up by telephone The problem was discovered and quickly resolved by sending a faxed replacement page There was no way for the WBC to know where its pay request was because there is no tracking system or accountability. The WBC ended up following up with everyone in SBA. When the WBC voluntarily terminated a WBC cooperative agreement, the program office told the WBC to take its time compiling the pay request, which took 8 to 9 months. When the WBC submitted the paperwork, the program office said the pay request was too late because the request had to be submitted within 120 days after the cooperative agreement was terminated The WBC had to meet with SBA legal officials, and the program and grants offices to resolve the issue
4	The WBC stated that receiving grant disbursements was an extremely frustrating and tiring process with endless back and forth There were different standards for what constituted a complete pay request package depending on who it talked to in SBA The WBC has documentation of having to send things 3 or 4 times and now uses "return receipt requested" There is no reliable data management system in the program office
5	The WBC had to resubmit pay requests up to 4 times because of additional requirements made after the pay request was originally submitted, and SBA claimed that the pay requests were missing relevant pieces of information or were lost When positions and roles within SBA changed, the WBC was unsure who to contact to resolve payment delays

APPENDIX III. WOMEN'S BUSINESS CENTER (WBC) SURVEY RESPONSES

WBC Identifier No.	WBC comments
6	Policy changes were not communicated to WBC until it submitted a pay request and was informed that something was missing. Several weeks after submitting a pay request, in November 2006, the WBC received a "Grant/Cooperative Agreement Monitoring Statement" from the grants office, through its program office contact, requesting additional information Two weeks later, the WBC provided the information In April 2007, the WBC received a fax requesting more information, much of which was a repeat of the first request, which was again requested by the grants office, but transmitted by the program office. Later that month the WBC sent all of the information that was requested The WBC made several email inquiries about the pay request and had not received, as of July 2007, any response or any approved pay requests since November 2006.
7	The WBC had to submit payment requests multiple times because of additional requirements it was not aware of and missing paperwork
9	SBA sent an email to a general email account confirming the receipt of the WBC's pay request, and the WBC's accountant had no clue that problems existed with the pay request The WBC found the staff changes in the program office to be chaotic, which made it difficult to reach the appropriate person for a question or to resolve a problem In addition, SBA provided notice of the post-award training only 1 day before the registration ended, which precluded the WBC's accountant from attending the training.
10	The WBC stated that new and more information to accompany its pay requests was required all the time. There was a great deal of lost paperwork by SBA personnel The WBC stated that it would be helpful to know the status of a billing request—i e., received, being processed, processed and waiting payment SBA Headquarters staff turnover created problems
11	Reporting requirements were complex because of unclear directions. Payments were delayed because of duplicate submissions, and lost paperwork. The WBC stated that once it corrected one error on a pay request, it was told another error existed, which continued for a period of time. The required monthly calls with the program office demonstrated a lack of good management practices. There was no agenda issued in advance for these meetings Attendees were not aware of who was represented from SBA to answer the questions. At times, program officials did not know the answers to the questions.
12	The grants office denied a payment of a fee/fund balance that the WBC had proposed and negotiated with the contract officer upon grant award in 2003 Each time something was questioned, additional documentation had to be provided, and the pay package review was re-started once the needed documentation was submitted Four days after receiving approval of its revised budget by the program office, the WBC received an e-mail from the program office indicating that as a result of the final financial review the WBC would be issued an official CURE notice. That same day, the WBC received another e-mail from the program office asking the WBC to disregard the first email and to wait for additional instructions. To date, the WBC has not received any further emails or written communications related to this issue As a result, the WBC incurred unexpected and unbudgeted costs which continues to present problems for the organization

Draft Report

APPENDIX III. WOMEN'S BUSINESS CENTER (WBC) SURVEY RESPONSES

WBC Identifier No.	WBC comments
13	The grants office required varying levels of detail, there were numerous requests from SBA for additional information that was not identified in policies and procedures, and SBA made immediate deadline requests of the WBC Significant numbers of documents were misplaced by the SBA and needed to be resubmitted. Directions and training by the program office were unclear For example, the WBC was told by program officials that a deadline was a week earlier than what was stated in their Notice of Award In one training session, there was disagreement between a program and grants official. The miscommunication resulted in two separate instructions WBC stated that their district office technical representative was frequently not trained on the WBC program or the grant requirements, which limited the representative's ability to assist them
14	Reporting requirements for pay requests were made more complex because of unclear directions provided by SBA. WBC stated that SBA made changes to the Detailed Expenditure Worksheet over the course of several quarterly reporting periods, which made the process more difficult and cumbersome. In addition, SBA frequently required additional information after submittal of the payment requests.
15	The WBC had to resubmit pay requests because of lost paperwork. The program office tried to be helpful, but often could not answer questions The grants office is completely unhelpful, and sometimes rude, short, and uncommunicative at all levels.
16	The WBC found it very difficult to understand what SBA was looking for and to get SBA to accept its payment requests without questioning the numbers. When something was wrong with the center's paperwork, payments were delayed until the necessary corrected forms were resubmitted. Just when the WBC believed it had figured it out, the requirements changed or additional documentation was requested that had not been required for the previous quarter's submission. The process seemed to get tougher, with more pay requests being rejected for one reason or another by SBA One payment request for the WBC made it past the program office, but then the grants office had some questions about a $30 dollar miscellaneous expense One payment request had to be resubmitted three times because of lost paperwork.
17	The major causes for resubmitting pay requests were changes in reimbursement procedures and SBA personnel. The program and grant offices had different criteria for completing pay requests SBA personnel changed quite a bit, which caused the WBC to be confused
18	The WBC received directions from SBA that were contrary to the Office of Management and Budget (OMB) Circulars, previous instructions from SBA's independent financial review audit team, and with training provided by the grants office In addition, the WBC received misinformation on what needed to be included in its pay requests. This caused pay requests approved by the program office to be rejected by the grants office When a pay request was submitted there was no acknowledgment of receipt by SBA. It was a 'black hole' until the WBC called the program office to find out the status. Lack of communication was the biggest problem with the process.

○