



U.S. Small Business
Administration

Statement of Allen Gutierrez
Associate Administrator
Office of Entrepreneurial Development
U.S. Small Business Administration

before the
House Committee on Small Business
Subcommittee on Investigations, Oversight, and Regulations

Hearing on “SBA Management and Oversight of the SCORE Program”

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Thank you, Chairwoman Chu and Ranking Member Spano, and members of the subcommittee for inviting me to testify this morning. I look forward to working collaboratively with this committee to ensure we are providing entrepreneurs and small business owners the resources they need to start, grow, or expand their business and if necessary, recover from disaster.

I very strongly support the U.S. Small Business Administration (SBA) and its mission. I am honored to be back at the Agency - this being my second tour of duty. From 2001 to 2006, I was proud to serve in various leadership positions at SBA. Prior to being appointed to my current position, I served as the National Executive Director of the Latino Coalition, one of the nation's largest Latino advocacy groups. In my current role as the Associate Administrator for the SBA Office of Entrepreneurial Development, it is my responsibility to administer programs and initiatives that provide technical assistance, primarily counseling and training, to small business entrepreneurs seeking to achieve the American dream.

The Office of Entrepreneurial Development (OED) is SBA's technical assistance arm, overseeing SBA's primary counseling and training programs. We work hand in hand with SBA's resource partners, supporting current and aspiring small business owners. The largest of these resource partners is the Small Business Development Centers (SBDC) program. The SBDC program is administered through a cooperative agreement with institutes of higher education or state governments. There are 63 SBDC lead centers and over 900 SBDC service centers across all 50 states and U.S. Territories. The SBDCs provide counseling and training to entrepreneurs and small business owners on a variety of topics including international trade, cyber security, and how to develop and present a business plan.

Our Women's Business Centers (WBCs) are responsible for promoting the growth of women-owned businesses through training and technical assistance and by providing access to credit and capital as well as federal contracting and international trade opportunities. The SBA partners with non-profits – 501(c) entities – and provides them with a maximum grant of \$150,000 to establish a WBC. There are over 100 locations. Just last month, SBA awarded a new WBC in Idaho, which previously did not have one. Unfortunately, four states currently do not have a WBC – Alaska, Mississippi, South Carolina, and West Virginia, and we are actively pursuing the best path forward to provide services to women entrepreneurs in those states. The WBCs serve a diverse group of entrepreneurs in various geographic areas, demographic populations, and economic environments. Many WBCs offer training and counseling in several languages and dialects, helping reach emerging markets with a variety of unique and innovative programs.

OED's third program is SCORE. It is a nationwide network of small business counselors composed of a cadre of nearly 11,000 business executives, who volunteer, in more than 300 chapters nationwide. SCORE is a unique federal government resource in that it utilizes expert volunteers, both working and retired, to advise small businesses, lead business seminars, and coach entrepreneurs online and in person. A valued resource partner of the SBA for more than 40

years, SCORE has helped more than 8 million businesses succeed and stay active in the local and national small business marketplace. SBA provides \$11.5 million to the National SCORE Association, which then distributes this funding to their more than 300 chapters across all 50 states and U.S. Territories.

When I was first appointed as the Associate Administrator for the Office of Entrepreneurial Development by former Administrator Linda McMahon, one of my first priorities was to ensure our programs were running effectively and efficiently in order to maximize taxpayer dollars and help America's small business owners and entrepreneurs. Under my leadership, we have worked diligently to ensure our programs are reaching their full potential. Within my first year of leadership, we updated the funding opportunity announcements and cooperative agreements to reflect changes in federal rules and regulations for the three resource partners. My office is also currently drafting regulations and standard operating procedures for the Women's Business Centers and SCORE programs, a first for both resource partners.

I have also asked each of the Office of Entrepreneurial Development's program offices to identify ways to improve and streamline their workflow and administrative processes with a focus on customer service delivery. These improvements have led to increased turn-around times on the issuances of the programs' notice of awards and payments.

In addition, over the past two years, I have focused on addressing longstanding audit findings of SBA's Office of Inspector General (OIG). Working collaboratively with the OIG, my office has successfully closed 90% of these old recommendations. We anticipate closing the remaining open recommendations from that time period by the end of FY 2019.

This past year, the OIG conducted an audit of the Office of Entrepreneurial Development's oversight of the SCORE program. As part of the audit, the OIG reviewed SCORE's FY 2017 \$10.5 million federal award and the first quarter of FY 2018's \$11.5 million federal award. The audit had two objectives. These were to determine whether SBA has effective oversight to ensure SCORE (1) spent federal funds in accordance with the terms and conditions of the cooperative agreement and (2) measured and achieved program goals.

In April 2019, the OIG issued its report. As a result of the audit, there were a total of 11 recommendations, including the recovery or remedy of \$713,986 of unallowable and unsupported costs. We were disappointed when the OIG found that we did not effectively oversee SCORE's use of federal funds. My office has continued to work collaboratively with the OIG auditors, and we have closed three and resolved eight of the recommendations.

We were deeply troubled to read the OIG's findings that SCORE has used federal and commingled funding for unallowable, unallocable, and unsupported costs, including: \$101,014 of FY17 funds to increase the bonus pool for staff; \$32,000 of award funds to pay for executive coaching services for its leadership; and that on more than one occasion, SCORE used federal funds to pay for alcohol. These are funds that should have been used to provide mentoring services to America's small businesses.

We take the issues raised in the OIG's audit report very seriously, and I remain committed to

making significant improvements in the oversight and monitoring of SCORE's use of government funds and its reporting of performance results. Since the OIG's issuance of its audit report, we have increased oversight of the program and are nearing the completion of SCORE's Standard Operating Procedures (SOP). We have also modified SCORE's terms and conditions to clarify the language regarding whistleblower reporting. Further, my office has developed guidance and will be providing training on federal financial management at SCORE's upcoming National Leadership Conference. Lastly, we have scheduled a financial examination of the SCORE Association for later this summer.

Chairwoman Chu and Ranking Member Spano and members of the subcommittee, I appreciate the opportunity to testify here today. We are accomplishing great things at the SBA. Our Agency remains committed to working with you in making major improvements to ensure the effective oversight of the SCORE program and that of our other resource partners so that the small businesses and entrepreneurs of America are given the resources needed to start, grow, and expand their business.

Thank you for your time, and I look forward to answering any questions you may have.