

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0515

MEMORANDUM

TO: Members, Committee on Small Business
FROM: Chairwoman Nydia M. Velázquez
RE: Full Committee Hearing: “SBA Management Review: Office of Field Operations”
DATE: January 29, 2020

On **Wednesday, January 29, 2020, at 11:30 a.m. in Room 2360 of the Rayburn House Office Building**, the Committee on Small Business will convene for a hearing titled, “SBA Management Review: Office of Field Operations.” The hearing will examine recent developments in the Small Business Administration’s (SBA) Office of Field Operations (OFO) and provide Committee Members the opportunity to hear from the Associate Administrator overseeing SBA’s field activities. The sole witness for the hearing is:

- Mr. Michael Vallante, Associate Administrator, Office of Field Operations, United States Small Business Administration

Background

The core of SBA’s mission is to “aid, counsel, [and] assist” American small businesses.¹ In furtherance of this mission, SBA facilitates access to capital, promotes federal contracting opportunities, offers entrepreneurial counseling, and provides disaster assistance.² To deliver these programs and services throughout the country, SBA relies largely on a network of 68 district offices located across the United States and its territories, with at least one district office based in every state.³ District offices are directly overseen by ten regional offices, which report to OFO.⁴

Overview of SBA’s Field Operations

Organizational Structure and Functions

District offices serve as the point of delivery for most SBA programs and services.⁵ Staff in district offices work with SBA clients to provide counseling and training services that aid in the formation, management, financing, or operation of a small business.⁶ District offices also provide information on and promote SBA products to lenders, the small business community, and other

¹ The Small Business Act, 15 U.S.C. § 631a.

² GOV’T ACCOUNTABILITY OFFICE [hereinafter, GAO], GAO-15-369, VIEWS ON THE OPERATIONAL EFFECTS OF CLOSING REGIONAL OFFICES 3 (2015) [hereinafter, GAO-15-369].

³ CONG. RESEARCH SERV. [hereinafter, CRS], RL33243, SMALL BUSINESS ADMINISTRATION: A PRIMER ON PROGRAMS AND FUNDING 24 (2019) [hereinafter, RL33243]; GAO, GAO-17-573, GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT PROCESSES AND RULEMAKING ACTIVITIES 15 (2017) [hereinafter, GAO-17-573].

⁴ CRS, RL33243, *supra* note 3, at 24; GAO, GAO-15-347, LEADERSHIP ATTENTION NEEDED TO OVERCOME MANAGEMENT CHALLENGES fig. 6 (2015) [hereinafter GAO-15-347].

⁵ GAO-15-347, *supra* note 4, at 9.

⁶ *Id.*

stakeholders.⁷ In addition, district offices are charged with completing certain required reviews, such as annual reviews of 8(a) business development firms, and they conduct annual on-site examinations of certain Historically Underutilized Zone (HUBZone) firms to validate compliance with the program’s geographic requirement for principle offices.⁸ District offices are supervised and evaluated by regional offices.⁹ Among other duties, regional offices serve as the regional points of contact for OFO and facilitate communication between SBA headquarters and district offices.¹⁰ Externally, regional officials are responsible for interpreting, supporting, and communicating the Administration’s policies and setting regional priorities.¹¹ Regional offices often work with state and local governments to promote SBA’s programs and help manage interagency and industry relations.¹²

SBA Regions and Field Offices



Source: SBA, Agency Financial Report 11 (2019)

At the top of the field operations hierarchy is OFO, which serves as the representative for field offices at SBA headquarters.¹³ In this capacity, OFO provides policy guidance to Regional

⁷ *Id.*

⁸ *Id.*; CRS, RL33243, *supra* note 3, at 25.

⁹ GAO-15-369, *supra* note 2, at 15.

¹⁰ *Id.* at 16.

¹¹ *Id.* at 18.

¹² *Id.*

¹³ GAO-15-369, *supra* note 2, at 7.

Administrators and District Directors for implementing SBA’s goals and objectives; establishes and monitors district offices’ performance goals; and organizes field office reviews.¹⁴

Principle Program Delivery Positions

In fiscal year (FY) 2014, SBA’s regional and district offices were comprised of 802 full-time equivalent (FTE) staff.¹⁵ Principle positions in these offices include:

- **Regional Administrator.** Regional Administrators are appointed by the President and tasked with promoting the Administration’s messages throughout their assigned territories.¹⁶ Regional Administrators supervise District Directors in their regions and evaluate whether district offices are meeting performance goals.¹⁷ Regional Administrators also act as the intermediary between SBA headquarters and district offices.¹⁸
- **District Director.** District Directors manage the day-to-day operation of district offices and prepare a strategic plan detailing the methodology under which the district office will achieve its goals in the fiscal year.¹⁹ District Directors also maintain partnerships with small business stakeholders in their territories and participate in public events.²⁰
- **Business Opportunity Specialists (BOSs).** BOSs are charged with recruiting, training, educating, and developing small businesses interested in SBA’s contracting programs.²¹ In particular, BOSs work directly with 8(a) business development firms assigned to their portfolio and conduct annual reviews of their firms’ progress toward achieving the goals in their business development plans.²² BOSs also conduct continuing eligibility reviews of their 8(a) firms during the annual review process.²³
- **Lender Relations Specialists (LRSs).** LRSs interact with lenders to facilitate the delivery of SBA loan programs and services within their districts.²⁴ LRSs’ responsibilities include providing information and training to lenders regarding SBA programs, conducting outreach activities, and monitoring and addressing lender concerns.²⁵
- **Economic Development Specialists (EDSs).** The EDS position was created in 2012, following a shift in district offices’ functions from loan processing to compliance and community outreach.²⁶ EDSs market SBA programs, support SBA resource partners, and

¹⁴ *Id.*; see also *About Office of Field Operations*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/offices/headquarters/ofo/about-us>.

¹⁵ GAO-15-347, *supra* note 4, at 9.

¹⁶ *Id.*

¹⁷ GAO-15-369, *supra* note 2, at 15-16.

¹⁸ *Id.* at 16.

¹⁹ GAO-17-573, *supra* note 3, at 12.

²⁰ GAO-15-347, *supra* note 4, at 59.

²¹ *Id.* at 9 n.18.

²² CRS, R44844, SBA’S “8(A) PROGRAM”: OVERVIEW, HISTORY, AND CURRENT ISSUES 39 (2019) [hereinafter, R44844].

²³ *Id.*

²⁴ GAO-15-347, *supra* note 4, at 9 n.18.

²⁵ See GAO, GAO-08-995, OPPORTUNITIES EXIST TO BUILD ON LEADERSHIP’S EFFORTS TO IMPROVE AGENCY PERFORMANCE AND EMPLOYEE MORALE 34-35 (2008).

²⁶ GAO-15-347, *supra* note 4, at 63-64.

conduct outreach, training, and educational services for small businesses and organizations in their districts.²⁷

Performance Goals

Field office performance is tracked and assessed by goals and metrics set by SBA headquarters.²⁸ According to a GAO report, there are six goals by which field offices are assessed: (1) protecting public funds and ensuring regulatory compliance; (2) supporting small-business lending; (3) expanding small-business contracting; (4) supporting small-business training and counseling; (5) providing outreach to high-growth and underserved communities; and (6) serving as a voice for the small-business community.²⁹

Outreach and Events

In furtherance of their goals, district offices initiate and oversee outreach activities designed to promote entrepreneurship in their areas.³⁰ In recent years, district offices have conducted more than 20,000 outreach events annually, such as lender trainings, panels, trade shows, workshops, roundtables, career fairs, business awards events, and other events that help promote the SBA “brand.”³¹ District offices may also co-sponsor events with third parties through co-sponsorship agreements or enter into two-year agreements with nonprofits or governmental entities (known as “strategic alliance” memoranda) to strengthen small-business development in local areas.³²

District offices are required to collect and regularly report to OFO data on outreach events and activities that align with their goals and measures.³³ Until recently, district offices reported this information to OFO through an Activity Contact Report (ACR) system; however, SBA stopped using the ACR system as of July 15, 2019, due to budgetary constraints.³⁴ In its place, district offices have been using a temporary reporting tool known as the “goals and measures activity tracking tool.”³⁵

Current Issues

Insufficient Policies Governing Customer Feedback and Performance Data

SBA’s Office of Inspector General (OIG) found that OFO has failed to assess customer feedback to evaluate the quality of service provided by district offices.³⁶ Although SBA developed an optional outreach event survey to solicit customer feedback, district-office officials interviewed by OIG either were unaware of or elected not to use the survey.³⁷ Because OFO lacked an established process to evaluate feedback, OIG cautioned that SBA is unable to recognize early

²⁷ *Id.* at 9 n.18; U.S. SMALL BUS. ADMIN. [hereinafter, SBA], AGENCY FINANCIAL REPORT 20 (2018).

²⁸ GAO-15-369, *supra* note 2, at 15-16.

²⁹ *Id.* at 16.

³⁰ GAO, GAO-20-41, OPPORTUNITIES EXIST TO STRENGTHEN ENGAGEMENT WITH HISTORICALLY BLACK COLLEGES AND UNIVERSITIES 6 (2019) [hereinafter, GAO-20-41].

³¹ *Id.* at 20 n.44; CRS, RL33243, *supra* note 3, at 25.

³² GAO-20-41, *supra* note 30, at 6.

³³ *Id.* at 20-21, 43.

³⁴ *Id.* at 21 & n.45.

³⁵ *Id.* app. IV, at 43 & n.3.

³⁶ SBA, OFFICE OF INSPECTOR GEN., Report No. 19-06, SBA’S DISTRICT OFFICES’ CUSTOMER SERVICE 2 (2018) [hereinafter, OIG, Report No. 19-06].

³⁷ *Id.*

opportunities to improve customer service, maximize program impact, or identify disparities in SBA's delivery of services.³⁸

OIG also found that OFO lacked sufficient controls to preserve the integrity of district offices' performance data.³⁹ Among other weaknesses, performance entries were not always corroborated with reliable supporting documentation, there was no separation of review and approval authority for District Directors' reported activities, and field staff were able to enter data long after an activity occurred.⁴⁰ According to OIG, these weaknesses limited OFO's ability to measure district offices' performance accurately and strategize where to focus outreach efforts for maximum program impact.⁴¹

HBCU Outreach Plan Not Communicated to District Offices

SBA developed a FY 2018 plan pursuant to the White House Initiative on HBCUs.⁴² Broadly, SBA sought to promote HBCUs' capacity to participate in federally funded programs and foster collaboration among HBCUs and district offices to spur entrepreneurship in underserved markets.⁴³ However, a recent Government Accountability Office (GAO) review found that SBA headquarters failed to communicate its FY 2018 plan to district offices.⁴⁴ As a result, district offices with HBCUs in their service areas were unaware of SBA's goal to collaborate with and strengthen the capacity of HBCUs and may have missed opportunities to do so.⁴⁵

Additionally, GAO determined that SBA had not developed policies or guidance on how district offices should systematically collect or report data on their HBCU-related outreach.⁴⁶ Without collection of relevant information on its HBCU-related efforts, SBA will not be able to accurately determine whether its efforts to support and engage HBCUs, in furtherance of the White House Initiative, are effective.⁴⁷

According to SBA leadership, SBA Resource Partners are now required to partner with the field offices and HBCU leadership in their service areas to develop a small business outreach plan, which must be submitted to SBA within 90 days after the start of FY 2020.⁴⁸ Additionally, between April 15, 2019 and September 30, 2019, regional and district offices conducted 17 entrepreneurship summits at various HBCUs, during which attendees learned about SBA programs and were provided information on SBA resources.⁴⁹ Moving forward, SBA leadership

³⁸ *Id.* at 3.

³⁹ *Id.* at 4.

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² Exec. Order No. 13779, 82 Fed. Reg. 12499 (2017); GAO-20-41, *supra* note 30, at 15. Pursuant to Executive Order 13779, the White House Initiative on HBCUs is housed in the Executive Office of the President. Among other things, the Initiative requires agencies that regularly interact with HBCUs to prepare an annual plan describing its efforts to strengthen the capacity of HBCUs to participate in applicable federal programs and initiatives.

⁴³ GAO-20-41, *supra* note 30, at 15.

⁴⁴ *Id.* at 18.

⁴⁵ *Id.* at 19-20.

⁴⁶ *Id.* at 23.

⁴⁷ *Id.* at 26.

⁴⁸ *Id.* at 45-46.

⁴⁹ *Id.* at 46.

committed to communicating its efforts to support HBCUs—including the expectations, goals, and related measures—to district offices with HBCUs in their service areas.⁵⁰

Skill Gap in District Offices

SBA’s field operations have experienced a number of changes over the years, including revisions to district-office positions implemented in 2012 after SBA moved loan processing responsibilities from district offices to loan processing centers.⁵¹ This shift in responsibilities prompted SBA leadership to create new field positions and rewrite certain position descriptions to focus on compliance issues and community outreach.⁵² The restructuring, however, resulted in a “skill gap,” as certain field staff lacked the marketing or interpersonal skills necessary for the new or revised positions.⁵³ Despite efforts to retrain employees and incentivize early retirement, the skill gap in many district offices reportedly continues to persist.⁵⁴

Variation in Program Service Delivery

In recent years, concerns have been raised regarding district offices’ ability to consistently deliver the 8(a) business development program.⁵⁵ In particular, witnesses at congressional hearings reported that common procedures administered by BOSs varied across district offices.⁵⁶ One reason cited for this variation was the absence of statutorily-defined duties for the BOS position.⁵⁷ To clarify BOSs’ responsibilities, the FY 2018 National Defense Authorization Act amended the Small Business Act to enumerate a list of “exclusive duties” shared by all BOSs.⁵⁸

GAO has indicated that SBA’s organizational structure may also contribute to variations in program delivery in the field.⁵⁹ Staff in district offices formally report to District Directors or Regional Administrators, but many field employees work closely with other program officials at SBA headquarters in Washington, DC.⁶⁰ For example, LRSs work with the Office of Capital Access to deliver SBA loan programs and BOSs work with the Office of Government Contracting and Business Development to help small businesses secure government contracts, but both positions report to District Directors, who ultimately report to OFO.⁶¹

Conclusion

As SBA’s “boots on the ground,” district and regional offices serve a vital role in delivering SBA’s programs and services to small-business owners and entrepreneurs across the country. This hearing will allow Members to examine the inner workings of SBA’s field operations and discuss ways in which OFO may improve program service delivery, better align field staffs’

⁵⁰ *Id.*

⁵¹ CRS, R44844, *supra* note 22, at 37.

⁵² *Id.* at 37-38.

⁵³ *Id.* at 38.

⁵⁴ *Id.*; GAO-15-347, *supra* note 4, at 44.

⁵⁵ See CRS, R44844, *supra* note 22, at 36-37.

⁵⁶ *Id.* at 36.

⁵⁷ *Id.*

⁵⁸ National Defense Authorization Act of FY 2018, P.L. 115-91, § 1704, 131 Stat. 1283, 1806; CRS, R44844, *supra* note 22, at 36.

⁵⁹ See CRS, R44844, *supra* note 22, at 37.

⁶⁰ GAO-15-347, *supra* note 4, at 59.

⁶¹ *Id.*

skillset with OFO's evolving mission, enhance inter-office coordination, and ensure that SBA programs are reaching the areas most in need of the agency's resources.