

AUDIT REPORT

SBA'S DISTRICT OFFICES' CUSTOMER SERVICE





EXECUTIVE SUMMARY

SBA'S DISTRICT OFFICES' CUSTOMER SERVICE

Report No.
19-06

December
19, 2018

What OIG Reviewed

We initiated this audit in response to a congressional request about the perceived disparity in the effectiveness of SBA district offices. SBA's district offices promote economic development, growth, and competitiveness within their geographic areas. District offices offer a variety of services to small businesses such as consulting, capital, and counseling programs that help customers start and grow their businesses. SBA has 68 district offices located throughout the United States and its territories.

The Office of Field Operations (OFO) oversees district offices to ensure accountability and responsible stewardship of taxpayer dollars. OFO is responsible for the agencywide delivery of SBA's products and services, which include training, technical assistance, and outreach.

Our audit objective was to determine whether SBA's OFO has a process in place to assess customer service effectiveness at district offices. To answer our objective, we visited selected district offices and interviewed OFO and district officials. We also conducted walkthroughs of the Activity Contact Report (ACR) system functionality and surveyed district offices' customers.

What OIG Found

We determined SBA did not have an effective process in place to assess customer service. Specifically, SBA has not assessed customer feedback to evaluate the quality of customer service provided by district offices. Quality customer service is essential to SBA's mission to deliver services that aid and protect the interest of small businesses. SBA cannot identify early opportunities to improve customer service or determine whether there are disparities in the Agency's delivery of service if it does not implement a customer feedback process.

Since SBA did not evaluate customer feedback, we conducted a survey of 217 SBA customers. The majority of customers provided positive feedback; however, 32 customers commented that district

employees did not always understand their needs and provide them with guidance and support.

In addition, the ACR system, which tracks employees' customer service activities, did not have sufficient controls to preserve the integrity of the district offices' performance data. As a result, SBA cannot rely on ACR data to measure progress toward meeting its strategic goals, or the effectiveness of its customer service efforts. Also, district directors did not effectively use ACR data to plan and strategize where to focus employees' outreach activities. Consequently, employees may not be focusing their efforts in areas most in need of SBA resources, such as access to lenders and capital.

OIG Recommendations

We recommended that SBA clarify the expectation for using the Outreach Event Survey and establish a process to collect and analyze customer feedback. Also, establish controls to enforce timely recording of ACR activities, supporting documentation maintenance and district directors' review and approvals. Finally establish a timeframe to improve or replace the ACR system.

Agency Response

Management concurred with all four recommendations, and its planned actions resolve the recommendations. Management plans to evaluate the most effective means to capture customer service feedback, update its policy to clarify expectations for using outreach event surveys, and establish a process to analyze customer service feedback. Management also plans to implement policies for the timely recording, review, approval, and documentation of ACR activities. Finally, management plans to establish a plan with timelines and milestones to improve or replace the ACR system.



**U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416**

Final Report Transmittal
Project Number: 19-06

DATE: December 19, 2018

TO: Linda E. McMahon
Administrator

FROM: Hannibal "Mike" Ware
Inspector General 

SUBJECT: SBA's District Offices' Customer Service

This report presents the results of our audit of the Small Business Administration's (SBA's) district offices' customer service. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on the draft of this report when preparing the final report. Management agreed with all four recommendations.

We appreciate the courtesies and cooperation extended to us during this audit. If you have any questions, please contact me at (202) 205-6586 or Andrea Deadwyler, Assistant Inspector General for Audits, at (202) 205-6616.

cc: Pradeep S. Belur, Chief of Staff
Robb N. Wong, Associate Administrator, Office of Government Contracting and Business Development
Jason Simmons, Associate Administrator, Office of Field Operations
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Introduction

SBA administers several programs to provide small businesses with the tools and resources they need to start and expand their operations. SBA delivers its services through district offices, which are responsible for implementing vital consulting, capital, and counseling programs. The Agency has 68 district offices located throughout 10 regions across the United States and its territories. The Office of Field Operations (OFO) oversees the district offices to ensure accountability and responsible stewardship of taxpayer dollars. OFO is responsible for the agencywide delivery of SBA's products and services, which includes training, technical assistance, and outreach.

According to OFO, district offices use SBA Form 20, Outreach Event Survey, an outreach participant questionnaire, to collect feedback from customers at the end of cosponsored activities.¹ According to the policy, survey results should be collected and submitted to SBA's Office of Strategic Alliances, which ensures that cosponsorships are within the best interest of the Agency.

OFO also uses the Activity Contact Report (ACR) system to track district office employee outreach activities. District directors, economic development specialists, business opportunity specialists, and lender relations specialists record activities such as training events, presentations, and interactions with lenders, resource partners,² small businesses, and other stakeholders in the system.³ The activities and events recorded in the system help district directors monitor employee efforts toward meeting their individual performance goals during the fiscal year. The employee activities affect the district goals, which are aligned with SBA's Strategic Plan. From April 2017 to April 2018, district employees recorded more than 37,000 ACR activities.

Prior Work

No prior coverage has been conducted.

Objective

Our audit objective was to determine whether SBA's Office of Field Operations (OFO) has a process in place to assess customer service effectiveness at district offices.

¹ SBA SOP 90 75 4, Outreach Activities, states a cosponsored activity is an activity, event, project, or initiative designed to provide assistance for the benefit of small business as authorized by the Small Business Act. The cosponsored activity must be planned and conducted by SBA and one or more cosponsors. A cosponsor is any eligible entity with whom such partnership would not create a conflict of interest with the Agency. Examples include a for-profit or not-for-profit entity, or a federal, state, or local government official or entity.

² SBA's resource partners include Small Business Development Centers (SBDCs), Women Business Centers (WBCs), Veteran Business Outreach Centers (VBOCs), and SCORE chapters.

³ SBA ACR Goals and Measures Definitions & Guidance Fiscal Year 2018.

Finding 1: SBA Has Not Assessed the Quality of Customer Service at District Offices

SBA has not assessed customer feedback to evaluate the quality of customer service provided by district offices. SBA program officials believed that district office personnel used SBA Form 20, Outreach Event Survey, to collect feedback from customers. However, employees at all five district offices we visited either were not aware of or did not use the form. District officials stated OMB's Paper Reduction Act prohibited them from soliciting feedback from customers.⁴ However, the intent of the Act was to minimize the paperwork burden on the public and did not prohibit agencies from surveying their customers. In fact, OMB requires agencies that provide significant services to the public to survey customers to determine the kind and quality of services that they want and their level of satisfaction with existing services. In addition, OMB encourages the use of tools to solicit actionable, timely customer feedback to capture insights and identify early improvement opportunities.⁵ Further, SBA's outreach policy did not require district offices to consistently use the Outreach Event Survey. According to the policy, responsible program officials "may but need not" distribute copies of the form to training participants.⁶

Since SBA did not have an established process in place to evaluate customer feedback, we developed and issued surveys to 1,937 customers who received services from the district offices during our period of review.⁷ We received responses from 217 customers. See customer survey results in table 1.

Table 1: Customer Survey Results

Rating	Number of Customers	Percentage of Survey Responses
Highly Satisfactory	147	67.74
Satisfactory	38	17.51
Less Than Satisfactory	18	8.30
Needs Attention	14	6.45
TOTALS	217	100.00

Source: OIG-developed customer survey

Overall, the majority of customers provided positive feedback about the districts' customer service. For example, customers commented on SBA employees' high level of professionalism and aptitude. However, 32 customers—14.8 percent of respondents—commented that district employees did not always provide enough guidance and support. According to these customers:

- Business opportunity specialists did not understand the needs of the 8(a) entrepreneurs.⁸
- Customers were left floundering, trying to educate themselves because educational services were not available in remote or rural areas.
- District offices did not provide clear direction and left customers feeling unsupported.

⁴ The Paper Reduction Act seeks to ensure the greatest possible public benefit from and maximize the utility of information created, collected, maintained, used, shared, and disseminated by or for the federal government. The act includes broader requirements, including that agencies reduce information collection burdens on the public.

⁵ OMB M 11 24 implemented Executive Order 13571, Streamlining Service Delivery and Improving Customer Service, dated June 13, 2011.

⁶ SBA SOP 90 75 4, Outreach Activities, dated August 26, 2016.

⁷ District offices defined their customers as both internal (SBA business offices) and external (small businesses, lenders, and contractors) to SBA. For the purpose of this audit, we surveyed external customers.

⁸ Business Opportunity Specialists are responsible for providing small business training to aid in developing business principles and strategies to enhance 8(a) participant's ability to compete successfully for contracts.

The customers who rated their experience as “Less Than Satisfactory” or “Needs Attention” represented 9 of the 10 regions.

Quality customer service is essential to SBA’s mission to deliver services that aid and protect the interest of the small business community. If the Agency does not adopt the use of a customer feedback tool and implement a process to evaluate feedback, the Agency cannot identify early opportunities to improve customer service and maximize program impact nor can it determine if there are disparities in the Agency’s delivery of service.

Recommendation

We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to coordinate with the Office of Communications and Public Liaison to:

1. Revise SOP 90 75 4, Outreach Activities, to clarify the expectation for using SBA Form 20, Outreach Event Survey, and establish a process to collect and analyze customer feedback.

Finding 2: SBA Cannot Rely On District Offices' Performance Data To Track Strategic Goals or Target Outreach Activities

SBA did not have sufficient controls in place to preserve the integrity of ACR performance data. Program officials use the ACR system to track employees' customer service activities, which align with the agencywide Strategic Plan. In addition, district directors did not effectively use ACR data to plan and strategize where to focus employees' outreach activities. As a result, SBA cannot rely on ACR data to measure progress toward meeting its strategic goals, and employees may not be focusing their efforts in areas most in need of SBA resources.

Strategic Goals

We identified several internal control weaknesses with the ACR system. First, there was no separation of review and approval authority of district directors' activities. We observed a district director enter and approve his own ACR activity in the system. Without separation of review and approvals there is a risk that ACR entries are inaccurate or misrepresented. As such, the Agency cannot rely on this data to assess the volume and effectiveness of customer service activities. Second, although employees' job descriptions had a requirement to enter all credible activities into the ACR system within 2 to 7 business days after an activity occurred, employees were able to enter ACR activities into the system up to 7 months after the activity occurred. According to SBA program officials, the ACR system was inaccessible for the first few weeks of the fiscal year to update district offices' goals and measures. Further, program officials and district office employees told us the system was frequently inaccessible throughout the year which prevented them from entering their activities timely. Without timely recording of ACR activities it is difficult for SBA to account for customer service activities and strategically plan for future initiatives. Third, employees did not always provide sufficient documentation to support ACR entries. Employees primarily used Microsoft Outlook calendars to support the activities they recorded into the ACR system. However, Microsoft Outlook calendars can be easily manipulated, affecting the reliability of the data used to assess customer service activities and the effectiveness of the Agency's efforts.

While SBA officials were aware of the internal control deficiencies, they were unable to provide an explanation. Also, there was no formal requirement for employees to maintain supporting documentation for ACR entries. Activities and events recorded by employees contribute to the district offices' efforts to meet its fiscal year goals. The district office goals support the Office of Field Operations fiscal year goals which align with the agencywide Strategic Plan. Insufficient controls over performance data affect the Agency's ability to measure district offices' performance and strategize where to focus outreach efforts for maximum program impact. Therefore, it is imperative for SBA to establish controls over the ACR system to preserve the reliability of the data.

Outreach Activities

District directors did not effectively use ACR data to plan and strategize where to focus employees' outreach activities. More importantly, management did not use the data to track and measure the effect that lender relations specialists had on promoting SBA's initiative to increase access to capital for small businesses located in socially and economically disadvantaged rural and urban communities. This occurred because district directors use ACR data to count employees' outreach activities throughout the year and did not use the data to strategize where to target their initiatives. In addition, the ACR system lacked the functionality to filter employees' activities by zip codes, counties, or rural and urban areas. Without a process in place to effectively measure and evaluate outreach activities, employees may not be focusing their efforts in areas most in need of SBA resources.

Management Action

During this audit, on June 22, 2018, SBA took corrective action to update the system and included an option to track activities specific to the fiscal years 2018 and 2019 rural initiative. However, the ACR system lacks the functionality to filter data allowing SBA to strategize where to focus outreach activities.

Recommendations

We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to:

2. Enforce the policy to timely record customer service activities in the ACR system and establish requirements for documenting and maintaining support for the customer service activities reported.
3. Implement controls for hierarchical reviews and approvals for district directors ACR entries.
4. Implement a plan and establish a timeframe to improve the functionality of the ACR system or replace the system.

Analysis of Agency Response

SBA management provided formal comments, which are included in their entirety in Appendix II. Management concurred with all four recommendations, and its planned actions resolve each of the four recommendations.⁹

Summary of Actions Necessary to Close the Recommendations

The following provides a status of the recommendations and the actions necessary to close them.

1. **Resolved.** SBA management concurred with our recommendation and plans to evaluate the most effective means to capture customer service feedback, and update its SOP 90 75 4, Outreach Activities, to clarify expectations for using the SBA Form 20 or alternative mechanisms to capture customer feedback. In addition, management plans to establish a process through Field Accountability Reviews (FAR) and the Field Accountability Remote Examinations (FARE) to review and analyze customer feedback. Management plans to complete final action on this recommendation by June 30, 2019. This recommendation can be closed when management provides evidence that it implemented an effective means to capture customer feedback, updated SOP 90 75 4 to clarify expectations for using SBA Form 20, and implemented processes through FAR and FARE to review and analyze customer feedback.

2. **Resolved.** SBA management concurred with our recommendation and plans to implement a policy to enforce the timely recording of customer service activities in the ACR system through individual performance standards. Management also plans to establish requirements for documenting customer service activities reported in the ACR system. Management plans to complete final action on this recommendation by March 31, 2019. This recommendation can be closed when management provides evidence that it included the requirement for timely recording

⁹ SBA provided target dates for final action to implement our recommendations on SBA Form 1824, Recommendation Action Sheet.

of ACR activities in the individual performance standards, and established and implemented requirements for documenting customer service activities reported in the ACR system.

3. **Resolved.** SBA management concurred with our recommendation and plans to implement a process to ensure hierarchical reviews and approvals for district director ACR entries systematically within the ACR system. The Office of Program Oversight will leverage the FAR and the FARE to evaluate for compliance. Management plans to complete final action on this recommendation by June 30, 2019. This recommendation can be closed when management provides evidence that it implemented a process of hierarchical reviews and approvals and a requirement for the Office of Program Oversight to evaluate compliance.

4. **Resolved.** SBA management concurred with our recommendation and stated it will develop a plan with associated timelines and milestones to improve the functionality of the ACR system or replace it with a more robust system. Management plans to complete final action on this recommendation by September 30, 2019. This recommendation can be closed when management provides evidence it has established and implemented a plan to improve or replace the ACR system.

Appendix I: Objective, Scope, and Methodology

This report presents the results of our audit of SBA's district offices' customer service. Our objective was to determine whether SBA's Office of Field Operations (OFO) has a process in place to assess customer service effectiveness at district offices. To accomplish the audit objective, we:

- Reviewed SBA's Strategic Plan to determine the Agency's goals and measures for district offices.
- Conducted walkthroughs of ACR functionality to gain an understanding of the system controls.
- Selected district offices in the mid-Atlantic and South Central regions with the highest number of recorded ACR entries from April 2017 to April 2018.
- Conducted site visits to district offices located in Philadelphia, Pennsylvania; El Paso, Texas; Dallas/Ft.Worth, Texas; Houston, Texas; and Baltimore, Maryland.
- Interviewed OFO and district office personnel in the mid-Atlantic and South Central regions.
- Developed and issued surveys to 1,937 customers who received services from the district offices during our scope period.¹⁰

We conducted this audit from May 2018 to October 2018, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Use of Computer-Processed Data

We relied on computer-processed data from the ACR system to obtain district offices' customers contact information. We verified the accuracy of the information by issuing surveys to 2,007 customers. Since 1,937 surveys were successfully sent to valid email addresses, we considered the ACR data sufficiently reliable for the purposes of our survey.

Review of Internal Controls

SBA's internal control systems SOP provides guidance on implementing and maintaining effective internal control systems, as required by OMB Circular A-123.¹¹ OMB Circular A-123 provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal controls.¹² Accordingly, we assessed internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Specifically, we interviewed SBA officials responsible for oversight and management of ACR data. We also reviewed available supporting documentation and conducted walkthroughs to understand ACR functionality.

¹⁰ 5 U.S.C. Appx § 6(k), IG Empowerment Act (P.L. 114-317) dated December 16, 2016.

¹¹ SOP 00 02, Internal Control Systems (January 1986).

¹² OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (July 15, 2016).

SBA

ASSOCIATE ADMINISTRATOR,
OFFICE OF FIELD OPERATIONS

RESPONSE TO AUDIT REPORT



U.S. Small Business
Administration

409 3rd St. SW, Washington, DC

DATE: December 7, 2018

TO: Hannibal M. Ware, Inspector General, Office of Inspector General (OIG)

FROM: Jason Simmons, Associate Administrator, Office of Field Operations (OFO)

Subject: OIG Audit - "SBA'S District Offices' Customer Service"

We appreciate the opportunity you have given us to respond to your draft report of November 7, 2018, on the subject noted above. While we do not take issue with your recommendations as discussed below, we must point out that the results of the survey showed, of those responding, over 85% had a favorable experience dealing with SBA District Offices.

SBA Responses to OIG's Recommendations

OIG Recommendation 1:

We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to coordinate with the Office of Communications and Public Liaison to Revise SOP 90 75 4, Outreach Activities, to clarify the expectation for using SBA Form 20, Outreach Event Survey, and establish a process to collect and analyze customer feedback.

OFO's Response to Recommendation 1:

AA for OFO concurs with this recommendation. The AA for OFO will:

1. Partner with the Office of Communications and Public Liaison (OCPL) and the Office of Performance Management to evaluate the most effective means to capture customer feedback per OMB guidance and incorporate in SOP 90 75 4, Outreach Activities with clarified expectations for use of the SBA Form 20 or alternative mechanisms to capture customer service/customer experience feedback. This guidance will also discuss when outreach event surveys are necessary.

2. Establish a process through Field Accountability Reviews (FAR) and the Field Accountability Remote Examinations (FARE) to review and analyze customer service/customer experience feedback.

OIG Recommendation 2:

We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to enforce the policy to timely record customer service activities in the ACR and establish requirements for documenting and maintaining support for the customer service activities reported.

OFO's Response to Recommendation 2:

The AA for OFO concurs with this recommendation. The Office of Field Operations (OFO) will implement a policy to enforce the timely recording of customer service activities in the ACR through inclusion in individual performance standards. OFO will establish requirements for documenting customer service activities reported in the ACR system.

OIG Recommendation 3:

We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to implement controls for hierarchical reviews and approvals for district directors ACR entries.

OFO's Response to Recommendation 3:

The AA for OFO concurs with this recommendation. The Office of Field Operations (OFO) will implement a process to ensure hierarchical reviews and approvals for district director regarding ACR entries systematically within the ACR system. The Office of Program Oversight, leveraging the Field Accountability Review (FAR) and the Field Accountability Remote Examination (FARE), will evaluate for compliance.

OIG Recommendation 4:

We recommend that the Administrator require the Associate Administrator for the Office of Field Operations to implement a plan and establish a timeframe to improve the functionality of the ACR or replace the system.

OFO's Response to Recommendation 4:

The AA for OFO concurs with this recommendation. The Office of Field Operations (OFO) will develop a plan to improve the functionality of ACR or replace it with a more robust system.