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BY THE COMPTROLLER GENERAL  
**Report To The Chairman, Committee On  
Commerce, Science, And Transportation  
United States Senate  
OF THE UNITED STATES**

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**Similar Business Assistance Programs Of  
Two Federal Agencies Have Potential  
For Duplication**

Two Federal agencies--the Economic Development Administration and the Small Business Administration--provide business management and technical assistance through university-based centers. To a large degree, both agencies' programs provided like types of assistance to similar types of businesses--in consonance with their missions.



Differences in emphasis and limited number of centers have minimized duplication between the programs. Expanding either program, however, could result in program duplication. Therefore, before expanding either program, the Congress should reevaluate the need for both agencies to sponsor university-based centers.

GAO also recommends that both agencies improve their evaluations of the university centers' performance.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-201399

The Honorable Howard W. Cannon, Chairman  
Committee on Commerce,  
Science, and Transportation  
United States Senate

Dear Mr. Chairman:

In response to your January 17, 1979, request, we reviewed the university-based management and technical assistance programs administered by the Small Business Administration and the Economic Development Administration, Department of Commerce. Our review compared the similarities and differences, and possible duplication, between the programs. As agreed to by your office, we did not address the issue of program effectiveness. Because we found the programs to be similar and because we noted deficiencies in data bases and agencies' evaluations, we are bringing these matters to your attention.

On July 17, 1980, we briefed your office on our work regarding the two other parts of your January 17, 1979, request. These areas were directed at the Small Business Administration's and the Minority Business Development Agency's management assistance programs and contractor evaluation systems. As agreed with your office, we summarized the results of this work in an August 1, 1980, letter to you.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script that reads "Milton J. Fowler".

Acting Comptroller General  
of the United States



COMPTROLLER GENERAL'S  
REPORT TO THE CHAIRMAN  
COMMITTEE ON COMMERCE,  
SCIENCE, AND TRANSPORTATION  
UNITED STATES SENATE

SIMILAR BUSINESS ASSISTANCE  
PROGRAMS OF TWO FEDERAL  
AGENCIES HAVE POTENTIAL  
FOR DUPLICATION

D I G E S T

Both the Economic Development Administration (EDA), Department of Commerce, and the Small Business Administration (SBA) use university-based centers to provide management and technical assistance to the business community.

The problem-solving or counseling assistance provided under both programs is alike in many respects; yet, is in consonance with the agencies' missions. EDA's program emphasizes businesses located in economically distressed areas, while SBA's program helps the small business community in general.

The limited number of SBA centers precludes SBA's program from serving many of the States and areas now served by EDA's programs. Should SBA's and/or EDA's program expand in scope, however, duplication could become a problem. Therefore, before any such expansion, the Congress should reevaluate the need for both agencies to make use of university-based centers to provide these services.

GAO also found that neither agency had an evaluation system that adequately addressed the quality of the management and technical assistance services provided and results achieved by the centers, or, the cost effectiveness of such assistance. Two separately administered programs which either provide or could provide like counseling assistance to similar clients for basically similar purposes deserve scrutiny. While GAO did not evaluate the relative effectiveness of either program because of time constraints, information gathered affords an opportunity to consider whether the business community and the Federal Government can be best served by continuing separate but similar programs. Some of the likenesses and differences were:

- The types of management and technical counseling assistance provided to clients by centers of both programs emphasized combinations of financial/accounting, marketing, and general business management. Two EDA centers also emphasized engineering assistance and one EDA center community development projects. (See pp. 11-16.)
- The types of businesses provided counseling assistance by centers of both programs were also alike with EDA centers tending to place greater emphasis on manufacturing businesses while SBA centers, on service and retail/wholesale businesses. (See pp. 16-18.)
- Both EDA and SBA have permitted their centers to be organized and structured within the university systems as the universities saw fit. As a result, the organizations of centers and their position within the university structure varied considerably. (See pp. 19 and 20.)
- Centers for the most part used professional staff and students for counseling clients. Faculty were primarily involved in the counseling of businesses only at two EDA centers. Where students were primarily involved in counseling, they had access to faculty for advice. (See pp. 20-23.)

IMPROVEMENTS NEEDED TO  
PERMIT EFFECTIVE EVALUATIONS

Both EDA and SBA are relying on results reported by centers as a means of measuring program effectiveness. GAO's review, however, showed that results reported by these centers are inaccurate or of questionable validity. Moreover, neither agency had an evaluation system which would address the quality of the primary center function--assisting/counseling business in solving their management and technical problems.

While GAO did not try to evaluate the effectiveness of the EDA and SBA university center programs, GAO found it difficult to compare programs. Therefore, both EDA and SBA may face problems in effectively evaluating their programs. Comparing programs was difficult because of inadequate documentation of assistance rendered, not matching staff time and

expenditures to program elements such as counseling of businesses, and wide differences in organizational structure and criteria for accepting clients. Unless improved, these conditions will, hinder the agencies' efforts to evaluate program effectiveness. For example:

- Both EDA and SBA relied primarily on data reported by centers in quarterly and annual reports. For SBA, this data has been principally activity level data, such as numbers of clients, courses, etc.; and EDA, primarily employment data, such as jobs created or saved. While this information is useful as part of any evaluation, it does not provide an adequate basis for judging the effectiveness and efficiency of center operations, because it does not address the quality of assistance provided or the costs associated with such assistance. (See pp. 28-30.)
- Quantitative data reported to EDA and SBA by the centers was either of questionable validity or contained inaccuracies--further reducing the use of such information for evaluating program or center effectiveness. Inaccuracies and delays were noted in the processing of the basic SBA data accumulation forms with little verification of the information on the forms. Results reported by EDA centers including jobs saved, jobs created, and potential jobs were sometimes "best guesses" with little supporting foundation or verification. Center officials acknowledged the softness of estimates, saying EDA should provide guidance on how to develop results they want reported. (See pp. 30-34.)
- Instead of accounting for center expenditures according to program element, such as the direct counseling of business clients, EDA and SBA centers were recording expenditures by contract or funding sources by expenditure category; i.e., salaries, travel, equipment, etc. (See pp. 34 and 35.)

An EDA consultant is presently evaluating EDA's program, including development of methodology for evaluating program results. In addition, EDA is developing an evaluation system under another program which may be applicable in its management

and technical assistance program. SEA plans to introduce a more systematic data/information system and, once in place, to introduce a system to better evaluate program results.

#### RECOMMENDATION TO THE CONGRESS

Should either university-based program expand, duplication could become a serious problem. Administering separate but similar programs could also entail additional Federal costs. Before any such expansion, the Congress should reevaluate the need for both agencies to provide management and technical assistance using university-based centers.

#### RECOMMENDATIONS TO THE SECRETARY OF COMMERCE AND THE ADMINISTRATOR, SEA

The Secretary of Commerce and the Administrator, SEA, should modify their systems for evaluating the effectiveness of their university-based, management assistance programs. (See p. 41.)

In modifying such systems, the officials should consider the need for (1) uniform and consistent data at centers, (2) adequate documentation of assistance provided by centers, (3) criteria for use by centers in accepting client/businesses, (4) the need for matching center costs to program elements, and (5) measuring quality of counseling assistance and results achieved. (See p. 41.)

In measuring the quality of counseling assistance, for example, they should consider using evaluation teams comprised of individuals having expertise and established credentials in the primary areas of counseling to (1) evaluate the qualifications of the principal center counselors for areas they counsel, (2) select cases at varying stages of completion and monitor/evaluate these counselors' methodology, judgments, and recommendations, and (3) assign values based on the levels of performance observed. (See p. 41.)

Other GAO recommendations are on page 40.

SBA, EDA, AND UNIVERSITY CENTER  
COMMENTS AND GAO'S EVALUATION

GAO provided the draft report to SBA and EDA for comment. In addition, factual segments of the draft were sent to the EDA- and SBA-sponsored centers at seven universities. SBA, EDA, and centers at five universities provided comments.

SBA disagrees with some of GAO's positions regarding potential duplication, inadequate evaluation, and differing organizational structures among the centers. SBA also believes the report contains several contradicting statements. EDA agrees with GAO about certain inadequacies in its evaluation system and plans to take corrective actions. However, EDA disagrees with GAO's conclusion regarding potential duplication.

After considering SBA's and EDA's view, GAO maintains that the report conclusions are valid and the recommendations are appropriate and necessary. SBA and EDA did not provide any additional facts which would cause GAO to modify its position. The university centers commented only on factual segments of the report and several clarifications were made to reflect their concerns.

SBA's comments, EDA's comment's, and GAO's evaluation are discussed at the end of each chapter. SBA's and EDA's complete comments are included as appendices VII and VIII.



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#### ABBREVIATIONS

EDA	Economic Development Administration
GAO	General Accounting Office
SBA	Small Business Administration

## CHAPTER 1

### INTRODUCTION

Our review was made at the request of the Chairman, Senate Committee on Commerce, Science, and Transportation. The Chairman asked us to compare the Economic Development Administration's (EDA's), Department of Commerce, and the Small Business Administration's (SBA's) university-based, business assistance programs for similarities and possible duplication. We were also asked to review the Minority Business Development Agency's--formerly the Office of Minority Business Enterprise--actions to improve its contractor evaluation system and the extent of their coordination with SBA in providing management assistance to minority clients. (See app. I.)

Concern for the well-being of the Nation's business community--particularly small- and medium-size businesses--in promoting competition, and in helping to stimulate depressed economic growth, has led to the establishment of Federal programs directed toward assisting businesses in solving management and technical problems. Two such programs--EDA- and SBA-administered--use educational institutions as delivery vehicles for providing assistance to the business community.

This report compares the main objectives of both programs for similarities and differences and discusses problem areas which need to be considered to enhance such assistance to the business community.

#### UNIVERSITY-BASED CENTERS

SBA refers to its centers as small business development centers and EDA refers to its centers as university centers. This report uses SBA centers and EDA centers to distinguish program relationships.

In fiscal year 1979, EDA funded 30 university-based centers and one State organization to deliver its services, while SBA funded 16 university-based centers. EDA funding to these centers for basic center operations totaled \$2.87 million, and SBA funding to its centers totaled \$2.68 million. (See app. II.) On July 1, 1980, EDA was funding 32 centers, with total funding of \$2.9 million, and SBA 16 centers, with total funding of \$3.7 million. For fiscal year 1979, additional non-Federal funds were either required as matching--for EDA centers and 5 of 16 SEA centers--or were voluntarily provided--as was the case with other SBA centers. Some centers also had special-purpose Federal funds available

for center activities. The illustration on the following page shows the locations of the 31 EDA and 16 SBA centers.

The organization and operation of EDA and SBA centers varied considerably, without regard to the funding source, so that no one center can be cited as typical. There were, however, similar aspects of center activities as described below.

Centers were organized within the framework of either the academic schools of business or the universities' research or extension service programs. They had small core staffs of permanent professional employees who administered center programs and participated in counseling/assisting business clients concerning management/technical problems. Counseling/assistance in most cases was provided at no cost to the clients. The core staff drew on part-time faculty and/or students and sometimes volunteer personnel as resources for counseling business clients. The educational backgrounds of counseling personnel were predominantly business--administration, finance, accounting, marketing, etc.; and, the types of problems addressed were predominantly of those types--though several EDA centers did provide engineering assistance dealing with product and production problems. Clients were mainly small- and medium-size retail, service, and manufacturing businesses. Centers also helped individuals contemplating a business venture and especially EDA centers, also helped community development organizations.

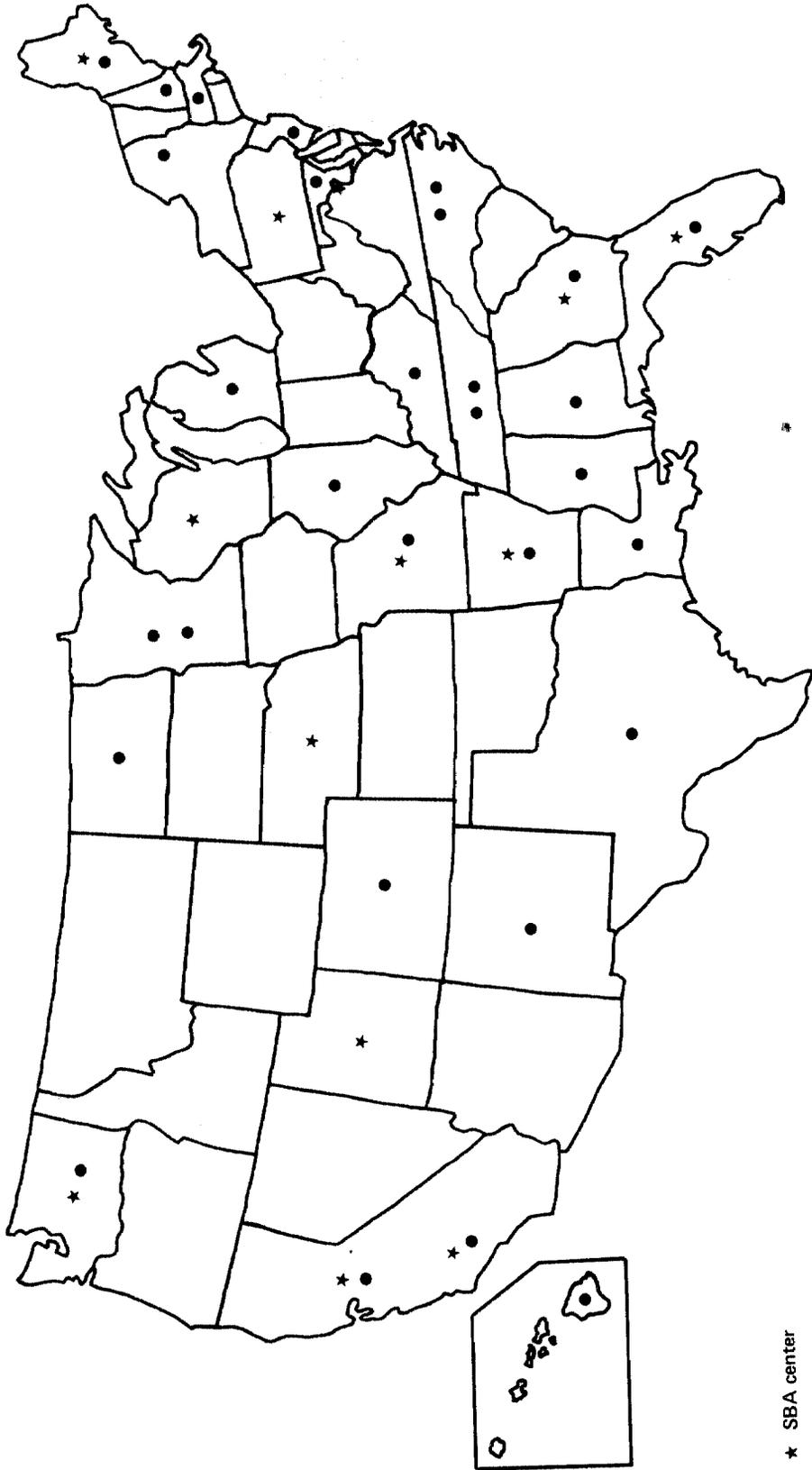
Clients contacting the centers were interviewed and decisions made as to the extent centers could be of help. Counselors were assigned as appropriate and assistance rendered sometimes on a limited basis and sometimes in-depth. Counselors worked with client data inputs and used reference and other literature information sources and when appropriate provided written reports to clients.

SBA centers also provided services through continuing education courses, training sessions, and special-type programs, and SBA as well as EDA performed various research-type projects, for example, investigating a specific industry product.

#### LEGISLATION

Both agencies initiated/implemented their programs under authority contained in each agency's basic legislation to provide management or technical assistance to individuals, businesses, community development organizations, and others. EDA conducted its university-based, business assistance program

LOCATIONS OF CENTERS - 1979



\* SBA center  
● EDA center

under authority granted by the technical assistance provisions of the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3151). Until recent legislation was passed, SBA conducted its university-based business assistance program under the management and technical assistance provisions contained in the Small Business Act, as amended--subsections 8(b) and 7(j)--(15 U.S.C. 637(b) and 636(j)).

Public Law 96-302, enacted July 2, 1980, now authorizes the SBA university-based program--small business development centers--to provide management and technical assistance to small businesses. The legislation requires that grantees assist small businesses on problems such as manufacturing, engineering, technology development, personnel administration, marketing, finance, accounting, business strategy, growth, expansion, etc. for growth and management improvement. In addition, the legislation requires establishing a plan of quantitative and qualitative evaluation to determine the centers affect on small businesses assisted and the socioeconomic base of the areas served, as well as, the multidisciplinary resources coordinated to assist small businesses.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

On July 17, 1980, we briefed the committee staff on the results of our work concerning SBA's and the Minority Business Development Agency's management assistance programs and contractor evaluation system and summarized these results in an August 1, 1980, letter to the chairman.

In a November 27, 1979, letter to the chairman, we agreed that our review of the university-based business assistance programs would not include an evaluation of program effectiveness.

Our objective was to examine into possible duplication between SBA's Small Business Development Center program and EDA's University Center program. The chairman asked us to include five specific areas in our review. These areas and references are cited below.

- Program objectives (see p. 8).
- Services provided (see p. 11).
- Types of businesses assisted (see p. 16).
- Program costs to Federal Government (see p. 1).
- If possible, results achieved (see p. 30).

We made our review at the Department of Commerce's Economic Development Administration, Washington, D.C.; the Small Business Administration, Washington, D.C.; and at the following six EDA and three SBA centers.

<u>EDA</u>	<u>SBA</u>
Auburn University Auburn, Alabama	University of Georgia Athens, Georgia
Georgia Institute of Technology Atlanta, Georgia	University of Southern Maine Portland, Maine
University of Southern Maine Portland, Maine	University of Missouri -St. Louis St. Louis, Missouri
University of Massachusetts Amherst, Massachusetts	
University of Missouri -St. Louis St. Louis, Missouri	
University of New Hampshire Durham, New Hampshire	

We selected these centers to use as a basis for comparing the similarities and differences between the EDA and SBA programs. Both EDA's Director, Office of Technical Assistance, and SBA's Associate Administrator for Management Assistance concurred with our selection of centers as being representative of the centers in their programs except that SBA officials asked that we include a center serving an urban area. They suggested and we agreed to include the University of Missouri - St. Louis. The University of Missouri also operates SBA and EDA programs at three other university locations. We reviewed the programs at the University of Missouri - St. Louis. Staff at this university generally provided counseling to both EDA and SBA clients.

We examined the operations of these centers and obtained data on their organization, objectives, staffing, funding and expenditures, counseling resources, clients assisted, assistance to clients, and results for their 1979 contract or grant years. We also reviewed the legislation providing the authority for their programs and proposed legislation for SBA's program. We interviewed EDA and SBA officials responsible for administering the programs and reviewed the agencies' procedures for implementing, administering, and evaluating the

programs. We also interviewed selected center clients to confirm data obtained from the centers' files and personnel.

The primary activity carried out by the EDA and SBA centers was direct management or technical assistance counseling provided business and/or community development clients to resolve specific management and/or technical problems. It was also the principal activity common to both programs. We therefore concentrated our work toward analyzing and comparing this area. A primary emphasis was to determine the types of assistance or services the EDA and SBA centers provided to clients. We determined the centers' criteria for accepting clients and their procedures for dealing with applicants/clients as well as the records maintained by the centers on assistance rendered.

We then determined the universe of clients served or assisted by each of the centers included in our review during the 1979 contract or grant years. Depending on the size of the client universe, we reviewed all or a portion of the 1979 client files and scheduled data describing the services, methodology of providing the services, and end products provided to clients.

To verify the data obtained from the centers, we selected samples of clients from the client files which we had reviewed and scheduled. At the Auburn EDA center and the University of Georgia SBA center, we selected our samples by using random number tables. At the Georgia Tech EDA center we selected our sample, with one exception, from those clients who were not included in the sample selected by a private consulting firm which was evaluating the EDA program. At the other EDA and SBA centers included in our review, we selected samples by obtaining a cross section of all the clients served by the centers during their 1979 contract or grant years. (See app. IV.)

We then telephoned the clients included in our samples and completed proforma, interview questionnaires. The questionnaire requested clients to describe the reasons why they sought assistance, the assistance provided by the centers, and the products or documents which the centers provided. The questionnaire also requested clients' opinions on the usefulness of, and satisfaction with, the assistance they received from the centers.

Some clients we attempted to telephone could not be interviewed because of a variety of reasons, such as being out of business, refusing to speak with us, etc. In those cases, we selected different clients as substitutes for our samples.

## CHAPTER 2

### LIKE ASSISTANCE TO LIKE BUSINESSES UNDER BOTH PROGRAMS--POTENTIAL FOR DUPLICATION

Both EDA and SBA use educational institutions to deliver management and technical assistance to the business community. These university-based centers have for the most part provided like counseling assistance to similar types and sized businesses, which apparently is in consonance with each agency's authority and mission for helping the business community. EDA's mission includes assisting businesses and developmental entities with their management and technical problems--emphasizing economically distressed areas and regions; whereas, SBA's mission includes assisting small businesses in general with their management and technical problems.

Our review showed, however, that EDA's center program emphasis on economically distressed areas--often rural areas--and the limited number of EDA and especially SEA centers, have minimized any duplication problem. The limited number of SBA centers--16 funded in fiscal year 1979--prevents SBA's program from serving many of the States and areas EDA centers now serve. Should EDA's or SBA's program expand however, duplication could become a serious problem and necessitate that consideration be given to combining the two university-based assistance programs.

Two separately administered programs which either provide or could provide like counseling assistance to similar business clients for basically similar purposes deserve scrutiny. While we did not evaluate the effectiveness of either program, information gathered affords an opportunity to consider whether the business community and the Federal Government can be best served by continuing separate but similar programs. The following sections discuss these matters in detail.

#### MISSIONS OF AGENCIES PROGRAMS

EDA continued the university-based program begun in 1963 by its predecessor--the Area Redevelopment Administration--after its creation in 1965. EDA's purpose is to provide assistance to economically distressed areas and regions to alleviate conditions of substantial and persistent unemployment and underemployment and establish stable and diversified economies. Technical assistance is authorized for public agencies, local development groups, individuals, and business entities through various funding methods, including grants

and contracts to help alleviate the stated conditions. Using this authority, EDA has continued its university-based, business assistance program since 1965.

In carrying out its program, using universities and other institutions, EDA initially provides 75 percent of the funds needed to establish a center, and over a 3- to 5-year period gradually decreases its assistance, leaving a center to fund most of its operations. Since 1965, EDA has helped finance many centers. There were 31 centers receiving EDA funds in 1979.

A strategy paper disseminated by EDA's Office of Technical Assistance to existing university centers in 1978 commented:

"\* \* \*The centers will continue to serve as catalysts and will focus on managerial and technical assistance counseling services to small and medium size businesses and community groups. Business management to the private sector will be emphasized because the lack of managerial experiences and aptitude has traditionally accounted for most of the business failures and resulting job losses. Therefore, the aim of such counseling is job creation through industrial stabilization, expansion or diversification. The centers will also support the establishment of new ventures, especially high technology firms, and assist public and private economic development groups."

\* \* \* \* \*

"A comprehensive range of business and engineering technical assistance services will be offered, primarily through one-to-one counseling techniques, in a wide range of areas from financial management to production control, economic and technical feasibility studies, audits and inventories of firms, training seminars and workshops and preparation of special engineering studies. These services will involve several different schools within a university including the business and engineering schools."

SBA began its university-based program in 1977. The Congress's declared policy is to preserve and expand free competition within the private sector through encouraging and developing the actual and potential capacity of small businesses; and that, to do this, the Government should aid, counsel, assist and protect the interests of small businesses. SBA is authorized to provide financial assistance

to public or private organizations to provide management or technical assistance to eligible individuals or businesses. Subsection 7(j) of the Small Business Act, as amended, also authorizes SBA to provide such management or technical assistance but to give special attention to small businesses located in urban areas where a high concentration of unemployed or low-income individuals exist or where businesses are owned by low-income individuals.

Since initiating its program in 1977, SBA has funded 11 centers through September 1979, including one center--Howard University--funded from subsection 7(j) funds. Five additional centers were funded in September 1979, bringing the total to 16. These five were required to provide 50 percent matching funds--unlike the requirements for the first 11 centers.

Through the university, SBA sought to concentrate under one organization the resources of local, State, Federal, and private sector to provide more effective management and technical assistance to the small business community, thereby:

- Developing the economic area served by the university by enhancing small business opportunities for new start-ups and expanding existing businesses and providing opportunities for increased productivity.
- Developing an environment for students to acquire practical experience in small business management and encourage students to go into small business.
- Developing a clearinghouse for collecting and disseminating economic and business data.
- Assisting businesses in developing more efficient marketing and distribution channels, including foreign trade.
- Increasing opportunities for socially and/or economically disadvantaged entrepreneurs to enter the mainstream of our economy through an organized outreach program.
- Increasing small business viability so that the small business client "graduates" from the program.

EDA AND SEA CENTERS PROVIDING  
LIKE COUNSELING AND SERVING  
LIKE BUSINESSES

While some centers placed greater emphasis on particular types of counseling assistance and types of businesses served, the nine centers for the most part tended to provide like assistance to similar types and sized businesses. Comparisons of these characteristics for the nine centers are presented in the following sections.

Like counseling assistance

As shown in the chart on page 12, counseling assistance provided emphasized combinations of financial/accounting, marketing, and general business management at all SBA and EDA centers. In addition to providing the above types of assistance, three EDA centers--Auburn, Georgia Tech, and New Hampshire--also provided engineering/technical assistance; whereas, the three SBA centers and three other EDA centers provided little or none. One EDA center--Massachusetts--also provided community development assistance to a greater degree than other EDA centers; whereas, the SBA centers provided little or none.

COMPARISON OF CENTERS BY TYPES OF ASSISTANCE—

FISCAL YEAR 1979 (note a)

<u>Center</u>	<u>Types of assistance (note b)</u>					
	<u>Finance &amp; accounting</u>	<u>Marketing</u>	<u>Gen. bus. mgmt.</u>	<u>Engineering</u>	<u>Pre-bus. &amp; new venture</u>	<u>Community develop. Other</u>
	<u>(percent)</u>					
<u>SBA</u>						
Georgia	XXXX	XX	XXX			X
Maine	XXX	XXX	X		XX	X
Missouri	XXX	XXXX	X		X	X
<u>EDA</u>						
Auburn	XX	XX	XX	XX	X	X
Georgia Tech	X	XXX	X	XXX	XX	
Maine	XX	XXX	XX		X	XX
Massachusetts	XXX	XXX				XXX X
Missouri	XXX	XXXX	XX			X
New Hampshire	XX	XX	X	XXX		X X

a/ SBA: 10/1/78 through 9/30/79; EDA: Grant reporting year ended in 1979.

b/ Percentages shown as "X's" are rounded to nearest 10 percent and total to 100 percent—see app.V .

The types of counseling assistance included in the chart on page 12 are described and illustrated below.

Financial/accounting assistance includes:

- developing or improving accounting and internal control systems,
- preparing or analyzing financial statements,
- instructing clients on how to use financial records,
- making ratio or cash flow analyses,
- determining breakeven points,
- performing tax impacts analyses,
- analyzing accounts receivables,
- advising on product pricing and bidding, and
- developing loan application packages.

For example, a Georgia SBA center client--a pharmacy--needed a financial analysis and loan information. A graduate student counselor from the center visited the business and obtained financial data. The center provided the client a written report of the counselor's financial analysis and recommendations. The report made suggestions as to how the client could improve cash flow, increase net worth position, and improve inventory turnover to take advantage of supplier cash discounts on monthly purchases. The report also offered recommendations on approaching banks for a loan.

Marketing assistance involved developing marketing strategies for existing and new products and services and included:

- determining potential markets;
- investigating new products;
- evaluating demands;
- collecting geographic and demographic information;
- preparing reports on ways of increasing sales, market data, survey instruments, and promotional advice;

- making facility relocation studies;
- providing mailing lists of potential customers;
- performing competitor analyses; and
- developing store layout and display improvements.

For example, a client of the New Hampshire EDA center--a hardware store--requested a market survey be conducted before deciding on either expanding the existing store or relocating. Several students, under the direction of a faculty member, developed a questionnaire and applied it to a random sample of 171 residents to estimate future growth in the area. A formal report was provided to the client which included market data and recommendations for market positioning, product lines, pricing, merchandising and advertising and promotion. The client decided to relocate.

General business management assistance includes:

- examining the overall business operations for problems, solutions, and opportunities for improvement;
- preparing business plans describing the businesses overall as to markets, competition, sales strategies, work performance methods, and personnel requirements;
- assisting in personnel matters such as training, staffing, performance evaluation systems, and employee turnover; and
- providing general assistance on operations, inventory controls, finances, organization, expansions, and policies.

For example, a client of the Missouri SBA center--the owner of a floor refinishing service--had started the business shortly before contacting the center. He requested assistance in recordkeeping, inventory control, employee payroll taxes, and in preparing a business plan. Center personnel consulted with the client, developed an accounting system and instructed the client's bookkeeper in its use. The business plan included reasons for being in business, information on competition and potential markets, sales strategy, methodology of work performance, and personnel requirements. All the information the center developed was provided to the client in a written report.

Engineering/technical assistance includes providing engineering services on:

- product designs and evaluations;
- chemical analyses;
- buildings design/structure;
- equipment calibrations;
- blueprints and specifications;
- productivity/efficiency studies;
- new technology applications; and
- energy-saving equipment.

For example, a client of the Georgia Tech EDA center-- a cellulose insulation manufacturing company--needed a flame-retardant chemical mix for its insulation. The services of the Chemical and Material Science Division of the Engineering Experiment Station were used to determine which chemical mixes would work efficiently and meet Federal specifications. A written report was provided to the client which recommended certain mixes.

Pre-business assistance includes:

- assessing potential of starting businesses and buying existing businesses;
- analyzing potential site locations;
- developing new products; and
- making economic feasibility studies on capital outlay, location, material, and profit potential.

For example, a client of the Maine SBA center--an individual contemplating opening an ice cream parlor--contacted the center to obtain information on the feasibility of the venture. A center counselor discussed the idea with the client for less than an hour and provided the client marketing information obtained in the library. Using the marketing information, the counselor concluded that the proposed business was not feasible. The client told us that she decided against going into business, and that the center may have saved her considerable trouble.

Community development assistance includes:

- developing ways to obtain funds, attract new businesses, and revitalize downtown areas;
- identifying potential business locations;
- examining ways of developing and marketing industrial parks;
- preparing community resource inventories; and
- preparing reports on industrial planning, zoning, and tax policies.

For example, officials of a community industrial development corporation and other local groups requested Massachusetts EDA center assistance in preparing a marketing strategy for a new industrial park funded by EDA. There were over 100 marketable acres in the industrial park with a potential for 650 jobs and \$8 million in capital investment. Actual capital investment was only \$36,500. The center paid part-time graduate students, from a client grant, to work on this project under the direction of center professional staff. A marketing strategy report for the industrial park--as well as a film presentation, brochures, and report--has been used to identify and attract new customers to the industrial park.

Like businesses served

As shown in the chart on page 17, the three SBA centers and four EDA centers reviewed were assisting manufacturing, service and retail/wholesale businesses--but to different degrees. The SBA centers emphasized service and retail/wholesale businesses while the EDA centers emphasized manufacturing businesses. These results parallel the program data provided by SBA and EDA headquarters--also shown on the charts and in appendix VI--except that, EDA data shows an even distribution among manufacturing, service and retail/wholesale, rather than emphasis on manufacturing.

COMPARISON OF CENTERS BY TYPES OF CLIENTS--  
FISCAL YEAR 1979 (note a)

<u>Center</u>	<u>Types of clients (note b)</u>					
	<u>Businesses</u>			<u>Pre-business</u>	<u>Community</u>	<u>Other</u>
	<u>Manufacturing</u>	<u>Service</u>	<u>Retail/ wholesale</u>	<u>(mostly individuals)</u>	<u>organizations</u>	
<u>(percent)</u>						
<u>SEA</u>						
Georgia	x	xx	xxxx	xxx	-	-
Maine	xx	x	xx	xxxxx	-	-
Missouri	x	xxxx	xxx	x	-	x
SBA-wide (9 centers)	x	xxx	xxxx	-	-	xx
<u>EDA</u>						
Auburn	xxxx	xx	x	x	x	x
Georgia Tech	xxxxxxx	-	-	xx	x	-
Maine	xxxxx	xx	-	x	x	x
Massa- chusetts	xxx	x	x	x	xxx	x
Missouri	x	xx	x	x	x	c/xxxx
New Hampshire	xxxx	x	x	x	xx	x
EDA-wide (18 centers)	xxx	xxx	xxx	-	-	x

a/ Based on our sampling of client universes (see app. VI) for periods as cited in footnote (a) on p. 12 .

b/ Percentages shown as "x's" are rounded to nearest 10 percent and total to 100 percent. (See app. VI.)

c/ Type of client not always shown in center's client files.

In scheduling data from client files at several centers early in our review, we noted that the data on businesses, number of employees, and gross annual sales was not consistently recorded. We therefore obtained such information from businesses that volunteered it in our limited telephone interviews. For these businesses, the results showed that EDA centers tended to assist businesses having larger numbers of employees and larger gross annual sales than did the businesses served by SEA centers. However, in both instances the number of employees and gross sales were relatively low. The chart below shows the comparison by center.

Number of Employees and Annual Sales  
of Businesses Interviewed

<u>Center</u>	<u>Average number of employees</u>		<u>Number of businesses by annual sales</u>			
	<u>Full-time</u>	<u>Part-time</u>	<u>Less than \$100,000</u>	<u>\$100,000 to \$1 million</u>	<u>Over \$1 million</u>	<u>Total businesses</u>
<u>SBA</u>						
Georgia	22	3	6	7	2	15
Maine	4	2	17	10	-	27
Missouri	6	3	<u>25</u>	<u>9</u>	<u>2</u>	<u>36</u>
Total			<u>48</u>	<u>26</u>	<u>4</u>	<u>78</u>
<u>EDA (note a)</u>						
Auburn	26	3	1	7	5	13
Georgia Tech	104	2	-	4	7	11
Maine	28	14	5	7	6	18
Massachusetts	18	23	4	6	2	12
New Hampshire	39	2	<u>4</u>	<u>8</u>	<u>9</u>	<u>21</u>
Total			<u>14</u>	<u>32</u>	<u>29</u>	<u>75</u>

a/No clients were interviewed at the Missouri EDA center.

OTHER SIMILARITIES AND DIFFERENCES  
AMONG SBA AND EDA CENTERS

In addition to types of clients and counseling assistance to businesses, other aspects were compared on a program-to-program basis and among centers generally. For the most part, centers were organized and operated in ways peculiar to each center--with few strong likenesses peculiar to either program. The following sections discuss these additional center aspects.

Centers organized different ways

Neither the EDA nor the SBA program has been specifically legislated as to required objectives, organizations, or assistance. While both EDA and SBA have provided centers with guidance as to characteristics desirable in a successful center, they have not insisted that centers conform to consistent organizational alignments within their university structures, specific expertise of center staff, or specific types of assistance to be emphasized. As a result, universities have organized and structured their centers as they saw fit, within broad parameters--thus, accounting for the different combinations encountered at the nine centers we visited. While some aspects--such as being responsible to the heads of the universities' business schools--were more prevalent among the centers, no consistent pattern of organization existed. The three SBA and three EDA centers had additional locations or satellites in their States for providing assistance; whereas, three EDA centers had no satellite locations--Massachusetts, Auburn, and New Hampshire.

For example, the director of the Missouri center is responsible to the Dean, School of Business. The University of Missouri allocates nearly 50 percent of the total SBA funding to its St. Louis location--the remainder being divided among three other campus locations having separately operated programs. The center, in addition to operating its basic SBA and EDA program, has other programs such as SBA's student counseling program (academic) and a contract from the State's division of employment security for work incentive program.

The EDA center at Georgia Tech is not an organizationally separate entity. Although the EDA funds are used for purposes prescribed by EDA, they are used within the overall framework of the Business Development Division of Georgia Tech's major research organization--the Engineering Experiment Station. The station's director reports to the Vice President for Research and is not connected with the academic colleges. The

station has eight field locations where professional staff work on EDA-designated cases as part of their overall station activities.

The lines of responsibility for the nine centers are compared below.

Comparison of Centers Organizational Responsibility--1979

<u>Center</u>	<u>Academic school</u>		<u>Nonacademic</u>
	<u>Business</u>	<u>Engineering</u>	
<u>SBA</u>			
Georgia	X		
Maine			X
Missouri	X		
<u>EDA</u>			
Auburn			X
Georgia Tech			X
Maine			X
Massachusetts	X		
Missouri	X		
New Hampshire (note a)	X	X	

a/One center responsible to both schools.

Five of the centers (two SBA and three EDA) were organized under the academic branch and four (one SBA and three EDA) under the nonacademic branch.

Counseling personnel differ among centers

The types of personnel doing much of the counseling at the centers were not consistent on a program-comparison basis as indicated in the chart on page 21. The types of personnel used for counseling at each center are illustrated by degree of reliance.

Primary Resources Relied on by Each Center  
for Client Counseling-1979

<u>Center</u>	<u>Type of counseling resource</u>				
	<u>Professional staff</u>	<u>Faculty</u>	<u>Gradu- ates</u>	<u>Under/ graduates</u>	<u>Volun- teers</u>
<u>SBA</u>					
Georgia	a/ x	b/ x	c/ xxx		b/ x
Maine	xxx				x
Missouri	xx		d/ xxx		
<u>EDA</u>					
Auburn	xxx	xx	x		
Georgia Tech	xxx				
Maine	xxx				
Massachu- setts	xxx			xx	
Missouri	xxx	xxx			
New Hamp- shire	xxx	xxx		x	

a/Moderate at main satellite/Athens.

b/Heavy at Albany satellite.

c/Heavy at Athens and Atlanta satellites.

d/Combines graduate and undergraduate students.

Legend: x - Light reliance  
xx - Moderate reliance  
xxx - Heavy reliance

One SBA center (Maine) and all six EDA centers emphasized professional staff--with two of these EDA centers also emphasizing faculty. The other two SBA centers emphasized student counselors--graduate and/or undergraduate--having access to faculty advisors. Staff at one university (Missouri) generally provided counseling to both EDA and SBA clients.

The backgrounds of principal counseling personnel were primarily business/financial/marketing at all SBA and EDA centers, while three EDA centers had personnel with engineering backgrounds. One of these EDA centers--Georgia Tech--used personnel having principally engineering backgrounds. The following chart compares the backgrounds of primary counseling personnel.

Comparison of Centers Counseling Staff Backgrounds--1979

<u>Center</u>	<u>Backgrounds of counseling personnel</u>	
	<u>Business, financing, and marketing</u>	<u>Engineering</u>
<u>SBA</u>		
Georgia	X	
Maine	X	
Missouri	X	
<u>EDA</u>		
Auburn	X	X
Georgia Tech	X	X
Maine	X	
Massachusetts	X	
Missouri	X	
New Hampshire	X	X

Engineering/technical assistance only at EDA centers

Engineering or technical assistance was only of consequence at three EDA centers--New Hampshire, Georgia Tech, and Auburn. These were the only centers consistently using personnel with engineering backgrounds for counseling. This capability at New Hampshire and Georgia Tech evolved out of programs already in place at the institutions prior to the EDA grants--thus, no necessity for major change. At Auburn, the center contracted with engineering faculty for such services.

We noted that separate engineering assistance programs based on fee-charges to clients exist at the main campus of the University of Maine--about 135 miles from the SEA center--and, at the University of Massachusetts, in addition to the private consulting practices of engineering faculty members. This capability has not been used by the centers for reasons included in the section below on faculty involvement.

#### Faculty involvement in counseling not heavy

Faculty members were a primary source of counseling only at the Missouri and New Hampshire EDA centers. They were used to a lesser degree at two SBA centers and at another EDA center. Faculty members were, however, heavily involved in continuing education and training courses and seminars/workshops at the SBA centers. Since we believed one advantage to locating centers at universities would be to take advantage of the educators' expertise as well as other university resources, we discussed with university and center officials the reasons why faculty involvement may not be as great as we may have expected. The reasons they gave included:

- The faculty members' heavy teaching loads and their own consulting practices do not leave much time available and limit the members' flexibility and availability in dealing with clients in a timely manner.
- The reward systems regarding promotion and tenure give priority to teaching, research and publications--not to service-type activities.
- The university limits the amount of extramural work--including earnings--for faculty members.
- The existence of business assistance programs in engineering schools based on client fees.
- The centers' limited funding cannot support the higher fees necessary to attract faculty.
- The professional staff has the necessary expertise.
- The faculty members are not client or service oriented.

#### Other types of center assistance

The three SBA centers provided assistance to businesses and individuals through continuing education courses, training, seminars, and workshops. The costs of such courses,

seminars, and workshops were defrayed in part through fees charged attendees. At the Georgia SBA center, the director is responsible for the university's continuing education program. These centers, as well as the EDA centers, also handled numerous limited contacts--telephone calls, assistance interviews of short duration, providing information publications, and making referrals. Special studies and research projects were conducted resulting in published documents/reports. The Georgia and Missouri SBA centers also conducted other programs not directly related to the SBA basic contracts. EDA centers provided only limited assistance training, conferences, and research studies/reports.

### Reporting center results

Both SBA and EDA require that centers report quarterly and annually on their activities. SBA centers report quantitative data, comparing actual results with quarterly and annual goals contained in their contracts on counseling actions, contacts and indepth cases, as well as training sessions. SBA centers prepare forms on individual counseling cases which are accumulated by headquarters and which summarize counseling results, including number of clients, type of clients, type of assistance, and type of counseling resources used. SBA uses the reports as bases for making quarterly and final payments to the centers.

EDA did not have quantitative data requirements in its grants, but did require that center reports contain quantitative measures of performance regarding jobs saved and created, potential jobs created and capital investment data. In addition, EDA used a questionnaire to obtain more information on its centers in 1979, such as added tax revenues, number of projects, export trade stimulation, assistance to minorities, and number of firms assisted.

Chapter 3 discusses the accuracy and validity of the results EDA and SBA centers reported.

### CONCLUSIONS

Two agency programs appear to be working toward basically similar goals in helping the business community with their management and/or technical problems. EDA's and SBA's university-based centers are for the most part helping similar businesses with like assistance clearly within the agencies' missions and authorities. More uniformity among centers and within programs may offer opportunities if desired to achieve greater program distinctions thereby perhaps providing more efficient and/or better service to the business community, the basic goal of each agency's program.

However, because of the similarities between the EDA and SBA management/technical assistance programs, duplication is a continuing concern. EDA's emphasis on serving businesses in economically distressed regions, coupled with the limited number of EDA and SBA centers, has minimized duplication.

#### RECOMMENDATION TO THE CONGRESS

Should either university-based program expand, duplication could become a serious problem. Administering separate programs could also entail additional Federal costs. Therefore, before any such expansion, the Congress should reevaluate the need for both agencies to provide management and technical assistance using university-based centers as delivery vehicles.

#### AGENCY COMMENTS AND OUR EVALUATION

SBA contends that there are distinct advantages to having both SBA and EDA programs at the same university serving the same geographical area. For example, two programs make use of a wider variety of expertise. SBA also maintains that its program works well with or without an EDA program at the same location. We agree that operating two separately funded programs allows a university to apply more resources to assisting businesses. Nevertheless, we found that both programs provide similar services to the same types of businesses, although we found differences in funding sources, administrative accountability, and reporting requirements. We believe that, except for the possible decrease in the quantity of services attributable to reduced funding, SBA's university program can provide essentially the same services with or without EDA participation. As mentioned above, we do not believe duplication is a problem at the present time. However, if these university-based programs expand, duplication could become a serious problem.

EDA contends there is little duplication between the EDA and SBA programs and that the report title and one recommendation should be changed. We agree that the limited number of centers has minimized any duplication problem as mentioned on page 8 of our report. We believe, however, that the two programs are substantially similar and have similar capabilities--as our report states. We believe that our recommendation and report title clearly state that concern.

SBA stated that it would not be in the best interest of the program to insist that all universities conform to a uniform organizational structure for their centers. Although we point out that many of the centers are structured differently, we did not intend that SBA mandate uniform organizational structure nor did we make any such recommendation. Nevertheless, we do have some concerns regarding the varying organizational structures. Since a center's organizational structure affects the types of services it emphasizes, SBA needs to decide what services it wants to emphasize before it approves a center's organization. Secondly, we are concerned that a wide variety of organizational structures may complicate or hinder an effective evaluation system.

SBA states that we reviewed "only" three of its centers, implying, we assume, that three was inadequate for a comparison of selected EDA centers. In selecting the SBA centers to use in the comparison, SBA's Associate Administrator for Management Assistance agreed in writing that the three centers were an adequate representation of their centers for that purpose.

Finally, SBA contends that certain statements in the report are contradictory and provides the following examples:

Opening statement:

"GAO found that both agencies' programs were providing like types of assistance to similar types of businesses."

Contradictory statements:

"The SEA centers tended to emphasize service and retail/wholesale businesses while the EDA centers tended to emphasize manufacturing businesses." (See p. 16.)

"\* \* \*EDA centers tended to assist businesses having larger numbers of employees and larger gross annual sales than did businesses served by SBA centers." (See p. 18.)

"The three SBA centers provided assistance to business and individuals through continuing education courses, training seminars and workshops \* \* \* EDA centers provided only limited assistance training, conferences and research studies/reports." (See pp. 23 and 24.)

Although the centers we visited emphasized certain types of assistance and businesses, the two programs still substantially overlap each other. This situation is substantiated by the charts on pages 12 and 17 of the report. Nevertheless, we have modified the opening statement to clarify the fact that although EDA and SBA may emphasize somewhat different areas, the programs substantially overlap each other in the types of assistance provided and the types of businesses served.

## CHAPTER 3

### EVALUATING PROGRAM EFFECTIVENESS--IMPROVEMENTS NEEDED TO PERMIT EFFECTIVE EVALUATIONS

Both EDA and SEA are relying on results reported by centers as a means of measuring program effectiveness. Our review, however, showed that the results these centers reported were inaccurate or questionable. Moreover, neither agency had an evaluation system which would adequately evaluate the quality of the primary center function--assisting/counseling businesses in solving their management and technical problems--or the cost effectiveness of such assistance.

While we did not evaluate the effectiveness of the EDA and SBA university center programs, the results of our review show that comparing programs was difficult and that both agencies may therefore face problems in effectively evaluating their programs. Comparing programs was difficult because of the (1) inadequate documentation concerning assistance rendered, (2) wide differences in organizational structure and criteria for accepting clients, (3) and because staff time and expenditures to program elements such as counseling of businesses was not matched. These conditions will, unless improved, adversely affect EDA and SEA efforts to evaluate program effectiveness.

Neither agency had changed its evaluation system at the time of our review. We noted, however, that an EDA consultant is presently evaluating EDA's program, including development of methodology for evaluating program results. In addition, EDA is developing an evaluation system under another program which has characteristics that may be useful in its management and technical assistance program. SEA plans to introduce a new computerized data/information system and, once in place, to introduce a system to better evaluate program results.

#### AGENCIES EVALUATIONS SPORADIC AND INADEQUATE

Neither EDA nor SBA has an adequate system to periodically evaluate the effectiveness of its centers in achieving program objectives. Evaluations performed have been sporadic and have not meaningfully evaluated program and centers' effectiveness in delivering services to the business community.

#### EDA evaluations

EDA has relied primarily on examinations of quarterly and annual reports submitted by its centers and annual

questionnaire surveys conducted by the program administrator as bases for evaluating program results. In September 1979, EDA contracted with a consulting firm to perform an overall evaluation of its centers program because, according to Office of Program Evaluation officials, the program by itself has never been formally evaluated. The study's scope of work includes three phases: (1) an audit of data on center accomplishments, and (2) & (3) development and implementation of a comprehensive assessment of economic and institutional impacts of the centers' program. The firm's final report is due in December 1980.

The centers' quarterly and annual reports include data on program objectives, services provided, project descriptions and activity, results regarding jobs created and saved, etc.; and economic indicators for areas served. EDA had not previously audited the accuracy of data contained in these reports.

EDA's annual letter questionnaire also concentrates primarily on employment and economic information as well as numbers of projects and types of businesses served. For example, the 1979 survey specifically requested data on the extent of loan packaging done by the centers. Information contained in the centers responses has also not been verified in the past.

The reports and surveys EDA relied on contain primarily unverified activity data and descriptions of services. EDA's evaluation system has not dealt with measuring the quality of services its centers rendered or the costs associated with such services--necessary for measuring program effectiveness.

EDA has designed a system to improve its ability to manage, monitor, and evaluate its programs. The system, which was scheduled to be operational by the fall of 1980, deals with defining criteria, objectives, performance standards and a basis for evaluating program results. Employment data such as projections of jobs to be created would also be verified by regular reviews. Referred to as an operational planning and control system, it apparently has some applications that may be useful in evaluating EDA's university-based management assistance program.

#### SBA evaluations

SBA has relied primarily on data from the quarterly reports submitted by the centers and a consultant's 1979 evaluation of its program. SBA field office personnel have periodically visited centers to monitor their progress toward achieving quantitative contract goals.

The centers' quarterly and annual reports have included information on organization alignment and services provided as well as activity data such as clients served, training seminars/workshops, and research projects. SBA had not previously audited the activity data contained in these reports. SBA has relied primarily on unverified activity data and descriptions of services rendered to evaluate center results-- which are inadequate because the system has not dealt with measuring the quality of services provided or the costs associated with such services/assistance.

SBA officials stated that since the program has been in operation since 1977 the development of evaluation mechanisms is incomplete. They stated that SBA is developing a computerized management information system which will collect detailed information on clients the centers have assisted. Input variables include business impact information such as changes in net profit, sales, employment and owners' salaries; client profiles; types of businesses served; and types of assistance provided. After this information system is in operation, SEA hopes to implement a new evaluation system that will consider the cost of assisting a client, the quality of assistance, and the number of business clients counseled.

REPORTED RESULTS NOT ADEQUATE  
BASIS FOR EVALUATION

As discussed on page 24, both SBA and EDA centers submit quantitative data on results of their operations. SBA centers submit activity data on the number of counseling actions/cases and clients and types of assistance, resources, and training seminars/workshops. EDA centers submit data on the number of jobs created and saved and/or additional capital investments. In either case, the information does not provide a meaningful basis for evaluating the effectiveness of the centers' counseling activities, since the qualitative nature of the assistance and associated costs are not addressed. Further, results show that centers' data is inconsistent, inaccurate, and/or questionable.

Data inaccurate and/or  
questionable

Although we did not do in depth testing of the accuracy of the data bases at the centers, we did note that the data at the six EDA centers were questionable. Also, at the Maine and Missouri SBA centers the data contained inaccuracies. Some examples are discussed on the following page.

### Questionable EDA center estimates

While we did not try to independently verify the data reported by the six centers, we did discuss the bases for the results with center officials and also obtained their views on the data's validity (see p. 33). Information obtained suggests that the results are questionable.

For example, the Massachusetts EDA center relies on the experience of its staff in evaluating client estimates of jobs created or saved, potential jobs, and new capital investment. Client estimates usually made prior to center service are adjusted based on staff assessments which they state experience has shown are overstated 50 percent of the time and understated about 25 percent of the time. Estimates of potential jobs and capital investment are extremely unreliable according to center officials and are only "best guesses." The center does not have specific procedures for confirming estimates but does telephone the more promising clients each quarter to update or change estimates to show actual figures, where applicable.

An analysis of statewide statistics reported by the University of Missouri's four EDA locations for 1979 shows that the center in St. Louis reported 80.6 percent of the potential jobs created and 93.8 percent of the capital investment as follows.

	<u>Statewide</u>	<u>St. Louis center</u>	<u>Percent</u>
Jobs saved	291	72	24.7
Jobs created	154	110	71.4
Potential jobs created	1,241	1,000	80.6
Capital investment impact	\$1.6 mil.	\$1.5 mil.	93.8
Businesses assisted in 1979	96	22	22.9

The Missouri center's statistics were not verified by the statewide reporting activity. We asked the center's Director for documents supporting the Missouri center's activity. According to the Director, no documents exist for the reported results. He makes an "informed estimate" based on what he knows about the business.

The Georgia Tech EDA center reports the results of its services by the number of jobs affected (the number of jobs saved or created) in their annual reports. The annual reports for grant year 1979 indicated the following results.

Job Impact Summary

	<u>Jobs affected</u>
Business stabilization	98
Business expansion	37
New venture	0
Community economic development	0
Other	0
Total	<u>135</u>

The number of jobs affected that is cited in the annual report, however, is not independently verified. When a counselor establishes a new case, through talks with the client, the client estimates the number of jobs affected. When the counselor closes the project he contacts the client to obtain "actual" jobs affected. However, this again is based on the client's estimate. Center officials state there are high probabilities of errors in these figures because the client may not separate results directly attributable to center efforts from results due to an overall client effort.

In 51 cases reported by the Maine EDA center for grant year 1979, we found that the center had provided very limited assistance to eight clients and had not provided any assistance during 1978 or 1979 to six other business clients. For example, the annual report for the year ended February 29, 1979, stated that the center assisted a client in locating several potential sites for raising mussels, that the client examined two of the sites and was still examining sites. The records we reviewed did not describe the assistance provided during that period. Information we obtained from the client and comments of center officials showed that the assistance during that period consisted of several telephone conversations.

Inaccuracies in SBA activity data

SEA relies heavily on statistical information contained in its centers' quarterly and annual reports on counseling activities, as well as, on its Form 1062, Management Assistance Control Record, that centers prepare on counseling cases. SEA headquarters processes and summarizes these 1062s

to create activity profiles on clients and counseling assistance. Preparing and processing the 1062 and reported results for 1979 encountered problems that adversely affected data accuracy.

For example, SEA Standard Operating Procedures 60-10-1 dated September 12, 1978, required that a 1062 be prepared and submitted for each substantive session held with a client. The Maine SEA center was preparing a 1062 for the initial counseling sessions but would not necessarily prepare a form for follow-up sessions. According to a center official, preparing the 1062s was very time consuming, and the resultant SEA printouts were of little value to the center. In addition, SEA was rejecting some 1062s because they were prepared incorrectly. SEA would return the rejected 1062s to the center for correction and resubmission. This process could cause a 2- or 3-month delay between when the form was first submitted and when the information would appear in SEA's monthly report. According to the official these factors caused the information in the SEA reports to be untimely and not an accurate record of center activity. A Maine official stated the center recognized the problems with the 1062s in the past, but said the number of rejected 1062s and the delays in processing have been reduced during fiscal year 1980 and improvements are continuing.

At the Missouri SEA center, general inaccuracies existed in reported data. For example, the center used a manual system for counting the counseling activities, with the Form 1062 acting as a source document. A secretary prepared the 1062s and recorded them on a tally sheet. Monthly tallies were used as input for the quarterly reports to SEA. According to the secretary, when a case was initiated and later dropped, it was not taken out of the center's tally.

At the same center, a client could be both an EDA and SEA center client, when different assistance is provided under each program. Clients were not, however, designated as EDA clients before counseling as they should be, but rather, classified as EDA clients after the fact. As a result, co-mingling of clients has occurred.

When such a client is assisted by the EDA center or another SEA-funded counseling program under the center, a 1062 is still prepared and sent to SEA. The 1062s are supposed to be coded in such a way that SEA will not count them as SEA center clients. This coding was often done incorrectly in 1979, which resulted in some cases being erroneously reported as SEA center assistance. For example, one client was clearly assisted under another contract's work, yet 1062s were filled out and sent to SEA showing it as an SEA center case. In

addition, the secretary said multiple cases were recorded on the tally sheet. When a client was assisted in several problem areas, she prepared 1062s for each area and included them in the tally of cases.

#### IMPROVEMENTS NEEDED FOR BETTER MONITORING AND EVALUATION

Future EDA and SBA program evaluations would be more effective if more uniform and better practices are used at the university-based centers. The conditions that hampered our review and which we believe would hamper effective evaluations by EDA and SBA are described in the following sections.

#### Matching staff time and expenditures to program elements and results

An effective evaluation of center performances would include matching resources and expenditures to specific center activities and results. Most centers did not, however, account for how staff members spent their time in 1979--that is, on specific counseling cases, research projects, workshops, administration, etc.--nor did they account for center expenditures on the same bases.

The Georgia SEA center did have a system during 1979 which required each counselor to prepare weekly update sheets which included a synopsis of the time spent on each client case segregated by travel and consulting time (by client contact and research time). The counselors also reported time spent on administrative matters, continuing education courses, etc. These update sheets were inputs to the computer.

The Maine EDA and SBA centers initiated a staff time record process in December 1979. The system requires that each staff member prepare weekly timecards showing the cases worked on, hours charged, and amount of productive and non-productive time on a daily basis. Productive time is the time spent on specific projects or with clients and nonproductive time is time spent on administrative matters. The timecards are then reviewed by the center Director to observe any trends and determine how staff members spent their time. While this is an improvement, it is not used to accumulate time on a project or case basis or to allocate center expenditures on a case or program-element basis.

Other centers--Auburn, New Hampshire, and Missouri EDA centers and the Missouri SBA center--had no system for accounting for time spent by center staff.

Accounting for expenditures was usually done on a funding source basis. Accounts were set up for a funding source and center expenditures charged to the account. Expenditures were charged on a cost-category basis--salaries of professional staff, students, travel, supplies, etc.--and not on a project-or program-element basis. The process was further complicated, for example, at the Missouri SBA and EDA centers by charging expenditures to the EDA and SBA accounts that were not considered applicable to those activities.

The more sources of funding and programs conducted under an umbrella-type center, the more difficult it becomes to relate expenditures to output or results of center activities. Unless some consistent approaches to matching expenditures to appropriate program elements and center activities are devised, evaluating center performances and efficiency and effectiveness in meeting EDA and SBA objectives will indeed be difficult.

#### Center differences make evaluations more difficult

EDA and SBA have generally allowed their centers to organize and operate independently. As a result, each center has its own peculiarities and characteristics--organization, types of resources used, types of assistance emphasized, accounting systems, recordkeeping, and types of clients served. These conditions make it difficult for an evaluation system to be applied in a consistent and effective manner in comparing one center with another and/or comparing EDA's program with SBA's. Any such system would need to be adapted on a center-to-center basis.

#### Better documentation needed to evaluate assistance provided

Client case files maintained by the EDA and SBA centers often contained inadequate information upon which to reasonably describe the assistance provided--much less evaluate its adequacy or quality. Since the data and conditions cannot realistically be reconstructed after the fact, it is essential that centers fully document the problems addressed on a case, methodology or approach followed, resources used, results or recommendations made, and actions taken by clients, if any.

For example, in reviewing 40 client case files at the Auburn EDA center for details on clients and assistance rendered, the case files lacked sufficient details. Missing information sometimes included dates of service, business contact, methodology used, product provided, and counselor

assigned to the case. We therefore had to supplement case file information with information obtained from center staff interviews, and client logs and interviews, if applicable.

At the Georgia SEA center, case files lacked evidence relating to exactly what was done and what method was used. As a result, it was necessary to interview counselors to supplement case file information. This deficiency may have been due to the center's practice of allowing counselors to maintain working files for their own purposes which could be taken or destroyed upon leaving the center. Apparently, when a graduate student or other counselor left the center, the working file and the permanent files were not merged. The Athens satellite office was trying to standardize its case file records by requiring that they include

- client name and address and background information;
- the client's perception of the problems or assistance needed;
- the center's perception of the problem or assistance needed;
- the counselor's proposed plan of action;
- the recommendations made and impact of assistance; and
- counseling action reports, where applicable.

The primary information which is not recorded is the actual work performed. For example, one case file that was not fully documented indicated that the counselor believed the client had two main problems--inventory control and accounts receivable management. Specifically, the client was carrying excessive inventory and had significant overdue accounts receivables. The file showed the consultant furnished a written report outlining procedures for ordering inventory and improving accounts receivable management. The file did not, however, indicate to what extent the consultant investigated the problem. For example, we could not determine whether the survey was limited to analyzing the financial statement or whether he also analyzed the inventory ordering procedures being used, the client's method of determining current stock levels, or other.

At the New Hampshire EDA center, 45 of the 89 case files reviewed (50 percent) did not contain sufficient data to determine either the type of assistance provided, methodology, or end products. None of the 89 case files contained data on staff hours. Center procedures when followed should produce the desired data. However, in many instances these procedures had not been followed because staff and faculty believed their time should be spent rendering assistance, rather than recording what was done. A center official stated attempts were being made to improve case file documentation in project year 1980.

### Differences in client acceptance criteria

Centers all had their own procedures for accepting clients. The procedures followed ranged from accepting everyone, to a fairly structured priority system. Differences in procedures as to whom a center serves again makes evaluation and/or comparisons among centers more difficult. The main factors considered by selected centers are briefly noted below.

#### EDA centers

Auburn officials stated they have no criteria established to determine applicant eligibility and therefore accepts all applicants. They are, however, currently encouraging applicants who want to start a small business to contact SEA for assistance.

Maine EDA-assisted center officials provided conflicting statements as to the criteria used to accept applicants for service. We were unable to get an agreement on what criteria were used. (See the criteria stated on applicants interviewed by the SBA center on p. 38.)

Massachusetts has written procedures for determining applicant eligibility and which applicants will be assisted. They include:

- Staff's expertise to accomplish the project.
- Policy constraints such as:
  - EDA and Federal Government requirements to help women and minorities.
  - EDA's request that the center increase assistance to exporting businesses.

--Constraints against assisting improper or illegal businesses.

--Availability of time to assist clients.

--Criteria on the Project Intake Evaluation form which is a project rating system for each potential project. This form has a point system which quantitatively evaluates eight items for each potential project, such as jobs saved or created and capital investment.

All competing requests are compared and those with the most impact chosen. More consideration is given to projects in areas which are of interest to EDA. The center uses the Project Intake Evaluation form point score as a guide for determining the time the center will spend on a project and as a guide for obtaining the types of projects which EDA wants its centers to handle.

Missouri officials stated that anyone requesting assistance is helped but that

--applicants must be located in Missouri and

--EDA-designated distressed areas are emphasized.

#### SBA centers

Georgia officials stated they use SBA's guidelines to determine eligibility, but in general the pertinent criteria states that

--applicants must be a small business or a new venture.

--service must be deliverable.

--business or proposed business must be viable.

Maine SBA center officials stated that all applicants are interviewed and decisions made as to the appropriate counseling. The basic criteria for deciding whether the SPA center will provide the assistance include:

--Clients with less than 20 employees are served as SBA clients; those with 20 or more are served by the EDA-assisted center or private consultants.

--Clients who can afford to pay for the services of an outside, private consultant are referred.

Missouri officials stated again that anyone requesting assistance is helped by the center. However, the center tries not to compete with private consultants.

Criteria for estimating  
EDA-reported results

Officials of five EDA centers expressed concern over the questionable bases for some of the results reported to EDA and/or the absence of EDA guidance/criteria for developing the estimates.

Georgia Tech officials for example, stated there were high probabilities of error in the estimates and that EDA guidelines should be improved. Auburn officials stated that EDA should provide additional guidance to centers to use in determining job impact. New Hampshire officials stated that EDA has not defined what they mean or want included in the categories of jobs created, jobs stabilized, and potential jobs created.

The Maine and New Hampshire officials expressed concern as to the adequacy of job impact data as a measure of center effectiveness. Their comments included:

- The number of jobs reported does not include those jobs the center advised clients to eliminate to strengthen their financial positions.
- The number of potential jobs created is impossible to measure due to the multiple effect of primary jobs creating secondary jobs.
- The impact of assistance is not fully realized in its first full year--especially the increase involving new product design, expansion, and community development. The job impact summary only summarizes job data at a certain point in time. It does not list the total effect of the assistance.
- The center makes an economic impact in other areas besides job totals. Some areas include increased tax bases and using community resources.
- The impact summary does not differentiate between the creation of high- and minimum-paying jobs.

## CONCLUSIONS

Results reported by centers contained inaccuracies or were questionable. Neither EDA nor SBA had an evaluation system that adequately addressed the quality of the primary center function--assisting/counseling businesses in solving management and technical problems--and the associated costs of such assistance. Since results reported by centers do not provide an adequate basis for such evaluations of performance, and since center practices sometimes lack uniformity and valid criteria, both EDA and SBA need to help centers to construct sound bases that would make future evaluations effective. Two separately funded and administered business assistance programs are basically providing the same services in helping businesses solve their management and/or technical problems. It therefore seems desirable that the centers' programs on counseling businesses should use similar methodologies to evaluate the quality of service, related costs, and results so that program comparisons would be more practicable.

While both agencies are contemplating improvements to their evaluation systems, we believe there are a number of actions they need to consider.

## RECOMMENDATIONS TO THE SECRETARY OF COMMERCE

We recommend that the Secretary require that the Assistant Secretary for Economic Development:

- [Provide criteria to centers on how to determine the results EDA requests centers to report, such as jobs created and saved or potential jobs created.]
- [Periodically check the consistency and validity of results centers report.]

## RECOMMENDATIONS TO THE ADMINISTRATOR, SBA

We recommend that the Administrator:

- [Ensure that data being reported by the centers, for example, the Form 1062, is accurate.]
- [Stress to center officials the need for accurate data.]

RECOMMENDATIONS TO THE SECRETARY OF  
COMMERCE AND THE ADMINISTRATOR, SBA

We recommend that the Secretary of Commerce require the Assistant Secretary for Economic Development and that the Administrator, SBA:

- [Modify their systems for evaluating the effectiveness of their university-based, management assistance programs.]
- [Consider the need for (1) uniform and consistent data at centers, (2) adequate documentation of assistance provided by centers, (3) criteria for centers to use in accepting clients/businesses, (4) matching center costs to program elements, and (5) measuring quality of counseling assistance and results achieved.]
- [Consider using evaluation teams comprised of individuals having expertise and established credentials in the primary areas of counseling to (1) evaluate the qualifications of the principal center counselors for areas they counsel, (2) select cases at varying stages of completion and monitor/evaluate these counselors' methodology, judgments, and recommendations, and (3) assign values based on the levels of performance observed.]

AGENCY COMMENTS AND OUR EVALUATION

SBA agrees that it has not had an adequate evaluation system, but states that such a system is now being implemented. SBA officials state that, as of October 1980, centers have been provided manuals and will begin maintaining and providing the data required by its new evaluation system. According to these officials, data will be available in about 12 months for preliminary observations; but, that a reliable data base for firm conclusions to be drawn on centers and program effectiveness will not be available until between 18 and 24 months.

The evaluation system SBA is implementing represents a significant improvement and will, if effectively implemented, substantially respond to our recommendations. However, SBA did not indicate whether its system will incorporate a number of specific elements contained in our recommendations listed above. These elements include (1) assessing the adequacy of criteria centers use in accepting clients, (2) matching center costs to program

elements/services to permit the assessment of those benefits directly associated with Federal funding, and (3) evaluating the levels of expertise and processes used by persons providing assistance to center clients--other than by assessing impacts on client operations. For example, client impacts on a comparative basis may be very positive; yet, the level of expertise applied and processes used may have been relatively routine. On the other hand, little change or positive client impacts may result; yet, the level of expertise and processes used may have been exceptional. We still maintain that these should be elements of an effective overall evaluation system.

EDA agrees with the need to improve its evaluation system. In addition to actions it plans to take immediately, it also expects to make major changes based on recommendations from a study being done by a private consultant. EDA qualifies its plans, however, by citing the limited resources available to make major improvements. We believe the actions EDA proposes represent a practical response to our recommendations, and, that further comment would have to await the recommendations of the consultant.

HOWARD W. CANNON, NEV., CHAIRMAN  
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 EDWIN K. HALL, GENERAL COUNSEL  
 MALCOLM M. B. STEBBETT, MINORITY STAFF DIRECTOR

## United States Senate

COMMITTEE ON COMMERCE, SCIENCE,  
AND TRANSPORTATION

WASHINGTON, D.C. 20510

January 17, 1979

The Honorable Elmer B. Staats  
Comptroller General of the United States  
General Accounting Office  
Washington, D.C. 20548

Dear Mr. Staats:

The Senate Committee on Commerce, Science, and Transportation is concerned about possible duplication between the Small Business Administration's (SBA's) Small Business Development Center Program and the Economic Development Administration (EDA's) University Center Program. The Committee would like your Office to review these two programs to determine the following:

- (1) the objectives of the programs,
- (2) the services each provides,
- (3) the types of businesses assisted by each program,
- (4) the costs of each program to the Federal government, and
- (5) if possible, the results each has achieved. (I understand that the EDA program's results are measured in jobs saved and created.)

The Committee is also concerned that the Office of Minority Business Enterprise (OMBE) may not be adequately evaluating the work done by its funded organizations and that OMBE and SBA may not be properly coordinating their work.

Your report entitled, "The Office of Minority Business Enterprise Could Do More to Start and Maintain Minority Businesses" (CED-77-136), made recommendations for improving OMBE's evaluation system. The Committee would appreciate GAO determining how well OMBE has implemented these recommendations.

OMBE and SBA have entered into an agreement to coordinate their management assistance efforts and avoid duplication. The Committee would like GAO to determine how well this agreement has been implemented.

We would appreciate getting the results of your work on these issues in a consolidated report or in separate reports, as you consider appropriate, within 18 months of this request. We would welcome any conclusions or recommendations you believe are warranted.

Sincerely yours,

  
HOWARD W. CANNON  
Chairman

HWC:mma

LOCATIONS AND FISCAL YEAR 1979 FEDERAL FUNDINGOF 31 EDA AND 16 SEA CENTERS

State	Name of college	Center funding by	
		EDA	SEA
Alabama	Auburn University	\$ 75,000	\$
Arkansas	University of Arkansas	50,000	a/113,359
California	California State University	125,000	157,500
"	University of Southern California	175,000	
"	California Polytechnic State University		142,500
Colorado	University of Colorado	100,000	
District of Columbia	Howard University		135,000
Florida	Florida State University	25,000	
"	University of West Florida		154,750
Georgia	Georgia Institute of Technology	50,000	
"	University of Georgia		290,250
Hawaii	University of Hawaii	100,000	
Illinois	University of Illinois	165,000	
Kentucky	University of Kentucky	50,000	
Louisiana	Louisiana State University	100,000	
Maine	University of Southern Maine	100,000	165,000
Maryland	Coppin State College	95,000	
Massachusetts	University of Massachusetts	100,000	
Michigan	University of Michigan	100,000	
Minnesota	Southwest Minnesota State University	25,000	
"	University of Minnesota	100,000	
"	St. Cloud University		a/150,000
Mississippi	Mississippi Research and Development Center b/	50,000	
Missouri	University of Missouri	100,000	290,000
Nebraska	University of Nebraska		250,000
New Hampshire	University of New Hampshire	100,000	
New Jersey	Rutgers University	100,000	300,000
New Mexico	University of New Mexico	105,000	
New York	State University of New York College	200,000	
North Carolina	St. Augustine's College	100,000	
"	Western Carolina University	50,000	
North Dakota	North Dakota State University	50,000	
Oklahoma	East Central Oklahoma State University	125,000	
Pennsylvania	University of Pennsylvania		a/150,000
South Carolina	University of South Carolina		40,000
Tennessee	Memphis State University	50,000	
"	University of Tennessee	50,000	
Texas	University of Texas	100,000	
Utah	University of Utah		a/150,000
Wisconsin	University of Wisconsin		40,000
Washington	Washington State University	150,000	a/150,000
Total		<u>\$2,865,000</u>	<u>\$2,678,359</u>

a/Awarded in September 1979.

b/State agency which received grant directly from EDA.

ORGANIZATIONAL NAMES OF  
NINE CENTERS REVIEWED

Auburn University

EDA: Auburn Technical Assistance Center, Extension and Public Service

Georgia Institute of Technology

EDA: Business Development Division, Engineering Experiment Station

University of Georgia

SBA: Small Business Development Center, College of Business Administration

University of Massachusetts

EDA: Center for Economic Development, School of Business Administration

University of Missouri - St. Louis (note a)

EDA: University Business Development Center, School of Business

SBA: Same

University of New Hampshire

EDA: Technical Assistance Program, Center for Industrial and Institutional Development, College of Engineering and Physical Sciences and Whittemore School of Business and Economics

University of Southern Maine

EDA: New Enterprise Institute, Center for Research and Advanced Study

SBA: Small Business Development Center, New Enterprise Institute, Center for Research and Advanced Study

a/For reporting purposes only, the EDA program results at the University of Missouri/St. Louis are consolidated at the University of Missouri/Columbia--the EDA-designated reporting activity.

FISCAL YEAR 1979 CASES REVIEWED,  
SCHEDULED, AND CLIENTS INTERVIEWED

<u>Center</u>	<u>Number of cases</u>	<u>Number of cases we reviewed and scheduled</u>	<u>Number of cases selected for our questionnaire</u>
<u>SBA</u>			
Georgia	315	80	20
Maine	419	105	51
Missouri	<u>535</u>	<u>80</u>	<u>41</u>
Total	<u>1,269</u>	<u>265</u>	<u>112</u>
<u>EDA</u>			
Auburn	81	40	20
Georgia Tech	33	33	20
Maine	51	51	26
Massachusetts	60	60	20
Missouri	22	15	-
New Hampshire	<u>89</u>	<u>89</u>	<u>30</u>
Total	<u>336</u>	<u>288</u>	<u>116</u>

## COMPARISON OF CENTERS BY TYPE OF ASSISTANCE--1979

Center	Types of assistance							Total
	Accounting	Marketing	Gen. bus. mgmt.	Engineering (Percent)	Pre-bus. and new venture	Community develop.	Other	
<u>SEA</u>								
Georgia	37.50	16.25	31.25	-	3.75	2.50	8.75	100
Maine	26.58	31.64	12.66	3.17	22.16	-	3.79	100
Missouri	34.62	43.08	9.99	-	6.92	-	5.39	100
<u>EDA</u>								
Auburn	22.50	17.50	25.00	17.50	12.50	5.00	-	100
Georgia Tech	9.10	27.27	12.12	33.33	15.15	3.03	-	100
Maine	18.46	32.31	16.92	-	6.15	3.08	23.08	100
Massachusetts	27.94	25.00	4.41	-	2.94	27.94	11.77	100
Missouri	30.44	39.12	17.38	-	4.35	-	8.71	100
New Hampshire	16.66	18.52	11.11	28.70	-	12.04	12.97	100

## COMPARISON OF CENTERS BY TYPE OF CLIENTS--1979

Center	Type of clients						Total
	Business		Retail/ wholesale	Pre-business (Mostly individuals)	Community organizations	Other	
	Manufacturing	Service					
(Percent)							
<u>SBA</u>							
Georgia	11.25	16.25	35.00	31.25	2.50	3.75	100
Maine	15.89	14.02	19.63	49.53	0.93	-	100
Missouri	7.50	42.50	27.50	10.00	-	12.50	100
SBA-wide (9 centers)	12.58	33.97	36.81	-	-	16.64	100
<u>EDA</u>							
Auburn	37.50	17.50	12.50	10.00	7.50	15.00	100
Georgia Tech	66.67	-	-	24.24	6.06	3.03	100
Maine	47.06	15.68	-	9.80	13.73	13.73	100
Massachusetts	26.67	10.00	16.67	6.67	31.66	8.33	100
Missouri	13.33	20.00	13.33	6.67	6.67	40.00	100
New Hampshire	43.82	13.48	8.99	8.99	19.10	5.62	100
EDA-wide (18 centers)	33.88	25.14	28.20	-	1.77	11.01	100



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

OCT 14 1980

Mr. Henry Eschwege  
Director  
Community and Economic Development  
Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of September 12, 1980, requesting our comments on your report entitled, "Similar Business Assistance Programs of Two Agencies Have Potential for Duplication."

Enclosed are our comments to the report.

We appreciated the opportunity to review the report and if you need any additional information, please advise.

Sincerely,

*William H. Weaver*  
A. Vernon Weaver  
Administrator

Enclosure

SMALL BUSINESS ADMINISTRATION'S  
COMMENTS ON THE DRAFT OF A PROPOSED  
REPORT BY THE GENERAL ACCOUNTING OFFICE

"SIMILAR BUSINESS ASSISTANCE  
PROGRAMS OF TWO FEDERAL AGENCIES  
HAVE POTENTIAL FOR DUPLICATION"

A review of the proposed report indicates the need for comments by the Small Business Administration directed towards four specific points: the duplication issue, the evaluation conclusion, the uniform organization recommendation, and contradictions that exist within the report.

1. Duplication Issue:

The report contains the following statements,

"The limited number of SBA centers precludes SBA's program from serving many of the states and areas now served by EDA's programs. Should SBA's and/or EDA's program expand in scope, however, duplication could be a problem." (page i.)

The original SBDC concept of SBA envisioned a link up through a consortium of universities operating as an SBDC, of many federal, state, local, and private-sector resources for comprehensive service to the small business community. Attachment 1 is a chart that appeared in a brochure about the SBDC concept dated October 1978. Since that time seven universities have contained both SBDC and EDA programs serving the same states or areas. These universities are: Southern Maine, Rutgers, Missouri, Massachusetts, Florida State, Arkansas, and Washington State. In all cases, there are distinct advantages to the dual performance in terms, for example, of the use

of a wide variety of expertise applicable to the diverse problems of small business that are encountered. In no instance so far, has there been any abuse of federal funds found in these respective programs.

It is a basic tenant of the SBDC program to grow to statewide structure in all states progressing in an orderly, controlled manner, as working policies and systems evolve that ensure productive performance. Productive performance involves utilization of many resources and significant progress is being made towards that goal. The first efforts were directed at fully utilizing retired business executives (SBA's SCORE Program) and graduate or senior business students (SBA's Small Business Institute program). New emphasis areas are Chambers of Commerce, private consultants and other federal resources involved in export marketing and technology assistance. Even in these areas, substantial progress has already been accomplished.

The important point is that the SBDC program expands and in part substitutes retail control over management assistance efforts of SBA that have existed for over 20 years with federal employees previously handling all retail coordination of the diverse resources. The new approach of using SBDCs, which include access to other similar assistance programs, and which requires local match of federal funds, works well with or without an EDA program in the same location.

2. Evaluation Conclusion:

The report contains the statement, "SBA does not have an adequate system in place to periodically evaluate the effectiveness of its Centers in achieving program objectives."  
(page 28)

That statement was correct because it said, "in place." However, in planning was one of the most comprehensive evaluation control systems ever designed for this type of activity -- a system that is going into effect now.

The system basically follows a three-tiered evaluation concept that calls for:

1. Program Management Reviews  
including judgmental assessments, efficiency calculations and comparative studies by separate SBA units and independent experts.
2. Client Acceptance Assessments  
independent processing of inputs from counseling and training clients with separate, sampling follow-up checks by SBA officials.
3. Impact Data Measurements  
direct calculations of changes in micro-economic business indicators before and after assistance.

A major element of the evaluation approach is the "CQOI system designed to measure the cost, quality, quantity, and impact of the SBDC Program. CQOI is a Management-by-Objectives type approach tailored to meet the kinds of accountability needs placed by public programs. The goals, services, and specific activities of a particular SBDC Center are expressed in terms of cost, quantity, and quality. Impact is measured in terms of outcomes and organizational changes of the small business clients.

The impact measures include: (1) clients that stay in business; (2) changes in gross sales; (3) changes in net profits; (4) changes in number of employees; and (5) changes in owners compensation. To make further post-evaluative judgments, it will be possible to use national normative data such as that prepared by the firm of Robert, Morris and Associates to compare SBDC clients with small businesses not receiving services. For each unit and

and subunit of a Center the cost, quantity, quality, and impact of each of the activities or services it provides are separately measured or recorded.

The CQOI system has several strengths.

It represents probably the first time anywhere that on a systematic basis data will be available on the real impact of management assistance, a "soft" area generally regarded as difficult to assess in anything but input terms.

It helps resource allocation in two ways. Information on the amount and quality of services is available during the year and can be used both to indicate problem areas and to guide decisions regarding reprogramming and reallocation of resources. On a forward basis, the system forces planning and objective setting by each member of the center on an activity-by-activity basis, so that forecasting outcomes of resource allocations becomes a normal function of each unit. Favorable results on this dimension have been observed in the first application of this system.

Although the CQOI is the lead vehicle of the reporting system, other reporting and control procedures provide cross validation, surveillance and useful nonqualitative inputs into the development of the SBDC Program.

An independent element of the management evaluation approach is the counseling and training client survey card system. In contrast to the CQOI and quarterly reports system, which gives SBDC's and SBA data on inputs and measurable outputs, the survey system provides perceptual data on how

clients judge the quality of the services they receive. Client reactions are important as an early warning to poor service delivery and as a method to ensure that SBDC services remain truly client-oriented. To get the data, "clients" are asked to fill out postage paid postcard size instruments at specified points in counseling and training, and mail them to an independent addressee (SBA's contractor). On a sampling basis, an SBA staff member of the district office will perform a follow-up check with the clients and supply similar information to the contractor. The contractor summarizes the results in useful ways (e.g. per training course or per SBDC), and distributes the information to both the SBDC's and SBA.

The SBDC's program functions also are monitored as part of the SBA's periodic reviews of the operations of each of its district offices. In these intensive week-long, on-sight evaluations by an experienced reviewing team, the SBDC's performance data, on-going operations, individual records, client survey results, and so forth are subject to examination by team members familiar with SBDC norms and SBA policy. Beyond these routine reviews, special cross-region visits are arranged so that SBA staff members familiar with a particular SBDC are required to review the operations of a different SBDC and report their findings and recommendations. Such cross-region reviews are a normal part of the SBDC review process. When special circumstances arise, a team of SBA and/or SBDC personnel may be assigned by SBA's Central Office to review, report and/or assist a particular SBDC in a limited area of activity.

Finally, independent firms are used under contract to assess and report on major elements of SBDC program. Elements that might be included are management, program operations, or specific functional areas where it is

necessary to gain meaningful conclusions and recommendations from a third party not associated with either the SBA or the SBDC participating entities. Independent reviews are scheduled for FY 81 to focus on overall program management practices and policies as well as to display factual comparative data about the different SBDC operations, and for FY 82 to aggregate certain types of impact data and assess overall results.

In addition to the systems and activities described in the foregoing paragraphs, a plan also exists to enable the SBA to respond fully to the total program evaluation requirements specified by PL 96-302 for delivery to Congress in January 1983. The plan calls for inputs from all of the systems and activities already described plus a special effort in fiscal year 1982 to add specific information regarding impact on the socio-economic base of the area served by each SBDC, as well as the impact on private consultants.

Not mentioned in the foregoing, is a considerable array of evaluation information from studies sponsored or conducted by various SBDC's to gain reliable data about their own operations. Such data have been useful during this interim period between the Bentley-Clark Study and the national systems now going into operation, in order to supplement information derived from SBA managerial reviews. For example, an evaluation summary of counseling activities at the University of Wisconsin produced the following information:

1. 95 percent of the clients felt that the SBDC service was helpful or very helpful.
2. 89 percent of the SBDC clients made a change in their operations as a result of SBDC management assistance:  
Of those that made changes:
  - a. 27 percent changed their business organization.
  - b. 23 percent changed their sales or merchandising policy.

- c. 46 percent changed their advertising and promotion.
  - d. 15 percent changed their record-keeping or accounting system.
  - e. 27 percent improved their cost control methods.
3. SBDC management assistance had the following impact on clients served.
- a. 42 percent reported an increase in profits.
  - b. 54 percent reported improved operations.
  - c. 35 percent reported increased sales.
  - d. 35 percent reported improved efficiency.
  - e. 15 percent reported an increased in the number of employees.
4. 100 percent of SBDC clients feel that this type of management assistance might help other small business owners.

While not every report may reveal such positive outcomes, the inclusion in the report of the names and addresses of clients whose cases are either open or closed, invites validity checks. About 80% of the closed cases (roughly 400) responded to the study inquiry to make up the results cited. The continued initiation of such studies by individual SBDC's is supported by SBA to examine local situations, respond to state requirements or to otherwise compliment the national efforts.

3. Uniform Organization:

The proposed report contains the following statement, "While both EDA and SBA have provided Centers with guidance as to characteristics desirable in a successful Center, they have not insisted that Centers conform to consistent organizational alignments within their university structures, specific expertises of Center staff, or specific types of assistance to be emphasized."  
(pp. 19)

SBA does not believe that it is in the best interest of the small business clients being served to insist that Centers conform to consistent organizational alignments. Rather it is the Agency's belief that differences in SBDC structures and operations represent a very healthy aspect of the program. The reasons for this are twofold. First, the needs of small business clients differ in broad dimensions such as rural-urban mix and major industries prevalent in the state. Second is the differing configuration of state public and private school systems, and the various arrangements and activities of state government entities engaged in helping small business. With the matching fund requirement and the state endorsement of the state SBDC, which are required by PL 96-302 which governs this program, adaptation to the best structure of state, academic and private resources to serve unique small business needs in a state is a state issue. Attempts by the Federal Government to specify a mandatory and uniform organizational alignment for every state would, in our opinion, defeat the broad purpose of the program. Our primary concern is results which we believe require certain characteristics in organizational configuration that can be achieved in several different ways.

#### 4. Report Contradictions:

We believe this report may not have received the full support of resources required to gain full knowledge of the SBDC program. The program is new and rapidly evolving. It now has a public law governing its operations. Further, only three SBDCs were reviewed and one of those is under suspension now pending resolution of alleged poor operational performance--a condition found by SBA in its own review of operations.

Overall, the report manifests the lack of intensive review in several contradictions and deficiencies. Externally is the already cited fact that many SBDCs operate with EDA centers at the same university. Internal to the report, the following contradiction is an example:

Opening Statement:

"GAO found that both agencies' programs were providing like types of assistance to similar types of businesses."

Contradictory Statements:

"The SBA Centers tended to emphasize service and retail/wholesale businesses while the EDA Centers tended to emphasize manufacturing businesses."(pp. 16)

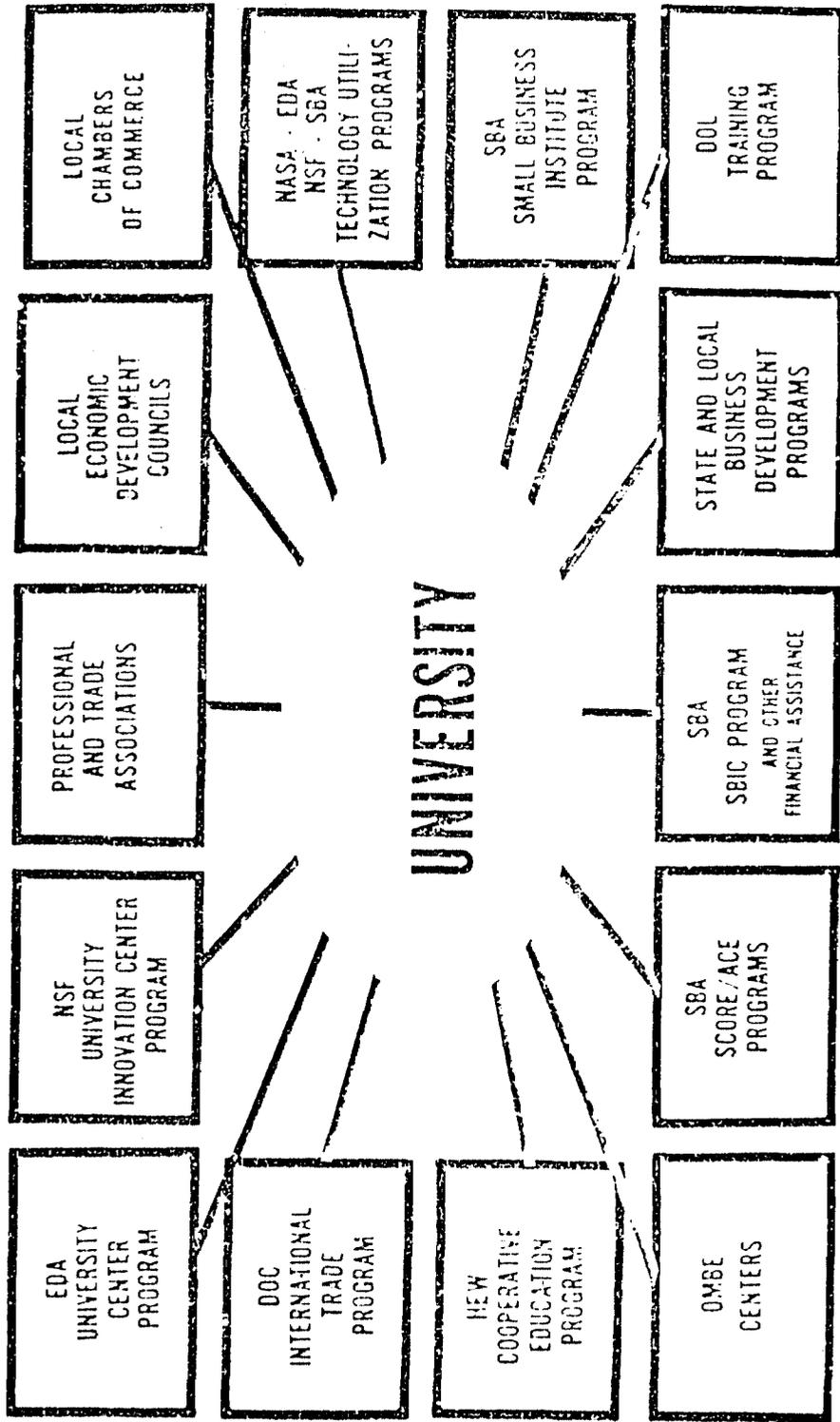
"....EDA Centers tended to assist businesses having larger numbers of employees and larger gross annual sales than did businesses served by SBA Centers. (pp. 18)

"The three SBA Centers provided assistance to business and individuals through continuing education courses, training seminars and workshops. ....EDA centers provided only limited assistance training, conferences and research studies/reports." (pp.23 and 24)

Perhaps the report meant to say that there is some overlap in types of services used to achieve the respective program goals, which is true. A thriving small business community does tend to provide substantial benefits to the country, and building a viable small business community does require certain kinds of efforts regardless of the specific benefit being sought. However, the

delineation of differences in the program is in our opinion, limited in that it does not reflect fully the more comprehensive nature of the SBDC program in assisting the small business community as it is developing as an alternative to existing SBA management of management assistance nationwide.

**THE SMALL BUSINESS DEVELOPMENT CENTER  
A LINK-UP OF:**





**UNITED STATES DEPARTMENT OF COMMERCE**  
**Office of Inspector General**  
Washington, D.C. 20230

OCT 28 1980

Mr. Henry Eschwege  
Director, Community and Economic  
Development Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in reply to your letter of September 12, 1980 request-  
ing comments on the draft report entitled "Similar Business  
Assistance Programs of Two Agencies Have Potential for Dupli-  
cation."

We have reviewed the enclosed comments of the Assistant  
Secretary for Economic Development and believe they are  
responsive to the matters discussed in the report.

Sincerely,

A handwritten signature in cursive script that reads "Mary P. Bass".

Mary P. Bass  
Inspector General

Enclosure



**UNITED STATES DEPARTMENT OF COMMERCE**  
**The Assistant Secretary for Economic Development**  
Washington, D.C. 20230

OCT 28 1980

Mr. Henry Eschwege  
Director, Community and  
Economic Development Division  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your request for comments on the above draft report "Similar Business Assistance Programs of Two Federal Agencies Have Potential for Duplication" which involved the Economic Development Administration's (EDA) university center program and the Small Business Administration's (SBA) small business development center program.

According to the draft report, GAO was asked by the Congress to conduct a study of possible duplication between these two programs and to determine the objectives of the program, services each provides, types of business assisted by each program, costs of each program to the Federal government and, if possible, the results each has achieved.

We believe it should be noted that the EDA university center program was established in 1963 and operated successfully for 14 years before SBA developed its own program in 1977. Accordingly, we suggest that SBA coordinate with EDA any planned future expansion of its program. This would be a prudent, but not an essential, duplication control measure. As we state in our comments below, we do not believe an actual duplication problem exists for these programs.

Following are our comments on the Recommendation to the Congress:

Should either university-based program expand and become national in coverage, duplication could become a serious problem. Administering separate programs could also entail additional Federal costs. Prior to any such expansion, Congress should reevaluate the need for both agencies to provide management and technical assistance using university-based centers as a delivery vehicle.

Both programs have very limited funding. With only 47 such centers nationwide for both agencies in FY 1979, substantial funding increases for these programs would be needed before they could be considered "nationwide" and present any problem of duplication.

Throughout the report, GAO contends that there is potential duplication between the EDA and the SBA university-based programs. We disagree. There is an interface between our agencies. Our missions have areas of common concern. But the agencies have different missions. SBA serves small businesses throughout the country. EDA serves somewhat larger firms which are located in economically depressed areas of the country -- including special impact areas, Indian reservations, and lagging rural areas. EDA uses professional staff exclusively at their centers, SBA uses students in their counseling program.

Other areas of specialization for the agencies are documented by the chart contained on the unnumbered page following page 15 of the draft report: "Comparison of Centers By Types of Clients for Fiscal Year 1979." As indicated, SBA focuses much of its assistance on service firms, retail/wholesale firms, and on individuals who would be entrepreneurs. EDA concentrates more on manufacturing firms and on those organizations engaged in community development.

All of the above indicates that there is little duplication between the EDA and the SBA programs. We believe GAO should restate their recommendation and the report's title to indicate that no practical problem of duplication exists for these programs at this time and in the near future.

Following are our comments on the specific recommendations contained in the report which are directed to the Assistant Secretary for Economic Development:

1. Provide criteria to centers on how to determine the results EDA requests centers to report, such as jobs created, saved or potential jobs created.
2. Periodically check the consistency and validity of results reported by the centers.
3. Modify the system for evaluating the effectiveness of university-based management assistance programs.

4. In modifying such systems, consider the need for uniform and consistent data at centers, adequate documentation of assistance provided by centers, criteria for use by centers in accepting clients/businesses, need for matching center costs to program elements and measuring quality of counseling assistance and results achieved.
5. In measuring the quality of counseling assistance, consider using evaluation teams comprised of individuals having expertise and established credentials in the primary areas of counseling to evaluate the qualifications of the principal center counselors for areas they counsel, select cases at varying stages of completion and monitor the counselors' methodology, judgments and recommendations and assign values based on the levels of performance observed.

We agree with GAO about certain inadequacies in the present EDA evaluation system. We recognize our need to improve the reporting requirements and verification of data. Most of these shortcomings were noted recently by Bentley Clark Associates in their independent study of the EDA university center program.

The scope and status of the Clark study are as follows:

Phase I which concluded recently, included an assessment of the present reporting system. It supports the GAO finding that jobs attributable to the Center do not provide an adequate basis for judging their performance and that the quantitative data collected contains inaccuracies.

The next two phases of the Clark study will:

- o address center reporting requirements (appropriate measures, reporting criteria, verification procedures, etc.);
- o provide an overall assessment of the program including an examination of the institutional building process of the program (capitalization and capacity issues); and
- o examine program activities (quality of assistance, targeting procedures, and delivery systems).

EDA believes the Clark study will address each of the above recommendations by GAO and plans to institute its major changes as Bentley Clark completes its study.

However, there are certain things which EDA can do now to implement each of the GAO recommendations. Beginning immediately, we will emphasize to the centers the need to

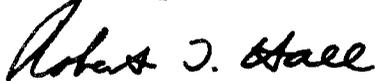
verify economic impact data prior to reporting it to EDA. In addition, we will work with our Regional Office staffs to conduct independent sample assessments of centers, when possible, before those reports are released to the public.

All of the above planned corrective actions must be qualified by the Agency's limited resources. To institute a greatly improved internal evaluation system will be costly because:

- o Very little external evaluation can be expected by centers where EDA has reduced its annual contribution to \$50,000. We have nine such centers in that category in fiscal year 1980. Even more will enter this category in fiscal years 1981 and 1982.
- o While considerable servicing/monitoring of the EDA program has been done in the past when Agency travel funds were available, this was very restricted during long periods in recent years when travel funds were not available.
- o Staffing is limited. Only one staff person is assigned to the university center program in Washington. EDA Regional Office Technical Assistance Divisions are understaffed. Most have only two professionals who have many other program responsibilities. They will not be able to devote much time to the evaluation function. Legislation is pending before Congress which would greatly expand EDA's program resources and authorities, and would obviously make it easier for the Agency to devote more staff time to such efforts.

We appreciate the opportunity to comment on your draft and look forward to reviewing your final report on these programs.

Sincerely,



Robert T. Hall  
Assistant Secretary  
for Economic Development





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