DOCUMENT RESUME

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Closing of Small Business Administration in Marshall, Texas. B-114835; CED-77-22. January 6, 1977. 3 pp. + enclosure (7 pp.).

Report to Rep. Sam B. Hall, Jr.; by Elmer B. Staats, Comptroller General.

Contact: Community and Economic Development Div.
Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).
Organization Concerned: Small Business Administration.
Congressional Relevance: Rep. Sam B. Hall, Jr.

The closing of the Small Business Administration's district office in Marshall, Texas, was reviewed. Findings/Conclusions: The area forrerly served by the Marshall district office is now served by the Dallas, New Orleans, and Little Rock district offices. The production per staff member of the three major units in the Marshall office was generally not lower than their counterparts at the SBA district offices to which Marshall's workload was redistributed. The SBA overestimated gross savings from the closing of the Marshall office by $3,022, and underestimated costs by $75,863. It is estimated that closing the office will cost $8,488 in the first year instead of saving $70,397 as claimed by SBA. Savings in the second and succeeding years would be $118,670. The Marshall office was renovated in 1975 at a cost of $21,783. Only the draperies, which cost $150, can be used in other SBA offices. The director of the Dallas region and two other officials chartered a plane for a flight to and from Marshall at a cost of $202. The cost of the chartered flight does not seem excessive. (RRS)

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WASHINGTON, D.C. 20548

B-114835

JAN 6 1977

The Honorable Sam B. Hall, Jr.
House of Representatives

Dear Mr. Hall:

Your letter of July 16, 1976, expressed concern over the closing of the Small Business Administration's district office in Marshall, Texas, and inquired about whether it would be appropriate for us to review this closing.

In accordance with discussions with your office on July 30, 1976, we agreed to

--obtain data on the workload of the Marshall office and other district offices and

--review the reasonableness of savings the Small Business Administration estimated would result from the change.

We also looked into whether the Marshall district office was renovated shortly before the decision to close it was made and whether the director of the Small Business Administration's region VI (which includes Marshall) had chartered a plane at Government expense.

We reviewed records and interviewed officials at the Washington, D.C., headquarters of the Small Business Administration; at its region VI (Dallas) and Marshall offices; and at the General Services Administration regional office, Fort Worth, Texas.

The following summarizes what we found.

--The Small Business Administration closed its Marshall district office on September 12, 1976. The area formerly served by the Marshall district office--20 counties in Texas, 7 parishes in Louisiana, 3 counties in Arkansas--are now served by (1) the Dallas district office with the assistance of a newly opened, limited-service station in Marshall, (2) the New Orleans

district office with the assistance of a newly opened limited-service station in Shreveport, and (3) the Little Rock district office.

--The production per staff member of three major units within the Marshall office was generally not lower than their counterparts at the Small Business Administration district offices to which Marshall's workload was redistributed.

--We reviewed the reasonableness of the Small Business Administration's estimate of savings resulting from the closing of the Marshall office in terms of gross savings and costs. We found that the Small Business Administration overestimated gross savings by $3,022 and underestimated costs by $75,863. As a result, we estimated that closing the office would cost $8,488 in the first year rather than save $70,397 as claimed by the Small Business Administration. We estimated that savings in the second and succeeding years following the office's closing would be $118,670. Our estimate of savings assumes that the Small Business Administration will fully implement its plans for reducing salary costs in the Dallas region.

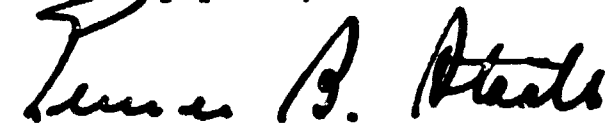
--The Marshall office was renovated in calendar year 1975 at a cost of $21,782. Renovations included work on walls and telephone and electrical outlets as well as purchasing new drapes. Closing the office will mean the loss of renovations costing $21,632. Only the drapes, which cost $150, can be used in other Small Business Administration offices.

--The director of the Small Business Administration's Dallas region chartered a plane for a flight from Dallas to Marshall and return at a cost of $202. He was accompanied by two other regional office officials. The cost of the chartered flight does not seem excessive in view of the time and cost of alternative methods of travel.

A more detailed discussion of these matters is contained in the enclosure to this letter.

We discussed the information obtained with the Dallas regional director and included his comments where appropriate.

Sincerely yours,



Comptroller General
of the United States

Enclosure

ENCLOSURE I

REVIEW OF CLOSING OF THE SMALL BUSINESS ADMINISTRATION'S MARSHALL, TEXAS, DISTRICT OFFICE

BACKGROUND

The Small Business Administration's (SBA's) office in Marshall, Texas, was 1 of 10 district offices in SBA's region VI (Dallas), which includes Louisiana, Arkansas, Oklahoma, Texas, and New Mexico. Marshall is located in eastern Texas, about 150 miles from Dallas. The district office in Marshall had a staff of 23 people.

On July 27, 1976, the SBA Administrator approved a recommendation by the Dallas regional director that the Marshall office be closed and that smaller offices, known as post-of-duty stations, be established in Marshall, Texas, and in Shreveport, Louisiana, a city formerly served by the Marshall district office. Post-of-duty stations are offices with limited authority; they can promote SBA's loan programs and receive loan applications, but they can not approve them. The Administrator indicated in a July 9, 1976, letter to Congressman Hall that these changes were being made to "better serve the small business community in region VI by managing its financial and personnel resources more efficiently and effectively."

On September 12, 1976, SBA closed the Marshall district office and established post-of-duty stations in Marshall with a staff of two people and in Shreveport with a staff of three people. New office space was secured in Marshall for the post-of-duty station.

The area formerly served by the Marshall district office was composed of 20 counties in eastern Texas, 7 parishes in northwestern Louisiana, and 3 counties in southwestern Arkansas. The counties in Texas are now served by the Dallas district office with the assistance of the post-of-duty station in Marshall; the parishes in Louisiana are served by the New Orleans district office with the assistance of the post-of-duty station in Shreveport; the counties in Arkansas are now under the jurisdiction of the Little Rock district office.

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COMPARISON OF PRODUCTION AT MARSHALL AND OTHER DISTRICT OFFICES

The Administrator of SBA said the Marshall office was being closed to increase the efficiency and effectiveness of the Dallas region by reassigning most of Marshall's responsibilities and staff. We compared the fiscal year 1976 production per staff member of Marshall's Financing, Portfolio Management, and Management Assistance Divisions with similar production of the district offices to which Marshall's workload was redistributed. This comparison does not demonstrate that personnel at the Marshall office were less productive than personnel at these other offices.

Financing Division

The function of the Financing Divisions at SBA district offices is to process loan applications. SBA's Management Information System measures the output of these divisions by computing the number of loans which they approve.

The following chart shows for fiscal year 1976 the average number of loans approved by each loan specialist in the Financing Divisions at Marshall and at the district offices which assumed Marshall's loan processing functions. It also shows how long, on the average, it took the four offices to process loan applications.

District offices	Loans approved per specialist	Average processing time (days)
Marshall	66	21
Dallas	65	27
New Orleans	84	18
Little Rock	64	22

Loan applications which would have been processed at the Marshall district office will now be handled initially by the post-of-duty stations at Marshall and Shreveport. The Marshall station will send applications to the Dallas district office for final approval and the Shreveport station will send them to the New Orleans district office. According to an official of the Marshall office, the mailing required by the new arrangement may increase processing time.

Portfolio Management Division

The Portfolio Management Divisions at SBA district offices are responsible for servicing loans in the districts' loan portfolios. The following chart shows as of June 30, 1976, average loan portfolio (excluding disaster loans) per loan servicing specialist at the four offices and the percent of loans at each office that were in a current status.

District offices	Loans per servicing specialist	Percent of loans in current status
Marshall	328	90
Dallas	258	88
New Orleans	165	90
Little Rock	208	87

Management Assistance Division

The Management Assistance Divisions at SBA district offices provide counseling to SBA borrowers and other small businesses by use of SBA's own business management specialists, outside consultants, and volunteer groups such as the Service Corps of Retired Executives (SCORE).

The following chart shows, for fiscal year 1976, the average counseling actions by business management specialists at the Marshall and Little Rock Offices and the total counseling actions by other management assistance resources (e.g., SCORE).1/

District offices	Counseling actions per specialist	Counseling action by outside management specialists
Marshall	115	1,061
Little Rock	172	1,046

1/Comparable data could not be obtained for Dallas and New Orleans.

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We discussed the above data with the Dallas regional director who acknowledged that the Marshall office had been a good producer. However, he repeated, without being specific, SBA's justification for closing the office: better use of the region's personnel.

ESTIMATED SAVINGS AND COSTS RESULTING FROM CLOSING THE MARSHALL OFFICE

In a July 9, 1976, letter to Congressman Hall, the Administrator of SBA provided an estimate, which was developed by the Dallas region, that closing the Marshall office would save $85,268 a year. Officials in the Dallas region provided us with more current estimates. They calculated that the closing would produce gross annual savings of $133,397 and result in one-time costs of $63,000. The net savings for the first year following the closing would therefore amount to $70,397.

We estimate that closing the Marshall office could result in net first year costs of about $8,488 instead of the $70,397 savings calculated by the SBA Dallas regional office. The difference occurred because the regional office had overestimated its gross savings by $3,022 and underestimated the cost of closing the office by $75,863.

	SBA	GAO	
		1st year only	2d year and after
Gross savings:			
Salary	a/$104,531	$104,531	$104,531
Other savings	28,866	25,844	25,844
Total	133,397	130,375	130,375
Costs:			
Relocation	63,000	63,000	-
Other costs	-	75,863	11,705
Total	63,000	138,863	11,705
Savings (Costs)	$ 70,397	$ (8,488)	$118,670

a/SBA has developed a staffing plan which, if fully followed, would reduce salaries by $104,531. Our estimate is based on strict adherence by SBA to this plan. At the completion of our review, it could not be determined whether this plan would be fully implemented and whether personnel costs would be permanently reduced.

The savings and costs estimates are described in more detail below.

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Savings to be derived

Over $104,000 of the annual savings depends on planned reductions in salaries resulting from the elimination of three positions in the Dallas region (Marshall district director, district counsel, and loan specialist) and from the proposed replacement of Marshall staff with employees at lower grades. These savings are subject to offsetting costs for severance and retirement pay, which are discussed in the following section. If the region's staff plan is fully implemented, we believe the savings could be realized. At the completion of our field work, we could not determine the amount of salary savings which would finally be achieved because the staff plan had not been fully implemented.

SBA estimated annual savings of $28,866 in addition to salary savings. We estimated these additional savings to be $25,844, or $3,022 below SBA's figure, as shown below.

	Savings	
	SBA	GAO
Office rental	$12,894	$11,368
Telephone	11,795	11,795
Telecopier	552	552
Reproduction	3,000	1,504
Subscriptions	625	625
	$28,866	$25,844

We reduced the office rent savings estimated by SBA after the General Services Administration told us that rent for the post-of-duty stations at Marshall and Shreveport would be higher that SBA calculated. We reduced SBA's estimate of reproduction savings because they included some amounts which will now be borne by SBA offices to which the Marshall work was redistributed.

Costs to be incurred

Regional office officials told us that closing the Marshall office would cost $63,000--the amount necessary to move 10 Marshall employees to new SBA offices. We added to their

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estimate several additional costs: the penalty for breaking the lease for the Marshall office, the severance and retirement pay for employees who chose not to be relocated, the travel costs of Marshall employees temporarily assigned to other offices during the transition, and the expenses of moving Marshall's furniture and office equipment. SBA officials told us that they overlooked these additional costs when they prepared their estimate.

We estimated that SBA incurred costs of $138,863 to close the Marshall office, or $75,863 above SBA's estimate, as shown below.

	Costs	
	SBA	GAO
Relocation	$63,000	$ 63,000
Penalty for breaking lease	-	22,870
Severance and retirement pay	-	47,626
Temporary assignments	-	3,021
Moving furniture and office equipment	-	2,346
	$63,000	$138,863

RENOVATION OF THE MARSHALL DISTRICT OFFICE

The Marshall district office was renovated in calendar year 1975 at a cost of $21,782. Renovations included removing walls, installing a new glass wall and telephone and electrical outlets, and purchasing drapes. The closing of the office will result in a loss of about $21,632 of the renovations since only one item (drapes) costing $150 can be used in other SBA offices.

The regional director told us that he did not know that the Marshall office would be closed when the decision to renovate was made.

CHARTERED FLIGHT BY REGIONAL DIRECTOR

On June 30, 1976, the director of region VI and two other regional officials chartered a plane at a cost of $202.80 for a trip from Dallas to Marshall and return. The trip was made to inform the Marshall staff of the closing of the office.

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The regional director justified this method of travel by comparing it to the cost of regularly scheduled air transportation. There are no direct scheduled flights from Dallas to Marshall. According to the regional director, it would have been necessary for the three regional officials to fly from Dallas to Shreveport and complete the trip to Marshall by rental car at a total round trip cost of $222.40.

We estimated that the cost of the trip would have been about $30 if made by a General Services Administration car and about $51 if made by privately owned vehicle. The regional director said that the chartered flight was in the best interests of the Government because a half-day's work would have been lost if the trip had been made by automobile. The director's travel voucher indicates that he left the regional office at 9:05 a.m. and returned at 1:10 p.m.

The cost of the chartered flight does not seem to be excessive in view of the time and cost of alternative methods of travel.