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ATTENTION NEEDED: MISMANAGEMENT AT THE SBA - THE ADMINISTRATOR RESPONDS

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

HEARING HELD
JANUARY 7, 2016



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Questions for the Record:
None.
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None.
Additional Material for the Record:
None.

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THURSDAY, JANUARY 7, 2016

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, Luetkemeyer, Hanna, Huelskamp, Gibson, Brat, Radewagen, Knight, Curbelo, Bost, Hardy, Kelly, Velázquez, Hahn, Payne, Meng, Lawrence, Clarke, Adams, and Moulton.

Chairman CHABOT. Good morning. I call this hearing to order. I want to welcome back Small Business Administrator, Maria Contreras-Sweet.

I think everyone here wants the same thing, and that is to serve America's small businesses the best we can. Those of us up here on the dais have, I think, an advantage. Our constituents let us know how we are doing all the time, and on an ongoing basis.

As the head of an agency, I sometimes worry that too often you mostly hear from your own folks and from other Washington bureaucrats. That is the only explanation for why the 69 GAO identified concerns and problems have not been addressed.

Yesterday was not the first time that these issues have been raised. Yesterday we heard some pretty serious concerns, both by members of this Committee and from our GAO witness who testified here yesterday about the management of the SBA.

Administrator Contreras-Sweet, since you were not with us yesterday, I will recap those briefly with you, although I am sure your staff has probably already given you a rundown.

I told the GAO witness yesterday that this kind of reminds me of being a parent. If your teenager's room is a mess and they have stuff thrown all over the place, let's say there are 70 items thrown on the floor, 69 to be exact, and they only pick up seven of those items, you do not look at the 62 remaining on the floor and raise their allowance for having made some progress.

The ongoing problems at the SBA as GAO identified span the entire breadth of the agency, from information technology and security, to staff management issues, from disaster response, to fraud in your lending and contracting programs. It is a safe bet that small businesses in our districts on both sides of the aisle are paying the price for your agency's failures.

What we have here is a failure of confidence in the SBA, and unfortunately, for good reason. Before this hearing is over, I hope to hear a commitment from you to resolve as many of these problems as possible by June 30, and I mean this year.

I do appreciate how accessible you have always been to members of this Committee, and I request that your office start providing monthly updates to our staff documenting your progress.

If I were you, I would start with these IT and cybersecurity deficiencies. That is what worries me the most, and I will tell you why. We have seen the IRS hit, the State Department, OPM, and even the White House hacked. Small businesses trust the SBA, your agency, with their information. Oftentimes, very sensitive information, that they do not want a rival business or their neighbors or the Chinese Government to have access to. Yesterday, GAO told us this information is not adequately secured, and that cannot continue.

I want to make this simple. We are not asking you to defend the SBA. We are asking you to do your best to fix it. I would now yield to the ranking member for her opening statement.

Ms. VELAZQUEZ. Thank you, Mr. Chairman, and thank you for holding this important hearing. As the only agency in the federal government charged specifically with helping small businesses grow and succeed, the Small Business Administration is critical to our nation's overall economic health. All of its functions serve to strengthen and preserve the foundation of our economy.

For small businesses to fully reap the benefit from SBA's programs, it is important for the agency to operate efficiently and effectively, investing taxpayers' dollars wisely. As such, one of the most important roles of this committee is conducting vigorous oversight of the SBA and its activities, so we know the agency is serving small businesses well, while spending taxpayers' dollars wisely.

Yesterday, the committee heard from the Government Accountability Office as it described a management report requested by myself and former Chairman Graves. GAO testified about a wide range of frankly, very troubling management challenges, many of which have persisted for years.

I do fully recognize that many of these problems took root before Administrator Contreras-Sweet's tenure, and furthermore, she has demonstrated a commitment to addressing them.

With that said, there is still much work that needs to be accomplished in terms of addressing GAO's recommendations. With only 15 out of the 63 recommendations closed, there needs to be more attention, not just to check the box, but to truly improve the agency.

I understand the frequent changes in political leadership create real difficulties for management. That is not an excuse but rather a reality of the environment SBA functions in. Yet, here you are, Ms. Contreras-Sweet, in the hot seat. You are the administrator, and you will be asked to respond for 64 recommendations that have been made not only under your leadership but the previous administration as well. I feel optimistic about your commitment to tackle those issues, and we are here to discuss how you intend to execute those recommendations by GAO.

First and foremost, the agency's complex organizational structure may be impeding its ability to perform its mission effectively. Yesterday, it was raised time and time again that SBA operates as a silo, resulting in inefficiencies and duplication.

There also continue to be significant information technology problems as well. The agency has yet to implement more than 30 recommendations made by the Office of the Inspector General related to IT security. This raises concerns about whether SBA's data and system are potentially vulnerable to breaches.

The SBA's standard operating procedures are also in need of updating. By the agency's own admission, 74 of these provisions require revision, and 31 should be cancelled, while another nine still need to be stripped. Yet, we have not heard a meaningful time frame as to when all of this will be accomplished.

It is my hope that today the administrator can clarify where the agency stands on these procedural notices.

These are just some of the long-standing issues raised in GAO's analysis. There is always room for improvement. I was heartened to hear that SBA has accepted most of GAO's recommendations, and I look forward to learning how the administrator is instituting change.

I recognize that as a political appointee, she is in the difficult position of often having to answer for the work of her predecessors, as well as the career officials that often drive many key agency decisions.

With that, I would like to thank the administrator for being here. I know your schedule is busy. As always, we appreciate your participation. I thank the chairman, and I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back. If Committee members have opening statements, I would ask that they be submitted for the record.

A brief explanation of our time rules around here, which I know you are already familiar with. We basically operate under the 5 minute rule. You will be given 5 minutes to testify. If you need a little more than that, we will give you a little leeway since we only have one witness, as we did yesterday, although he kept it, I think, within about 3 minutes. We are not asking that you do that.

We will restrain ourselves by the same rules, 5 minutes, and we will go back and forth between Republicans and Democrats, of course.

We all know who you are. I am not going to give a long explanation of who the Administrator is, but she is the 24th Administrator of the United States Small Business Administration, Maria Contreras-Sweet, and we welcome you here this morning, and you are recognized for 5 minutes or perhaps for a little bit longer if you need it. Thank you.

STATEMENT OF MARIA CONTRERAS-SWEET, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Ms. CONTRERAS-SWEET. Let me just thank you and Ranking Member Velázquez, and all the members of the Committee for engaging in the work and giving me this opportunity to testify before you today. It is nice to see you.

I would like to open just quickly with the review of fiscal year 2015. It was one of the most successful years in our agency's history. SBA reached historic levels for small business lending under our flagship 7(a) loan guarantee program, extending a whopping $23.5 billion in gross approvals.

This represents a 22 percent increase in the number of loan approvals prior last year, a 23 percent increase in their dollar value compared to 2014. These gains matter because FDIC data shows that conventional small business lending has only returned to 84 percent of pre-recessionary levels.

Filling those gaps in the marketplace is the very purpose for which SBA was created. We made notable progress increasing 7(a) loans to businesses with the greatest difficulty accessing capital, which is an important emphasis.

The dollar value of our loans was up year over year 22 percent to women, 23 percent to minorities, and 103 percent to veterans. Our number of loan approvals was up by 29 percent. I just said that.

These successes would not have been possible if not for the swift work of your Committee. Due to our record breaking year, SBA ran up against our statutory lending cap this August, 60 days before the end of our fiscal year. At the urging of our stakeholders, our mutual stakeholders, in less than a week, I want to repeat that, in less than a week, you passed a $4.5 billion increase in our 7(a) lending authority, and ushered its passage onto the House floor.

Your leadership allowed entrepreneurs across the country to continue to access the requisite capital they need to start, repair, and grow their businesses.

SBA also shattered our record for small business investment under our SBIC program. We grew our portfolio by 10 percent to a record $25 billion. In fiscal year 2016, the 7(a), the 504, and the SBIC program share an important common thread, and I know you will appreciate this, all these programs are expected to operate at zero subsidy this fiscal year.

Thanks to this Committee for working across the aisle to include an omnibus bill to permanently reinstate of 504 refinancing authority and an increase in SBIC's Family of Funds' limit. Both of these policy changes will inject much needed capital into our small business ecosystem.

Another priority for the SBA is Federal contracting. The U.S. Government awarded an all time high of 24.99 percent, well over our mandated, congressional mandate, of 23 percent, of Government contracts to small businesses, supporting about 550,000 American jobs.

We reached historic procurement levels for small disadvantaged businesses and firms owned by women and veterans.

To summarize, SBA achieved a record year in small business lending, a record year in investment, and a record year in contracting, with no taxpayer subsidy needed to maintain this momentum.

This is the context in which our hearing takes place today. Let me take this opportunity to acknowledge the Government Accountability Office for helping to confirm the areas of shared concern and for offering constructive suggestions to address them.

For my first days in office, I have prioritized the need to modernize SBA operations enterprise-wide, to respond to the technological, the demographic, and the globalization changes that are transforming our small business economy.

To that end, I agree with many of the recommendations and appreciate the opportunity to address them, to fully bring, Mr. Chairman, the SBA into the 21st century.

My corporate, my Government, and my community banking experiences will be brought to bear to make sure that you feel comfortable and the American people feel confidence in our systems, whether it be the enterprise risk management board that I have established, and all the other systems I have put in place.

We have implemented a number of mitigation measures that I will get into later. My background, starting three businesses, also impressed upon me the importance of optimizing ROI, return on investment, when putting precious taxpayer dollars to use.

We have to take every measure to use those dollars wisely, based on the best available data. In July of 2014, I established an impact evaluation working group charged with initiating and refining program evaluations for entrepreneurial development programs.

I have held numerous meetings with key resource partners, our SBDCs, SCORE, vets and so on, stressing the importance of collecting meaningful metrics. We are currently performing in-depth program evaluations across the agency. This includes the most comprehensive assessment of the SBIC program in our history, in collaboration with—yes, I wanted to make sure you had confidence, so we went to the Library of Congress to do this work. Our report is due out this spring.

We have also made significant strides in addressing the information technology challenges included in the GAO report. In fact, we are well underway of a major upgrade of our IT systems. It starts with a comprehensive network infrastructure modernization to give our systems greater capacity, transparency, and reliability. We are in the final stages now of moving our entire email system into the Cloud for more security, reliability, and capacity. We are investing in mobile technology, recognizing that our SBA field staff must go beyond the walls of the Federal offices and go to consumers and to small businesses where they are.

We also launched projects to modernize our lending and contracting systems to re-engineer our disaster credit management system, something I care deeply about.

This entire modernization agenda compliments our work to update our lending partner platforms, the outward facing part of SBA, by bringing advances such as automation, digital signatures. Yes, I said e-signatures, and online matchmaking to the entrepreneurs that we serve.

These are time saving and cost saving technology enhancements that have encouraged community bankers to come back to SBA in many instances or to expand their lending.

We have taken important steps on our human capital management efforts. I am proud to work along side the thousands of hard working dedicated public servants at SBA, and our resource partners. I am committed to ensuring that the agency has the talent required to effectively service America's entrepreneurs.

We are currently crafting a comprehensive work plan which will include both a skills gap assessment and a gap closure plan. We have taken steps to address the SBA's aging workforce, not just unique to SBA, but across the Federal Government a challenge.

At the launch of the VERA VSIP program, I understood that we wanted to offer employees an opportunity to make decisions, to create openings so we could begin to fill those competency gaps.

SBA is organizing our Presidential management fellow's program to increase our impact. We are working with our veterans. We are attracting more Peace Corps to our programs, and I know you are going to love this, we installed the first ever chief learning officer at SBA.

I have been on the job for 20 months, and I am proud of the progress at this time, but the truth is that I could not have done this without your commitment, and I am grateful for your support. As a result of your leadership and the daily efforts of our dedicated staff, I inherited an agency highly leveraged, operating effectively, and focused on advancing and fulfilling our statutory mission.

Again, the proof of the pudding is in the tasting, in the eating, and I think the record of our historic achievements speak to that. There is always room to improve, and that is what we are here to talk about today. Yes, I am committed to working with you to improve the services and give small businesses the agency that they deserve and that taxpayers expect. Thank you.

Chairman CHABOT. Thank you very much. I will yield to myself 5 minutes to begin the questioning. Madam Administrator, as I mentioned in my opening statement, the GAO witness yesterday testified that SBA's IT security leaves the sensitive information of small businesses and their owners vulnerable to hackers, to theft, to fraud. Yet, the SBA has failed to implement more than 30 of the Office of the Inspector General's recommendations related to IT security, leaving small businesses and individuals exposed.

What is being done to address these problems and when will it be completed?

Ms. CONTRERAS-SWEET. I think that is a fair question, Chairman. I honestly do. I think technology drives increasingly more and more of our lives, from our microwave to our smartphones. It has to be an essential part of our strategy at SBA.

Just as an example, to show you the progress that I have made since I arrived—the last time I was here, you asked me about the LMAS system, the loan management accounting system. That is the main body with which we interact with our lending partners, an important function and purpose. It had been there for a while working this way through. I committed to you that I would get that done, and we done.

To say that we are now off the mainframe and that we have an interoperable, a compatible system with today's technology where we can unplug and play systems, is a wonderful achievement that even many Fortune companies do not achieve, and many in Government. I am proud that SBA has already achieved that.

Chairman CHABOT. Let me ask you this then, and my time is limited, as I am sure you know. I would like your commitment to resolving the outstanding GAO recommendations by June 30, and

having our staff briefed on that progress on a monthly basis. Do I have that commitment?

Ms. CONTRERAS-SWEET. I commit to you to reporting to you on a regular basis and will work with Godspeed to make your deadline.

Chairman CHABOT. We are shooting for the 30th, there are 30 things, let's get it done.

Ms. CONTRERAS-SWEET. Mr. Chairman, I was able to touch the Pope while he was here, and I am hoping it infused me with the ability to fulfill that——

Chairman CHABOT. You got closer than I did. Let me move on to another question. When the GAO interviewed your district personnel so they could do their review, your folks insisted on having a lawyer present. Now, when this came up yesterday when the GAO was here, Trent Kelly, a member of this Committee who happens to be a former prosecutor and district attorney himself, made, I think, an important observation. He said that in his experience, when people lawyer up, as you folks did, it often means they have something to hide.

Who made the decision to have a lawyer present, the need to do that when the GAO, an arm of Congress, was just performing its duty at the request of this body and at the request of the former chairman and the ranking member? This was a bipartisan request.

Ms. CONTRERAS-SWEET. You know, again, I think that is a fair comment. I did not know that was happening. I was not briefed. I do not know. That is one thing I want to say.

The second thing is if you have ever met our district staff, I have to tell you, nothing intimidates these people. I go out and meet with them. We have lawyers in the room. They still tell me all the problems and challenges and the wonderful things they are doing.

Chairman CHABOT. With all due respect, should you not know who in your agency gave an order like this that interfered with the GAO's effort to conduct an investigation? Again, the GAO is a branch—we all get a paycheck. The taxpayers pay for us. We should not have to lawyer up if we are talking.

Ms. CONTRERAS-SWEET. Mr. Chairman, you know, if I may just respond, what I really wanted to say I have no idea if it was the reverse, the reciprocal, and I will look into it, and I will get back to you. It could have been that some of the employees felt intimidated by an investigation and maybe wanted somebody in their presence.

I understand—what I did get briefed on is that the I.G., Mr. Shear, in particular, said—maybe he had independent ability to follow up through emails and was able to get the information, and clearly by this report, you can see that nothing was being hidden.

Chairman CHABOT. It should not take until June 30 to find out who made that decision, so please get back to us.

Ms. CONTRERAS-SWEET. Fair enough.

Chairman CHABOT. I have limited time. I only have time for one more question. The GAO review of the SBA stated, and I quote "In the September 2015 report, we found that the SBA has not resolved many of its long-standing management challenges due to lack of sustained priority attention over time."

GAO went on to say "This raises questions about the SBA's sustained commitment to addressing management challenges." In other words, dealing with the SBA's shortcomings and deficiencies and, in many, cases failures, apparently just is not a priority to some of your folks. Well, it is a priority to this Committee. Why should we not question the SBA's sustained commitment to improving itself, and you have indicated that you are willing to do that, I appreciate that, we are willing to work with you, so it can serve the needs of America's small businesses all across this country?

Ms. CONTRERAS-SWEET. Well, let me just say with great lament, when I read the report that these issues had begun in the 1990s and some even as far back to the 1980s, so I appreciate that I have been here for about 20 months. I think that you will see that the progress that we have made is quite remarkable, but as I mentioned to you, I am committed to keeping this momentum going, and with the good Lord, making the progress that your expectations meet.

I am absolutely committed to making sure that people understand that this SBA is effective, and as I said, the numbers prove it out. Sometimes it is not pretty, and it should be a little prettier in terms of our documentation and our processes.

But when you think of technology, we started a program called LINC in this amount of time, that we were able to start a program like Match.com—I do not know if any of you are familiar with Match.com, but you do not have to tell me if you are—the point is seriously that——

Chairman CHABOT. Just for the record, I know nothing about it.

Ms. CONTRERAS-SWEET. I just want you to know that with that system, we are now able to get data for prospective borrowers, but this data is with the lender, 22,000 people have already been connected in just a few short months. That is a remarkable technological accomplishment. We are now introducing a new platform with our lenders.

I understand there are challenges in documentation. I commit to you working better on that. I want you to know the work is getting done.

Chairman CHABOT. Thank you. My time has expired. Again, just to reiterate, our number one priority is what is in the best interest of America's small businesses. That is what this hearing is about. Seventy percent of the new jobs created across America is small businesses doing that. We need to do our best for them.

I will now recognize the ranking member for 5 minutes.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman. I would like to enter into the record as a matter of clarification the fact that in SOP 40-002, it is a requirement for legal counsel to be present when district staff is being interviewed, so here it is. It is part of the SOP.

I would like to ask the administrator—actually, I would like to recommend that you start with 40-002 to remove barriers to GAO access. You could start by updating this SOP, so that it reflects there is no intention to prevent staff from speaking to GAO or GAO gaining access to documents of the Small Business Administration.

With that said, in the report, Administrator Contreras-Sweet, GAO found that SBA still has not implemented disaster program reforms, which this committee authored when I was chair in 2008. I asked GAO the same question yesterday, but I would like to hear your answer as well.

What are the main reasons why SBA has not established the Immediate Disaster Assistance Program?

Ms. CONTRERAS-SWEET. You and I talked about that off line, and I heard you loud and clear, and I did a little bit of homework on that. Number one, I learned that we actually had promulgated an interim rule and we put it out, so we put the reg out. Then when we were recruiting banks, financial institutions—quite frankly, you and I could hold a roundtable—what they said is that the IDAP, the immediate disaster assistance program——

Ms. VELÁZQUEZ. Because my time is limited, I know you are talking to lenders. What is the timeline for doing so?

Ms. CONTRERAS-SWEET. I am just saying that we already have an interim rule for IDAP that we can use and deploy, start using that. What we are trying to do now is recruit banks. When you ask a bank to amortize a $25,000 loan, a $10,000 loan over 10 years, it is something that is not attractive to them, especially because it has a low interest cap. Somehow, we have to make it more attractive.

In the spirit of what you want, I wanted to assure you that the Office of Disaster does provide loans, and we already did a noncollateralized $25,000 loan that is now being processed in 7 days.

Ms. VELÁZQUEZ. As you know, we have been dealing with the issue of Sandy in New York. Many people and businesses who qualified for those loans did not get them. We passed legislation to reopen so businesses could reapply.

If you see some issues where you feel there has to be some legislative fixes, we need to hear about it. Let's have that discussion and get this program up and running, because we cannot wait until the next natural disaster strikes and come back here to be in the same position, asking the same questions.

Ms. CONTRERAS-SWEET. Right. When I looked into that, I agreed with you, and I did not want to rely on hearsay, and that is why now I have put out a formal ANPR, a Notice of Public Rulemaking, and that is out and available, and as soon as we get that formal comment, we will respond back to you what those remedies might be.

In the interim, I am also pushing forward on the EDAP and the PDAP to make sure that all the complements that you intended are executed in the way you imagined.

I just wanted to add, if I may, our disaster assistance, as you know, has been something that is very, very important to both of us, and that is why the day I was sworn in, I committed to flying to the State of Washington to look at Oso, Darrington, Arlington.

I went to the State of North Carolina to meet with Nikki Haley when she was experiencing hers, and I am committed to going to Missouri. Our team is already there. We have a dozen employees in Missouri already examining the disaster to determine the appropriate response.

The record shows that now, once we are given permission and declare a disaster, we are there in 24 hours, Madam Ranking Member.

Ms. VELÁZQUEZ. Thank you. I just wanted to congratulate you on the many successes including the 7(a) lending dollars, contracting goals, exceeding those contracting goals. SBIC is up to 10 percent. We could do better. That is the reason we are here today. We need to update those SOPs because if the agency cannot hold its resource partners accountable and there is confusion as to how the programs are supposed to operate, that will impede their success and businesses to be able to get the assistance they need.

What have you done so far and what are you planning to do to further upgrade the SOP problem? I do not want to impose upon you to provide a report every month, but I want a commitment that tells us you are really going to do everything you can. You know, the next administration will be in place pretty soon, a year and a half from now, and we need to see what type of resources you are going to put into place. If there is a lack of adequate resources for your agency to do the work, we need to know so that in the next budget submission, it is included that you need more funding.

Ms. CONTRERAS-SWEET. Thank you for that——

Chairman CHABOT. The gentlelady's time has expired. You can answer the question, but I do want to make sure, on behalf of the Committee, we do want a monthly update on what progress is being made towards the deficiencies that the GAO has set out in their review.

Ms. CONTRERAS-SWEET. I heard you, Mr. Chairman. Thank you.

Chairman CHABOT. Thank you.

Ms. CONTRERAS-SWEET. With great brevity, let me just say for those of you who have not seen an SOP, this is a review, a complete review and overhaul of the Department's way of operating. Some of these are inches tall. This is an important body of work. I want you to know that we have completed more SOPs in the 20 months that I have been here than the prior 5 years combined. That is just to show you the momentum with which I have taken this so seriously.

I am working hard to make up lost time, but I also want to have it institutionalized, so that when somebody comes in, this is work that has been harnessed and seized. To that point, we already have over 30 more SOPs that we are interacting with and that are pending in interaction that we think will show great progress very soon.

Just know, I take those SOPs seriously, again, for the institutionalization of our legacy.

Chairman CHABOT. The gentlelady's time has expired. The gentleman from New York, Mr. Gibson, is recognized for 5 minutes.

Mr. GIBSON. Thank you, Mr. Chairman. I appreciate this hearing. You know, with due respect, I will say right up front, I am a little disappointed so far in the approach of the hearing in terms of the responses. You know, the Chairman set a tone, I think, at the outset that we really want to work together going forward identifying all the deficiencies and the shortcomings, but you know, in the opening set of remarks, I certainly appreciate how you have

pointed out what you did with the resources to support small businesses. I want to state that very clearly and sincerely.

But really the focus here is on improving what are very disturbing findings from the GAO. Towards that end, my colleague from New York, Mr. Hanna, leads a Subcommittee. They did, I think, very strong work on behalf of the American people with regard to procurement reforms. This was incorporated into the National Defense Authorization Act in 2013. Yet, among the findings from the GAO is there has been no action taken. The law was very clear that action was to be taken within 6 months of the implementation of that law.

My question to you is what explains why nothing has been done on this score? Do you disagree with us on what was done? If you do, it would have been nice to know that before now, but if you agree with us, why has nothing been done?

Ms. CONTRERAS-SWEET. First of all, let me just thank you for your service. I know you are an admirable veteran, and I really salute the work that you have done in particularly difficult zones in our world.

Let me just speak to if I have not shown or exhibited the level of seriousness with which I take this work, I apologize. Let me just say when I looked to see the momentum, because I thought I should stress this to you, under prior administrations, like in 2002, for example, there had been one debarment. In 2003, one. In 2004, zero. Under my term, I have already completed 47 of these, just to show you the momentum with which I am approaching this work.

Please do not underestimate the commitment, this commitment to you. I came from the State of California. I had in California 42,000 employees to work with in one State. Do you know here, to the ranking member's question, I have fewer than 2,000 employees.

In procurement, we have to partner, and we work very closely with our strategic partners. If you just took the Air Force alone, do you know that the Air Force has 22,000 captains—2,200 captains, excuse me, just captains alone. Again, I have fewer than 2,000 employees across the agency. Yet, we are managing a portfolio of $120 billion, the most complex system of networks. We are procuring—we are redirecting 23 percent of the largest procuring in the world to small businesses successfully.

Yes, we are pushing to debar because I do not want any fraud, waste, and abuse. I can tell you that when I started my own personal business, I could not get certified as a woman business. I could not confirm that I was a woman owned business.

To me, to make sure we are doing those certifications is important, but also more important, to make sure that people are not getting in who do not deserve to be in the program and are abusing the program and taking advantage of it, and taking contracts from people who deserve them.

Our people are there fighting up against the Department of Energy top officials, up against Department of Defense officials. Our small business advocates, our PCRs, are in those places where people do not like them to be because we are sharp elbowing them to make sure every appropriate small business opportunity goes to a small business.

Mr. GIBSON. Thank you, appreciate the passion that you bring and the leadership to the organization. One just quick follow up on that. As the chairman mentioned, and we are going to be anticipating reports, monthly reports, I would hope that in the first one, we will see an official response to the implementation of this fiscal year 2013 National Defense Authorization Act as it relates to the requirements we levied upon the SBA.

I have very little time remaining. Let me just say from my experiences leading formations, one of the things that concerns me is the level of turnover in the SBA, so we are not going to have time for you to respond, but also for the record, I would like to know from your vantage point as the leader, what are you doing to ensure continuity in terms of transition periods.

Really, two points. One is are you taking any executive action to lessen the turnover, and then two, given those realities, what SOPs do you have in place to ensure that when new folks come on board, there is a good and effective transition?

Mr. Chairman, I am sorry I am over and I yield back.

Chairman CHABOT. The gentleman's time has expired, but if you could give a brief answer. Again, we are going to be receiving reports, so you can go in more depth with the follow up, but if you could make a brief response.

Ms. CONTRERAS-SWEET. Let me just say that to me one of the most important things is to show people what their job is, to give them clarity of purpose, and to reward them appropriately, and to provide an environment where they are well resourced, their scope of work is clearly defined, and they are well resourced, as I said.

To that end, I have put in the first ever SBA chief learning officer. I have up scaled the CLO/COE function in our office where now I have somebody who actually has the theoretical and the practical experience. I am holding town halls, I am visiting every district office, to learn what the challenges are across the country.

Let me just say across the Government, we have an aging workforce challenge that we have to address. I have gone with my chief of staff to try to recruit more people. We are holding job fairs across the country. Just in the sort time I have been there, I have hosted 10 job fairs. I have reached out to the Peace Corps and our veterans to try to attract more skills and competencies of discipline, of entrepreneurship, and perseverance. I think it is beginning to pay off, sir.

Chairman CHABOT. Thank you. The gentleman's time has expired. The gentlelady from California, Ms. Hahn, is recognized for 5 minutes.

Ms. HAHN. Thank you, Mr. Chairman, ranking member. A very interesting hearing, and I really want to thank Administrator Maria Contreras-Sweet for being here, and just sitting here listening to you, your answers in the first couple of questions, has really restored my passion for small businesses and what this agency is doing.

I had an opportunity to work with her when she was secretary of California's Business Transportation and Housing Agency. As Administrator, what I really appreciated is your district staff, Victor Parker, and you both have come to my district, and we have held roundtables, and we have toured small businesses together.

The chairman's opening comment about sometimes all we hear is from our own constituents about some of their problems, I think you have actually heard the problems yourself because you have been on the ground, you have been in our small businesses.

While certainly this hearing is about the recommendations that we are trying to get responded to and reformed in the administration, it is clear that your record year of lending to small businesses, investing and contracting is really what I care about, and I know maybe the priorities on this Committee may be a little bit different, but that is my priority. That is what I always heard, access to capital and Federal contracting, and you are certainly addressing those previous weaknesses in the agency.

It is clear that SBA has been around since 1953, and many of these issues that were pointed out in the GAO report have existed long before you and long before this administration.

Whether or not you can address every single one of them by June, I do not know. I have no doubt that you are going to try, and that is important to you.

One of the issues in the report that was important to me, and I understand it is also a priority for you, is the women owned small business program. This is, of course, a program that allows women owned small businesses to compete for Federal contracts.

Unfortunately, one of the things we found out was there were problems verifying the eligibility of the applicants resulting in contracts being awarded to men. Yikes. I know you are working on this. Can you tell us where you are in the process of making sure that those contracts indeed are being awarded to the women owned businesses?

Ms. CONTRERAS-SWEET. Thank you. As you know, when I arrived, you mandated that we achieve a 5 percent goal with women owned small businesses, and to my great lament, we had not reached a 5 percent goal for contracting with women. Women are 50 percent of the population. I think it should be something that should be achievable.

We came to you again, and I was delighted that Congress has given us a brand new tool, sole source authority, where we have now the ability to begin to certify businesses, so we can take out any fraud, waste, and abuse. I just published to get the proper feedback, to make sure we are following the right procedures and processes, and not just implementing something nilly-willy.

I am pleased to tell you that already we have that out and we are already beginning to get comments, and we are going to formalize them and create a process for certification that will assure that people understand what is a woman owned small business, that the standard is set, and that we have people properly trained to be able to certify them.

Ms. HAHN. Thank you. I appreciate that. Certainly, in L.A. County, you know, we have more women owned businesses than any other county in the country. We are very proud of that, and for me, that is a priority in this Committee, that clearly we are supporting the women owned and minority owned businesses, in my county, for sure, so I appreciate your work on that one concern and recommendation.

Ms. CONTRERAS-SWEET. You have been a stalwart on behalf of women, not only for the County of Los Angeles, but for your country. Thank you for your leadership.

Ms. HAHN. Thank you. I yield back.

Chairman CHABOT. The gentlelady yields back. The gentleman from Virginia, Mr. Brat, is recognized for 5 minutes.

Mr. BRAT. Thank you, Mr. Chairman. I will yield back my time.

Chairman CHABOT. The gentlelady from American Samoa, who is the chairman of the Subcommittee on Health and Technology, Ms. Radewagen, is recognized for 5 minutes.

Ms. RADEWAGEN. Thank you, Mr. Chairman, and ranking member. Madam Administrator, considering the recent new offices built that may or may not provide redundant roles as other offices in close proximity, was there any thought given to the U.S. territories? Can you explain your rationale?

Ms. CONTRERAS-SWEET. I am sorry. The rationale for what? Excuse me. I am sorry.

Ms. RADEWAGEN. Let me give you the question again. The U.S. territories, the question was considering the recent new offices built that may or may not provide redundant roles as other offices in close proximity, was there any thought given to the U.S. territories.

Ms. CONTRERAS-SWEET. I heard the question, I was trying to understand. Are you saying we are building offices? I was just trying to clarify.

Ms. RADEWAGEN. I think so.

Ms. CONTRERAS-SWEET. Because I am not aware that we are building an office there. I am trying to understand the context of the question. Let me just say that I would be delighted to sit down with you to understand if you are not getting the service levels that you deserve and you expect, to come back to you with a plan.

Ms. RADEWAGEN. Thank you, Madam Administrator. Next, what functions are performed by personnel in the agency's regional offices?

Ms. CONTRERAS-SWEET. What are the personnel functions?

Ms. RADEWAGEN. Yes, what are the functions performed by the personnel.

Ms. CONTRERAS-SWEET. I see.

Ms. RADEWAGEN. In the regional offices.

Ms. CONTRERAS-SWEET. Thank you. What we have at headquarters is policy offices, so you will have, for example, the GCBD, the Office of General Contracting and Business Development. You will have an Office of Capital Access. We have the various offices that operate the various programs, staff, and line functions.

In the district offices where the magic all comes together, there in the district office you will have a lending relations specialist. You will have a BOS, business opportunity specialist, working along side an EDSS, educational development service specialist. All these people work together to create a sense of community, to provide the full complement of services that our resource partners need and entrepreneurs need, and our lending partners and local governments.

I will give you an example. We have a challenge today where while we can be a program provider, we also want to be a voice for

small business. One of the challenges we found in local communities is they are the ones that license small business formation, and in many instances, capital formation.

We launched a program called Start Up in a Day. Start Up in a Day is where we go into the city to make sure they can put on online responses so that small businesses can start their business in a day without having to go through a labyrinth of regulation.

Ms. RADEWAGEN. Thank you.

Ms. CONTRERAS-SWEET. They execute programs such as that.

Ms. RADEWAGEN. Have you examined whether those functions could be performed by other personnel either at headquarters or in the district offices, and thereby provide additional full-time equivalent personnel for functions such as an increase in the number of procurement center representatives?

Ms. CONTRERAS-SWEET. Honestly, having been an entrepreneur and a community banker, I have thought about that, and it was a tough call for me. I could convene and have everybody centered and headquartered in Washington, D.C. and not connected to community, but I decided that it was more important to be embedded in the community and a part of the community, and understand what those nuances in each neighborhood. I think the numbers prove that is working well.

Ms. RADEWAGEN. Thank you. You do not have a chief information officer, a position I presume that you consider critical to the operation of the agency. Where are you in the process of finding a permanent chief information officer? I appreciate that you have a chief learning officer.

Ms. CONTRERAS-SWEET. The chief learning officer is more of a human resource function, I should say. What I did is I went to Silicon Valley, I went out to California, I have gone to the East Coast, to try to find a really thoughtful, successful person who knows how to procure and to execute.

Well, I think that I have some talents. I must say I am not an expert in technology. I really wanted to make sure that I had the top level of advice, to make sure that I was filling the position appropriately. I have a strong person who has been a dedicated employee of SBA as the acting, and I have now put in what I call a chief design officer—digital officer, excuse me, that is working with us to fully complement that team and fill it in.

We are getting candidates. We are going to the right places to find the right people. It is tough Government-wide to attract top technology talent because of the salary structure and compensation in Government compared to the private sector.

I am determined, and I think we are going to be successful to do it.

Ms. RADEWAGEN. I think you do need a chief information officer.

Ms. CONTRERAS-SWEET. Agreed.

Ms. RADEWAGEN. Thank you very much.

Ms. CONTRERAS-SWEET. Thank you. Agreed.

Ms. RADEWAGEN. I yield back, Mr. Chairman.

Chairman CHABOT. Thank you very much. I would just note that the gentlelady is absolutely correct. In fact, by statute it is required to have a CIO. We urge you to get that done, please.

Ms. CONTRERAS-SWEET. Yes.

Chairman CHABOT. We will now move to the gentlelady from New York, Ms. Meng, who is the ranking member of the Agriculture, Energy and Trade Subcommittee.

Ms. HAHN. You skipped over Ms. Lawrence.

Chairman CHABOT. Sorry about that. I was given the wrong card. Ms. Lawrence? Did you get here when we started?

Ms. LAWRENCE. Yes.

Chairman CHABOT. Go right ahead, you have 5 minutes.

Ms. LAWRENCE. Thank you so much. I want to thank the chair and our ranking member. I want to say, Madam Administrator, your responses to the questions have been—I sit on Oversight. I am used to speaking to our Department heads and leaders in our Government.

It is refreshing to have an Administrator who first of all shows commitment and enthusiasm about your responsibility, but you have been able to answer with a proactive response to these questions and concerns. I want you to know that is refreshing and I appreciate it.

In addition to that, it is important that we do have reviews of Departments. The fact that the GAO has identified areas that we can improve, we as a Government need to look at those areas, but our commitment and our focus should be on how do we move forward. With that, I want to say I am very encouraged by your leadership.

I wanted to follow up again on something I am very passionate about that I share with my colleague, Congresswoman Hahn, and that is about the women and minority owned businesses. For the record, the women owned businesses grew by more than 25 percent and minority owned grew by 38 percent between 2007 and 2012.

If you want to say how did we grow our economy, it was on the women owned and minority owned businesses in America. We should be very committed and focused on that area.

The majority of the women owned businesses that have opened has been in health care and social assistance. How is the SBA encouraging and promoting women and minorities to open businesses in technology, manufacturing, and the engineering industry?

Ms. CONTRERAS-SWEET. That is a very, very important question because we have to make sure we are moving forward in terms of the skills that the American workforce really needs. I appreciate where you are going.

Let me just give you two broad answers. One is that just to make sure that we are getting more people who traditionally have not been given access to capital, we have taken some very aggressive steps. We had zeroed out fees on loans under $150,000. That is an important thing, just so that the cost structure is better for the borrower.

Second, I have recruited more and more outlets, credit unions. We had not really engaged credit unions to the extent that I think they can be engaged. They are non-profit. They are not paying taxes. They willingly agree to enter into a partnership with SBA in an unprecedented way, so I am pleased.

Instead of having people knock on the door of a bank and another bank and another bank, what I wanted to do was put up this

program that I call "LINC," it is where again a prospective borrower answers some simple questions and then they are connected to financial institutions.

As I referenced earlier, over 22,000 people have already made matches. In fact, the last time I was in this room, there was a woman who was sitting in this audience who said as a result of LINC, she was able to take a very usurious rate loan and make it a more attractive loan, and as a result, increased her cash flow, her EBIT, and is now growing. Those are the kinds of stories I get across the country.

The second point about making certain we are getting people into tech, in the STEM fields, which you allude to, we have launched a program that we call "InnovateHER." When I say "program," it is an outreach initiative.

What we wanted to do is to say to women who we do not see in Silicon Valley and doing the scale ups at the same rate—"InnovateHER" is spelled h-e-r, the last three letters. It is a national effort to reach out to women to say hack, disrupt, invent, change industries, you, too, can be in cybersecurity, you, too, can be in precision medicine, you, too, can be in aeroponics.

We need to get women in the non-traditional fields, so this effort of rolling this out is getting women engaged. We had last year 100 various competitions in women engaging, and beginning to disrupt industries that they belonged to.

I am proud of that progress, but again, we will continue to do it, and we invite you to come in and participate this Women's History Month in March where we will be convening the winners of those competitions.

Ms. LAWRENCE. Thank you so much. Before my time rolls out, I also wanted to comment on—you have addressed extremely well how you are putting in place standard operating plans, and how you are addressing that. I want to make sure that we are supporting you, giving you the tools that you need. You complimented us a couple of times for the action that we have take.

It is not so much just getting a report from you, but also when you identify there are areas that the Government could support the Small Business Administration, that we are getting those on a regular basis, too. Thank you.

Ms. CONTRERAS-SWEET. Thank you.

Chairman CHABOT. The gentlelady's time has expired, but you can answer the question.

Ms. CONTRERAS-SWEET. Just as I stated earlier, we have closed 14 SOPs after not having seen anything closed, more than in the prior 4 years combined, as I said. We have an additional 41 pending and working collaboratively with the GAO, so the momentum is strong, and I do commit to you that we will double what we did last year. Thank you.

Chairman CHABOT. Thank you. The gentlelady's time has expired. The gentleman from California, Mr. Knight, is recognized for 5 minutes.

Mr. KNIGHT. Thank you, Mr. Chairman. Madam Administrator, I have just a couple of questions. One of them is on the line of the CIO, and I know you have been there for 20 months. This is a crit-

ical position. I understand that someone is overseeing this position as an assistant.

Would we believe that person would have the same responsibilities as a CIO would, would they respond to your expectations? As I understand it, responds to the COO and not to you. Would that continue to be when the CIO is hired at some future date, would they still continue to respond to the COO or would they come to you?

Ms. CONTRERAS-SWEET. That is a fair question. Let me just say that in the structure, the organizational structure, as we have it, the operations—we have a deputy administrator who is sort of, if you will, I do not want to use the term, you could say the chief operating officer. The bowels of the organization, the functions that run and rev up the engine and are torqued all report into the deputy administrator. That is generally the way the SBA has operated.

This person reports in through that function, and it is working. This person has been hugely successful. I just had him present at an entire town hall. I want to tell you, few people in our agency enjoy these when we put them on, but we think they are important ways to distribute information. He received one of the loudest applauses for the moves that he is making to put us on the Cloud, to make that move. He is getting now laptops for our field operations people so they can go to meet and participate in——

Mr. KNIGHT. This would still come to you at some point; is that correct?

Ms. CONTRERAS-SWEET. Oh, sure. It is a very flat organization, and I make myself available. I participate in weekly senior staff meetings. I am seeing this person on a regular basis.

Mr. KNIGHT. I understand the day to day operations and how the process works. At some point, there are going to be responsibilities and decisions that are going to have to be made, that are going to have to be made by you or be on your door step. I just want to make sure that is clear, especially when a CIO is hired.

The 69 items, I know that people have made a lot of this, and you being in there for 20 months and these items coming up after that, seven items being cleared up and 62 items still being on the docket. As a leader of an organization such as yourself or any one of us, there must be prioritization, and you must put out the fires first and then start working on the issues that you think are number 1 through number, in this case, 69.

Would you say that any of these items are not on that list? In other words, would you say hey, I have looked at these 69 items, yes, there are some good items here, there are some things we want to work on, some issues that we want to fix, but there are some of them, and just by one of your statements that you say some of these might not be needed, could you explain parts of these or any of these issues, these 69, that might not be needed or you might not work on?

Ms. CONTRERAS-SWEET. You know, I track these. I just want you to know I track them. I receive this report on a regular basis. What I want to tell you is as I dissected them again, I noted, and I think you did, too, that the GAO stated that some stem from the 1980s and 1990s, so we are working through them as I mentioned.

I am doing that. In other words, I think they are all important and they are all vital, but I am prioritizing. For example, the disaster. There are two that were disaster oriented. We pushed those out as a priority. I am going through and sifting, making sure that I am——

Mr. KNIGHT. Basically, what I want to get to is we have a prioritization of basically 1 through 69, we are going to knock these items out. Lastly, we have an aging workforce in many industries, but there is probably no more difficult industry than the IT area in this country.

We are producing about 150,000 jobs a year in software, IT, coding, and all of these types of positions. It is very difficult to get them into Government jobs, as I understand the pay is not as good.

What kind of policies, what are you pushing forward so we can get these young 20-30 year olds that know up-to-date IT, know up-to-date software, and you can push them into the SBA?

Ms. CONTRERAS-SWEET. Thank you. I would like to have, if you would, the budget the GE has. I think those commercials are fantastic where they say oh, you are going to go work for GE, you know, too bad you are not going to go work for a hip, happy place. I feel their pain, do you know what I am saying.

That is why I said we are really trying to reach out to Peace Corps' types, to veteran types. I am going to more college fairs. We are traveling to the coast as well as the middle part of the state, if you will, to brand SBA. I hope you felt our efforts, for example, during Small Business Saturday, which is the weekend of Thanksgiving. I was not just talking about supporting small businesses, but also as making SBA an attractive place to work.

To that end, we are working through millennial channels. I just retained a fabulous producer and very popular gentleman with youth, Mike Muse, who is now doing video spots for me and placing them out in different industries. I partner with anybody who is willing to help me amplify the opportunities at SBA.

More important to the point is I write the correct job description, so we are not just hiring the same people again. That is what I have undertaken as a priority, to make sure the job descriptions speak to the future, and then when they come in, for example, the PMSs that I have right now, since I have very limited H.R. training budget, I give them rotational opportunities. I give them an opportunity to be mentored. We are just trying to shake it up.

Mr. KNIGHT. I appreciate that. I know my time has expired, Mr. Chair. Thank you.

Chairman CHABOT. The gentleman's time has expired. Now, the gentlelady from New York. I apologize for the mix up before.

Ms. MENG. That is okay. Thank you, Madam Administrator, for being here today, and also for all the work that you have been doing, traveling all throughout the country to various districts, including ours in New York, hearing directly from small businesses about their problems and concerns.

I, too, echo the sentiments of my colleagues, especially Ms. Lawrence, in appreciating your passion, enthusiasm, and great efforts while being Administrator.

My question is in response to the GAO's recommendations, the agency has said that it is currently restricted from collecting data

from resource partners, or that the agency does not have adequate information collection systems for some programs, which makes program evaluations difficult.

Can you expand on this and explain how these restrictions and lack of adequate collection systems are preventing the SBA from conducting evaluations, and what efforts can Congress undertake to help remove any data collection restrictions and help the SBA collect important data from the resource partners?

Ms. CONTRERAS-SWEET. I think data collection is fundamental in evaluations, assessments, and strategic planning. You have to start with good data, rich data. I am pleased that in each of my outreach efforts, whether it is our SCORE partners, our SBDCs, the SBICs—just stop me if I am using too many acronyms, I apologize. I do not like jargon, so I do not mean to do that.

Our resource partners, let me just say that they are collecting rich data, but there is a natural screen in how much they give to us. We have reached agreement on 10 measures that we can agree on about encounters of capital formation, business start's, contracting, those kinds of things. That data is collected and it is mined, and it is utilized.

Then we get qualitative data, not just the quantitative, but we also work on qualitative interactions, meaning focus study groups and interactions in roundtables that I have hosted, for example, with you around the country, and with the chairman and the ranking member and others.

My disappointment, if you will, and a way in which you could help me, is that for me, a critical data point would be an unique identifier. I am not trying to invade privacy. It can be any numeric number, it can be part of an alphabet, but for me, when someone says they have served 100 people in a day, I do not know if that is somebody that came in twice that one day or if that is 100 different people.

I think an unique identifier would be very useful in being able to track longitudinally what our actual accomplishments are. That is what I am very seriously looking into. I have discussed this with our resource partners, and they are beginning to be, I feel, some are more amenable than others, but with your help, we can get there.

Ms. MENG. Thank you. My last question is about human capital management. From yesterday's hearing, we talked about how the GAO report identified challenges at the agency, one of which was the need to prioritize transformation in the area of human capital. Do you agree, and what is being done about that?

Ms. CONTRERAS-SWEET. Yes. I should have just mentioned to you more to the point about your prior concern, at the agency, what I have done is I have put together an interagency evaluation working group so that all the program heads are not just working with our resource partners but also what measures matter to them, so they are also mining the correct data, and we can build proper evaluations to be more responsive to the management challenges that we are addressing here today. I just wanted to speak to that.

With respect to human capital, as I mentioned, when we talk about the district offices, as the Congresswoman from the islands mentioned earlier, the Samoa Islands, our teams, because we have

one of the best leverage factors around, again, understanding we are fewer than 2,000 employees, leveraging these kinds of numbers, managing the Federal Government procurement process, and the kinds of things that we do, we do leverage up.

These district offices in many instances have five or six employees, and when you and I host a conference with 500 people who need their help, it is a lot of lifting. In any instance that we could take a serious look at the structure, meaning size of SBA, I think it would go a long way.

Ms. MENG. Thank you. I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back. The gentleman from Florida, Mr. Curbelo, who is chairman of the Subcommittee on Agriculture, Energy and Trade, is recognized for 5 minutes.

Mr. CURBELO. Thank you, Mr. Chairman, and thank you, Madam Administrator, for being here today, and thank you also for visiting South Florida last year. It was a pleasure to see you at Florida International University.

I think one of the complaints that most of us hear most frequently about Government is that it is dysfunctional, that Government is incompetent, Government is unaccountable.

Yesterday in the GAO representative's testimony, one of the things that struck me the most was that the GAO perceives a breakdown in communication at the SBA, that employees do not have forums in which they can express their frustrations, perhaps their views on how things can be done differently.

Do you perceive that there is a culture at the SBA where employees do not feel that freedom to express their views, to share their concerns, and to share perhaps their contributions with regard to how the SBA could be run more efficiently, more effectively, and more competently?

Ms. CONTRERAS-SWEET. Yes. I think communications is foundational to running an effective organization. There are formal and informal processes. Sometimes people communicate more by standing by the fountain, the water fountain, than anything else. We have to make sure that we are managing communications because not communicating, the absence of communication, does challenge an organization.

Just to share with you the systems that we have in place, first and foremost, we start with an annual strategic meeting, one time, where we bring the entire field operations together with the heads of program offices, and we have a full interaction for a three day setting, to set priorities and then to talk about execution and accountability, time frame, and so forth. That is number one.

Number two, we follow up with a weekly engagement. I am on the phone or my chief of staff on a weekly basis with every district director and in many instances the DDD, the deputy district directors, are on the phone engaging with us.

On a daily basis, we have what we call the "SBA Daily," and I know it is not a great name, but I have to tell you that people are really drawn to this because it tells them exactly what is going on on any given day with respect to anything that is happening in SBA.

I visit district offices, the program officers visit district offices. Then I hold roundtables with every one of the teams, and I walk floors. For Heaven's sake, on Thanksgiving, I was passing out tangerines. On Halloween, I joined them for festivities.

We have informal, formal, and then we have special as needed events like town halls, so we do not wait for those, if we need to have a special town hall, we engage in that, too.

I have to tell you again, these are people who are fighting and are in the district, creating success every day, and I do not see them being shy about communicating.

Mr. CURBELO. Madam Administrator, sometimes communication only flows from the top down. You are comfortable that at the agency right now, there is an environment in which employees from the rank and file to those in leadership positions can express their views, their frustrations, their joys, with their superiors, and really create that culture of information sharing that I think is essential for the competent functioning of any organization?

You feel comfortable that culture exists today? Do you think there could be improvements? Do you find any validity in the concerns expressed by the GAO with regards to communication within the SBA?

Ms. CONTRERAS-SWEET. Well, if the GAO stated it, somebody must have said to him that there was a challenge, so I have to take that seriously. There is no question about I have to take that seriously.

Again, my reality is that they step forward at town halls. It is an open town hall. I take people out to lunch and say what is going on. I walk floors and tell me—I get emails from people. I feel if the GAO is making this comment, I will look into it, there must be a challenge.

Mr. CURBELO. Thank you very much. Thank you, Mr. Chairman. I yield back.

Chairman CHABOT. Thank you very much. The gentleman yields back. The gentlelady from New York, Ms. Clarke, is recognized for 5 minutes.

Ms. CLARKE. Thank you, Mr. Chairman, and I thank our ranking member. I want to thank the Administrator, and just say to you that I want to thank you for a number of things.

One, for being engaged on the front lines of the small business marketplace and being a visible change agent for small businesses across our Nation. I can attest to the fact that you have been out across this country. You were in the 9th Congressional District meeting with small businesses. I think that is refreshing in and of itself.

You are dealing with an agency that has challenges. There is no doubt about that. I think you have demonstrated here today through your testimony the passion and drive that you have for the small business ecosystem across our Nation, and you have displayed in today's hearing a response to the challenges of the 21st century SBA.

I appreciate the innovative and creative approach you are taking to doing more with less. One of the things that has not been really drilled down on and that really struck me in this conversation

today is the fact that you have 2,000 employees for the United States of America and its territories.

When we think about the numbers of small businesses across this Nation, you are doing a mammoth task. Certainly, there is always room for improvement, but what I have been impressed with today is your commitment to meeting these challenges head on, and that is critical.

If indeed you are able to leave that legacy for whomever will be next in your shoes, that will take us a long way in making sure that the 21st century SBA is meeting all of the goals that we have for small businesses in our communities across this Nation.

The one thing that I would like to do, because I think I have heard the answers that I need to hear today with respect to the recommendations of the GAO, and I feel assured that you are paying keen attention to those recommendations, is that I want to encourage you to look at how you can do more engagement with the small business ecosystems in the U.S. territories and the District of Columbia, strengthening them, quite frankly.

I would use the example of Puerto Rico. Because of the challenge they are facing economically, there is going to be a need for undergirding small business, and to the extent that we can be a part of helping them to stabilize just the marketplace on the ground for small business will go a long way as families struggle with the climate that has been created due to the challenges Puerto Rico is facing overall with its economy.

Having said that, if you would like to respond, that is fine. If not, go to it. I am convinced you are focused like a laser on what needs to be done, and I want to encourage you to keep up that stride.

Ms. CONTRERAS-SWEET. Thank you.

Ms. CLARKE. I yield back, Mr. Chairman.

Chairman CHABOT. Thank you. The gentlelady yields back. The gentleman from——

Ms. CONTRERAS-SWEET. May I respond?

Chairman CHABOT. We have a response. Go ahead.

Ms. CONTRERAS-SWEET. I just wanted to compliment you on the outreach that we did in your district, and I thought it was really superb, so thank you for convening such a stellar group of people.

I think you raise an important point, and that is we have a program called the HUBZone program, the historically underutilized business zone program. I traveled to Puerto Rico to meet with the Governor, to meet with communities and local officials to understand the rate of debt that every Puerto Rican is assuming, you know, that looms large, so it is a serious issue.

I have some tools, so I wanted to deploy those tools that we have. We went there with again our contracting relationships. We went in to say a couple of things. We said we want to make sure we are bringing corporations in to procure from the small businesses here. We want to make sure that the Federal Government is showing up here. We put on a conference of about 30 major procurers to focus on Puerto Rico.

I did not want to stop there because for small businesses, even when they get a contract, what happens is sometimes it takes the

Government too long to pay, so we have to look at the minutia on some of these things.

In that instance, we launched two programs with the White House. One is called "SupplierPay," which is where we say to large corporations, we will pay you in two weeks if you pay small businesses in two weeks, and a QuickPay program, which is we pay small businesses in two weeks if they are doing business with the Federal Government, so we are now driving that through as well. It is giving again people more capital and cash flow to be able to grow their business.

Chairman CHABOT. Thank you. The gentlelady yields back. The gentleman from Mississippi, Mr. Kelly, is recognized for 5 minutes.

Mr. KELLY. Thank you, Mr. Chairman, and thank you, Madam Administrator, for being here and answering questions.

I, too, am encouraged. It seems like you want to work and to fix all these things, and I am very encouraged by that.

That being said, I found in whatever walk of life, whether it be in the military and commanding a battalion, or whether it be a district attorney and prosecuting a murder case, or whether it be working at McRae's, which was a department store when I worked there, I have often found that priorities in a business plan are so important regardless, and not just for the overall, but for each individual task that you want to do.

I have heard a lot of talk about what you have done, and I am very impressed with that. I am also very impressed and thankful and grateful for your response to Mississippi, to the recent tornadoes, where I lost several victims' lives in my district and millions of dollars in property.

I hope that you will keep a check, checking on my folks, and making sure that SBA does all they can with disaster relief in Mississippi, which has been declared a Federal emergency.

I guess my question is have you prioritized the 62 of the 69 GAO objectives they have for you, have you prioritized those, and if so, have you decided—going back to a college, CPM and those things, you can do some things simultaneous, some things you cannot do until the other things are done, is there a matrix or chart? In the military, we call it a "horse blanket." You have to accomplish these tasks.

Do you have an overall strategic plan that says these are the tasks, this is when we are going to accomplish them, further, this is the person that has the rose pinned on them to accomplish this, and deadlines or a plan of action for each of those 62 that have not been accomplished?

Furthermore, same thing, IT. You have to get the CIO hired, I think, in order to address the IT issues appropriately. I would encourage you do the same thing with those 30 that are outstanding that the I.G. pointed out in the IT area.

If you could address what you have done to do those things.

Ms. CONTRERAS-SWEET. Thank you. Again, let me just say that as I mentioned earlier, I looked at them, prioritized them, rated them, if you will, and started with what I think is the priority, and that is what I am doing.

You are right. Some of them you cannot achieve until the other is complete. That is why I focused on the disaster, these invest-

ment funds are really important to the SBICs, so that is why I went to the Library of Congress to help me study and to do that, so you would have confidence in the research and the metrics, the measures and the evaluation.

It is why we put in an evaluation program for six different items here. We will continue to do that work. Yes.

Let me just continue to share with you that process does matter, as you say. You know, I came in. I left my small business that I created. I started three different businesses. I left my small business to do something here.

If it is not enduring, then what was the point. I am not just here to tell you about what we have done. That is why I am here in a collegial fashion. I understand the importance of institutional memory and documentation, to make certain that the next person who I will be handing this to in not so many months will be able to continue on this journey.

I thank you for your engagement and for your thoughtful consideration.

Mr. KELLY. Let me tell you, I came here with a whole different attitude than now. I think you are a dynamic leader, and I think you have some opportunities. I am trying to give you some things, and if you do not put it in writing, I can tell you as a commander, if it is not written, it does not matter how good the organization is, we tend to lose that.

The second thing, you have talked a lot about what you have done with SOPs. SOPs are so important. From my military background, we cannot operate without SOPs. They have to be current and they have to be active, and they have to be applicable.

I hear you saying you are putting 41 new SOPs into practice, but my follow up question would be to that how many of the old SOPs and the duplicative SOPs have you taken out of action because when people are confused as to which SOP, it is just as important to do away with the old as it is to enact the new, so I would like to hear if you have addressed that or if you intend to address the duplicative or otherwise.

Ms. CONTRERAS-SWEET. Yes, thank you. Again, one of the last businesses I started was a community bank. I have to tell you, I present some things to my board about above the line metrics, and then I am in the organization running the below the line metrics, so I understand exactly what you are talking about—to make sure if I have to reach—how many sales numbers I am going to complete, how many sales calls, how many sales people. All those below the line metrics that we have to have to manage a proper organization.

I respect your training and understand it. I have tracked ISO certification, lean start-ups, lean manufacturing, Myers and Briggs. I have been through so many trainings, ad nauseam. Excuse me, sir.

I appreciate what you are saying and I think it is important to prioritize, to sift, as I stated earlier, and to make sure that we are doing what matters soon, the 80/20 rule. Thank you.

Chairman CHABOT. The gentleman's time has expired. Thank you. The gentlelady from North Carolina, Ms. Adams, who is the

ranking member of the Investigations, Oversight and Regulations Subcommittee, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chair. Thank you to the ranking member as well, and to you, Madam Administrator. I appreciate you being here and your testimony.

I am going to skip asking about the implementation of the recommendations because we have already talked about that. Are there budgetary impediments that Congress can address to assist the SBA in moving more expeditiously?

Ms. CONTRERAS-SWEET. I very much appreciate the question because absolutely, there are budgetary constraints. I am trying to be as resourceful as possible, for example, in training, as I alluded to earlier. To travel, to have someone to travel, to come in even to headquarters is an expense. I have to put them up. I have to put up a per diem. I am trying to be as resourceful as I can, for example, to put on more webinars for training, to use local tools. I am putting people in clusters so they are doing mentoring.

You know, I am trying to do what I can with what I have, but if you wanted to have a serious conversation about the budget, in California, I had 14 different departments, Highway Patrol, DMV, Caltrans, Department of Real Estate, Housing. It was a challenge to run them. I had an unique opportunity that few people have, and that is to create a new department, the Department of Managed Health Care, that is still operating now, I think, as one of the better government run programs in the State of California.

It was an entirely different thing to start with the slate, a clean slate, and say this is the talent, this is the core competencies I am after. Clearly, when you are refining an organization, it is a little more nuanced than it is to just start from fresh.

I would be delighted to engage in that conversation because that really requires a very thoughtful answer that you truly deserve.

Ms. ADAMS. Great. Thank you very much. Let me just turn to the issue of program performance evaluations. GAO found that SBA has made limited progress in addressing the lack of program evaluations. Without evaluations, SBA lacks critical information for ensuring the validity and effectiveness of its goals, objectives, and strategies, as well as the validity and effectiveness of both new and existing programs.

For example, SBA has for many years conducted an annual client survey to evaluate the effectiveness of its management training programs. Are there any plans to survey SBA loan recipients to determine if the SBA's loan guarantee programs are meeting client needs, and if not, why not?

Ms. CONTRERAS-SWEET. I can just give you an example of some of the data points that we are receiving, business start's, revenue growth, job creation, retention, capital infusion, new markets, which ones are exporting, contracts acquired, innovation milestones, client demographics, the usefulness of the services, and most important, customer satisfaction.

These are metrics that we are tracking. As I mentioned earlier, I am interested in an unique identifier so that I can track the person longitudinally, because I think that is really a vital point. Again, that is on the specifics of our resource partners and our public to understand what they are using.

What we are also doing is trying to understand where the entrepreneurs are, so we have—I understand that we are in Federal Government space and not every entrepreneur, to my disappointment, thinks of coming to SBA in the Federal office for entrepreneurial support. That is why I have deployed our team to go out and to find, for example, in these innovation hubs and these incubators, the growth accelerators that are across the country, and we are learning there, too, what millennials need that might be different from our core entrepreneurs, that might be different from our women, veterans. These are market segmentations.

With the advent of technological evolution, we are now able to do much more targeted digital marketing to people. I would like to have that kind of capacity, to answer your budget question, and how to discern whether we are actually fulfilling the customer satisfaction that the taxpayers and more importantly the American entrepreneurs deserve to compete in an ever evolving globalized economy.

Ms. ADAMS. Great. Thank you very much for your responses. Again, thank you for your service. I yield back, Mr. Chair.

Chairman CHABOT. Thank you. The gentlelady yields back. The gentleman from Nevada, Mr. Hardy, who is chairman of the Subcommittee on Investigations, Oversight and Regulations, is recognized for 5 minutes.

Mr. HARDY. Thank you, Mr. Chairman. Thank you, Madam Administrator, for being here. I, too, am excited and grateful for your energy and your passion, and what you are trying to accomplish here.

I still have concerns. I am concerned about what I have read. I am concerned about what I have heard and what I have seen. This agency is to aid, counsel, to assist, to protect small businesses that are vital to this economy. Also, they are supposed to act in a manner that is efficient and nimble like our small businesses are.

An agency for fiscal year 2015 was intended to support about $30 billion, I think, in small business financing, $80 billion in Federal contracts. This is not only large numbers, but it is also concerning, yet the key findings is we have serious challenges out there with this administration, and this is troubling for Nevadans, troubling for America, troubling for the economy.

Although, I, too, agree with what my colleague on the other side of the aisle just said. We have seen growth in the economy, and I do believe that the SBA is vital in that growth, and has assisted in that growth in the economy. That shows how important this Department is.

With these concerns that the GAO has, I have a couple of questions here for you. What is the simple impact on the SBA in utilizing the old outdated SOPs? That is the first question. Another question I would like to ask, you have been here 20 months, why is the average—I think we have had 10 administrators in less than 8 years or eight administrators in less than 10 years, what is going on?

Ms. CONTRERAS-SWEET. You know, as I looked at the chart, I was really intrigued by the GAO's report and how far back it went. You know, two things, and I did a little research, personal

research one evening, because it was just interesting to me personally.

I saw that in some instances, the SBA administrator was promoted to a larger agency. You know, you have to have certain skills to be an entrepreneurship, so different things were taking place, but we are a victim of the political process. With every new administration, you have a new appointment. Generally, people take a four year run and then leave, and you bring in the second bench. I hope I am not the second bench.

Mr. HARDY. It appears to me you have been one of the longest here. I appreciate that. It means you must be having success or you must have some passion for what you are doing.

Do you have a succession plan for what is going on when you leave or any of your administrators leave? Do you have a succession plan in order?

Ms. CONTRERAS-SWEET. What you said is SBA is an effective, valuable, and critical organization in our country. I agree with you.

When I traveled, I just met recently a young man named Kevin who said because of $150,000 loan that he got from SBA after everybody else denied him, he was able to build a little company that has now become Under Armour. I was able to meet with the family in San Diego. With a little bit of help from SBIR, they were able to build an international global marketplace like——

Mr. HARDY. I would like to go right to the question, do you have a succession plan in place?

Ms. CONTRERAS-SWEET. Yes, to that extent, I want this to be an enjoined legacy, so I am not just meeting with our political appointments, I meet with our SECs and with the program offices on a weekly basis, we are meeting with them, to infuse the entire organization down to the bowels of the organization with a sense of priority and value system that we have, and you write it more importantly for institutional purposes, you put it into job descriptions and performance rewards.

Mr. HARDY. Back to that other question, what is the impact of small business on the SBA utilizing the outdated SOPs? Do you believe there is a major impact here?

Ms. CONTRERAS-SWEET. Since we have so many different vehicles——

Mr. HARDY. I would just like a yes or no on that. I have another question.

Ms. CONTRERAS-SWEET. Okay, sir. Yes, we are reviewing the SOPs as I mentioned. As I mentioned, I am addressing them faster than any administrator in the last few years. We are making good progress. I will continue to address that work.

Mr. HARDY. Also, in your testimony you stated that you require senior management to be directly responsible in ensuring and reviewing the dissemination of the SOPs in their jurisdiction. Can you expand on what you have asked there, and also, could you tell me what they are reporting, do you have a report on their findings?

Ms. CONTRERAS-SWEET. Right. They are required, sir, to certify every year their SOPs. Sometimes, there are no changes. Sometimes, there are refinements, nuances, and sometimes they need a major overhaul. We have already overhauled, for example, the dis-

aster one, as I mentioned. We have overhauled the SBIC one, as I mentioned.

This is the kind of work that we have been pushing, and again, these are arduous processes, but we are doing them, we are undertaking them at unprecedented levels, and we commit to reporting to you and reporting back the momentum that we are building on.

Mr. HARDY. Sorry, Mr. Chairman. Indulge me——

Chairman CHABOT. If you have something real quick.

Mr. HARDY. I just want to ask if they had been reporting to you, your administrators?

Ms. CONTRERAS-SWEET. Oh, sure; yes.

Mr. HARDY. Thank you.

Ms. CONTRERAS-SWEET. We have a very flat organization, so I see the program officers individually and on a weekly basis in our program senior staff meetings. Thank you for your service in construction, you have a marvelous story.

Mr. HARDY. You studied well.

Ms. CONTRERAS-SWEET. Thank you, sir.

Chairman CHABOT. The Administrator is not the Administrator for nothing. She has done her research, no question about that.

The chair would just note for the record, this is being broadcast by C-SPAN. For the tens of dozens of people all across America that are watching this, an "SOP" by the way is standard operating procedure. I am sure they are all wondering what the heck that was.

I will now turn to the gentleman from New Jersey, Mr. Payne, who is recognized for 5 minutes.

Mr. PAYNE. Thank you, Mr. Chairman, and to our ranking member. Madam Administrator, once again, good to see you. I had the opportunity to have you in my district for a small business roundtable, not necessarily with me, but with Senator Cory Booker, but it fell in my congressional district.

Ms. CONTRERAS-SWEET. We had two, actually.

Mr. PAYNE. I will not hold that against you, that you were there with the Senator.

Ms. CONTRERAS-SWEET. You got the podium for quite a while.

Mr. PAYNE. Yes, I did. First, I just want to commend you for being able to move around the country as you have done during the course of your tenure. It does not go unnoticed that you really have spread yourself far and wide across the Nation in order to support small business efforts throughout this country.

There have been some issues around retention of senior leadership. If I am going over something that has already been addressed, please forgive me. There have been 41 changes in senior level positions at the SBA in the last decade. The GAO report gave multiple recommendations to increase human capital, specifically noting the SBA still has not developed workforce plans, conducted skill assessments, updated SOPs, or established training goals.

What are you doing to address these human capital issues in senior leadership and in the SBA regional district offices?

Ms. CONTRERAS-SWEET. Yes, again, I think that continuity is important to ensure that we have continuous program effectuation, so I am committed to that work, as I referenced earlier to that end. We are reconstructing many of the job descriptions to make certain

they are forward looking and responding to the evolving technology and communications standards, and just generally, the way entrepreneurship is going.

Earlier, the member mentioned the importance of being nimble, so it is an art form as well as a science, I must say, to be able to be nimble and make sure you are following SOPs and GPRA and GPRAMA, the General Performance and Results Modernization Act, and JOBS Act 2010 and JOBS Act 2012, Dodd-Frank, Sarbanes-Oxley, and Gramm-Leach-Bliley, and this is my life, right, to make sure that I am crossing every "t" and dotting every "i" as I try to be nimble and agile and responsive to the evolving emergence of entrepreneurship and the globalization of it.

It is a challenge, and you want to attract the best and the brightest. I think SBA is a very exciting place, and I must tell you, Congressman, that I was really disappointed because of the characterization—these allegations are not valid.

I respect the GAO, but I must tell you that each and every day the SBA employees are working hard and they are dedicated, and I think people do not have an appreciation that when we have a district office, we are talking about half a dozen people who are managing States and managing business partners, lending and local officials and State officials.

These people have to be artful, and they have to be diligent and strong communicators, and have to lift up branding opportunities through massive media communications efforts.

It is a very important skill set that we need, and the salary structures are somewhat restricted, but it is Government, and I respect the situation. I am managing through it. I think again we will continue to evolve these job descriptions to attract people, to show them their work is meaningful.

The studies that I have read say that people care about compensation but more importantly, they care about the meaningfulness of their work. I am here to remind them of that every single day.

There is not anything that makes me happier, like the man I just met at the airport, my last flight, who said he was an aspiring doctor, and he could not figure out how to start his business, and he received a $50,000 loan from SBA, and he became a doctor, and is now 72 years old, and served our country by providing health care services to America.

Mr. PAYNE. Do you feel the compensation levels in your Department may be curtailing your ability to maintain the best and the brightest?

Ms. CONTRERAS-SWEET. Well, I have to tell you, I did not intend to get into this, but the SBA structure, the salary structure, is not comparable to other Cabinet offices. I would, given an opportunity, be happy to address that and give you a comparison analysis.

In many ways, it is a complex challenge. In many ways, I want mobility. You want mobility in an organization to continue to create opportunities for the younger folks coming in. On the other hand, you want constancy, and you want knowledge, and you want a historical framework.

Again, delicate challenges that I address every day, every single day, I am trying to do this. I actually reached out to OPM, the Office of Personnel Management, and to PPO, the President's Personnel Office, to talk about how we make sure that SBA employees are given opportunities at Treasury, at Commerce, at the State Department, USTR, and they are now getting opportunities. That is the good news. The bad news is that now while I have upward mobility, I now have to find new talent to fill those slots.

Mr. PAYNE. Right.

Chairman CHABOT. The gentleman's time has expired.

Mr. PAYNE. Thank you.

Chairman CHABOT. Thank you very much. The gentleman's time has expired. The gentleman from Missouri, Mr. Luetkemeyer, who is vice chairman of this Committee, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Mr. Chairman, and welcome, Madam Administrator. I got in a little bit late but I know that you commented that you would be willing to come to Missouri, my home state, which has experienced a weather disaster recently. We certainly welcome you to come.

My only comment would be that rather than spend your time there, if you would have your folks be willing to respond more quickly to our needs and our concerns, that would be really appreciated, because that is where we need the help. If you want to come and see it, you are more than welcome. You will see a lot of water.

With regards to that, what do you see happening, where do you see the SBA going, what is your response at this point to the disasters that are happening as we sit here right now?

Ms. CONTRERAS-SWEET. First, let me just assure you that I deployed my team even before we had been designated as a disaster in the area. There are certain circumstances that have to be met. I already have about 10 employees already assessing and going out and conducting that study. As soon as we are given the orders and are able to go, we are now getting there in 24 hours, so it is a remarkable achievement.

Overall, as I mentioned, I have traveled now to Washington to see how we responded there. I have traveled to Texas, to North Carolina, to meet with Governor Nikki Haley. I am trying to get out to understand what the refinements are that need to take place, and as a result, we have put in some what I think are important changes.

We used to do this manually, where we would send out the information to victims of disasters. Now, when they come into our offices, we have the technology to do it, so we can track them better and give them information more efficiently. I am sorry.

Mr. LUETKEMEYER. We are getting to be able to deploy the folks to be able to do the work, that is great. A question for you, the next question I have here is with regard to in 2008, the Small Business Disaster Response Loan Improvement Act was signed by Congress. Eight years later, these bridge loans do not seem to be able to be had. Why are we not implementing this, especially in a time like this?

Ms. CONTRERAS-SWEET. I think——

Mr. LUETKEMEYER. Is it a program worth having, I guess that is the first question.

Ms. CONTRERAS-SWEET. Well, the financial institutions are having a problem adopting it, to be honest. They say it is hard for them to process a $10,000 loan that if not repaid by our permanent disaster program that we do, that we would provide them, then they have to amortize it for 10 years at a very low interest rate, so it is not——

Mr. LUETKEMEYER. It is not a practical program?

Ms. CONTRERAS-SWEET. The financial institutions are resisting it, and I am asking to put them on the record for formal comment as to what we need to do to make them work, but meanwhile, I——

Mr. LUETKEMEYER. If it does not work, it has two choices, either fix it or get rid of it.

Ms. CONTRERAS-SWEET. That is the point. We are working with them to get the answers, but meanwhile, sir, I think this is important, what we put in is an uncollateralized $25,000 loan that we can do directly through SBA, and we are processing them now in 7 days.

In the spirit of what we are trying to accomplish, the——

Mr. LUETKEMEYER. Are you authorized to make direct loans?

Ms. CONTRERAS-SWEET. Pardon me?

Mr. LUETKEMEYER. Are you authorized to make direct loans?

Ms. CONTRERAS-SWEET. That is what the Office of Disaster Assistance does, we make direct loans for people who are physically or economically affected by a disaster, for renters, as well, it is important to note. This is the only office that makes direct loans; correct.

Mr. LUETKEMEYER. Perfect. That is news to me because last time we had a director in here and she wanted the ability—did not want the ability to make direct loans, which was interesting.

Also, with regard to what is going on, all of this information that you are going to be accumulating, with regard to the hacks that have been happening with OPM and the IRS, how are you protecting your data?

Ms. CONTRERAS-SWEET. First, to assure the American people, because as the chairman just mentioned, we have other people listening in, let me just say that the SBA operates with financial institutions. They do not join our system until they are assured that the data is protected.

Mr. LUETKEMEYER. That begs the question, do you at the SBA have the same protocols and under the same bank secrecy laws and data concerns and protections as the banks are?

Ms. CONTRERAS-SWEET. We operate under NIST, which is the National Institute of Standards and Technology, so we operate under different guidelines, but similar protocols. In that regard, we are working toward what we call a "Rev 4 level," which is the standard in Government, and SBA is comfortable with the work we are doing, and——

Mr. LUETKEMEYER. You are not there yet, is what you just said?

Ms. CONTRERAS-SWEET. Well, it is——

Mr. LUETKEMEYER. You said you were working toward it, so obviously you are not there yet.

Ms. CONTRERAS-SWEET. That is right. I mean, I want to be honest with you. I am here to be honest with you.

Mr. LUETKEMEYER. I am sure it raises some concerns by our citizens in dealing with the SBA about the protection of their information.

Chairman CHABOT. The gentleman's time expired, but go ahead and answer.

Ms. CONTRERAS-SWEET. Thank you, I appreciate that, Mr. Chairman. Again, the fact that the financial institutions who review our system and audit our system are comfortable connecting gives me some solace, but I have an auditor that comes in to tell us, and they found no material weaknesses in our system. We have not had a breach, but I have nonetheless made sure that we have processed—for example, we have moved our mainframe to a modern——

Mr. LUETKEMEYER. Madam Administrator, just as a closing thought here, I appreciate what you are saying, but whenever you say that we are doing this according to all these protocols and you have a GAO study that says you are way behind on getting things done with regard to their assessment, not being able to do everything, when you have standard operating procedures that are being called into question, I am not sure that the citizens can have great faith in what you were just saying.

It certainly concerns me, but I do appreciate your willingness to work on it, and I appreciate your comments. Thank you, and thank you, Mr. Chairman.

Chairman CHABOT. The gentleman's time has expired.

Ms. CONTRERAS-SWEET. Mr. Luetkemeyer, I just wanted to say that I promised you lunch the last time if I did not fulfill my goal, and I want you to know that I think you owe me lunch because SBA-1 is now up and operating. We have several thousand banks that have joined us, and it is working. You have to come over and take a look at it. I think you will really be pleased, sir.

Chairman CHABOT. I think the cafeteria is still open. In all seriousness, I want to thank the Administrator for her participation today. I certainly appreciate your enthusiasm and your energy that you brought to this hearing. I especially appreciate your willingness to do everything within your power to implement the 62 out of 69 GAO recommendations, which still need to be resolved.

As I mentioned, my greatest concern is on the IT security issue, because we have seen the White House, for God's sake, as well as a whole bunch of other Federal entities hacked, sometimes by China, we think, and these small businesses give you a lot of sensitive information, so let's protect that.

I appreciate your commitment to do that and report to us on a regular basis. We said monthly. We are willing to be reasonable. Just keep us informed and let's get this done as quickly as possible.

Ms. CONTRERAS-SWEET. Mr. Chairman, the good news is that SBA, while working ardently on these goals, is working in collaboration with our sister agencies, Homeland Security, with the FBI, and all of the other organizations available to all of the Government services.

Again, I want to put confidence into the system. We are working with serious financial institutions. I used to run the Department of Motor Vehicles at DMV, and I changed the driver's license. As soon as you fix it, there is another system that comes in to hack it. This is something that has to be an effort ongoing.

Chairman CHABOT. I certainly agree with you. There is nothing that brings more confidence to the American people than dealing with the Department of Motor Vehicles.

Thank you very much. We appreciate your testimony. Members will have 5 days to supplement their reports and add additional questions.

If there is no further business to come before the Committee, we are adjourned. Thank you very much.

Ms. CONTRERAS-SWEET. Thank you, sir.

[Whereupon, at 12:52 p.m., the Committee was adjourned.]

APPENDIX

U.S. Small Business Administration

TESTIMONY of

MARIA CONTRERAS-SWEET

Administrator, U.S. Small Business Administration

House Small Business Committee

Thursday, January 7, 2016

Thank you, Chairman Chabot, Ranking Member Velázquez, and members of this committee for the opportunity to testify.

I'd like to open today with a quick review of Fiscal Year 2015. It was one of the most successful years in our agency's history. SBA achieved a 22 percent increase in the number of loans, and a 23 percent increase in the dollar value of those loans, compared to FY14. These gains matter because FDIC data shows that conventional small business lending has only returned to 84 percent of its pre-recession level, adjusted for inflation. Filling those gaps in the marketplace is the very purpose for which the SBA was created.

We made notable progress increasing 7(a) loans to businesses with the greatest difficulty accessing capital.

- The dollar value of our loans was up, year-over-year, 22 percent to women, 23 percent to minorities, and 103 percent to veterans.
- Our number of loan approvals was up 29 percent to women, 27 percent to minorities, and 47 percent to veterans.

These successes would not have been possible if not for the swift work of this committee this past summer. Due to our record-breaking year, SBA ran up against our statutory lending cap this August, two months before the end of the fiscal year.

At the urging of SBA and our stakeholders, in less than a week, you passed a $4.5 billion increase in our 7(a) authority and ushered its passage on the House floor. Your leadership allowed entrepreneurs across the country to continue accessing the requisite capital to start and grow their businesses.

In addition to our historic loan volume, SBA also accelerated our small business investment under the SBIC program. We grew our portfolio by 10 percent to a record $25 billion.

And in FY16, the 7(a), 504, and SBIC programs will share a common thread: All three programs are expected to operate at zero subsidy.

Thanks to this committee for working across the aisle to include in the omnibus the permanent reinstatement of 504 Refinancing Authority and an increase in the SBIC program's family of funds limit. These policy changes will each inject significant capital into our small business ecosystem.

Another priority area for the SBA is federal contracting. The federal government awarded an all-time high of 24.99 percent of government contracts to small businesses, supporting 550,000 American jobs. We reached historic procurement levels for small disadvantaged businesses and firms owned by women and service-disabled vets.

To summarize: A record year in small business lending, a record year in investment, a record year in contracting, with zero taxpayer subsidy needed to sustain our momentum. This is the context in which today's hearing takes place.

Let me take this opportunity to acknowledge the Government Accountability Office (GAO) for identifying areas of shared concern and offering constructive suggestions to address them. From my very first days in office, I have prioritized the need to modernize SBA's operations, enterprise-wide, to respond to the technological, demographic and globalization changes that are transforming our small business economy. To that end, I agree with many of the GAO's recommendations and appreciate this opportunity to update you on our efforts to bring SBA fully into the 21st century.

I was pleased to read that the GAO's review acknowledges SBA's recent strides to address management challenges. Specifically, the report notes that I have prioritized improved human capital management, IT, and the 8(a) Business Development Program. The report also notes that these efforts have already begun to show progress. The report highlights SBA's renewed attention to address some internal control weaknesses that the GAO and the SBA Office of Inspector General (OIG) identified as an Agency management challenge. This renewed attention has produced positive results. Since the beginning of FY 2015, SBA has resolved:

- 14 of the 63 open GAO audit recommendations, and
- 150 of the 199 open OIG audit recommendations.

SBA further provided updates to GAO on 32 recommendations in FY 2015 and an additional 9 in FY 2016 to date. These numbers mark a significant improvement in closing out recommendations for the Agency. In fact, we resolved more GAO recommendations in FY 2015 than in the previous four years combined. This progress came after I personally met with the Comptroller General of the GAO and made it clear that resolving recommendations was a top priority for the entire agency during my tenure.

One of our most significant strides is the creation of an Enterprise Risk Management (ERM) Board chaired by my Deputy Administrator. The ERM Board has established a special sub-committee solely to address open GAO and OIG audit recommendations. In addition we have designated a GAO/OIG Recommendations Resolution Officer who reports directly to the Director of Risk Management in the Office of the Chief Operating Officer, whose principal work is to pursue enhanced audit closure strategies. With the ERM Board's attention, I am confident in the continued momentum in closing out recommendations during the remainder of FY 2016.

The GAO report recommends that SBA take certain corrective actions around each of its recommendations. Let me take this opportunity to outline the actions we are taking for each of these specific recommendations.

> **1.) Recommendation:** To improve management of the Small Business Administration and to ensure that SBA assesses the effectiveness of its programs, the SBA Administrator should prioritize resources to conduct additional program evaluations.

My background in banking impressed upon me the importance of managing risk to optimize the return on investment. When we put

precious taxpayer dollars to use, we have to make every effort to use those dollars wisely, based on the best available data. I wholeheartedly agree that evaluations are important to understanding the efficacy of SBA's programs.

Evaluation of a number of programs is well under way. SBA established an economic impact evaluation working group in July 2014 with a learning agenda, and the group has been developing evaluation plans. The working group developed a methodology for conducting impact evaluations of the agency's programs using administrative data sources residing at SBA and in other federal agencies, such as the U.S. Census Bureau and the Bureau of Labor Statistics. Numerous SBA program offices participate in this working group, including our Offices of Investment and Innovation, Disaster Assistance, Capital Access, Entrepreneurial Development, and Veterans Business Development. As a result of their participation, each of these offices has either developed its own program evaluation methodology or established a program evaluation framework and begun initial data collection.

For example, SBA's Office of Investment and Innovation, which has begun to work with the Library of Congress to assess the comprehensive impact of the Small Business Investment Company (SBIC) program. The SBA also has completed three credit program evaluations following OMB Circular A–129 guidelines. The Agency evaluated the 7(a) guaranteed loan program, SBIC debenture program and the 504 Certified Development Company loan program.

The Agency remains concerned about its ability to collect some key data on small businesses' resource partners who are in many instances the first point of contact with small businesses. To this end, I've engaged our resource partners to address the criticality of and methodology for proper evaluation metrics. SBA has also begun incorporating requirements into grants and contract solicitations that awardees provide not only the agreed upon service, but also data to allow more robust evaluations of program effectiveness. The Agency looks forward to continuing to work with Congress to address these limitations.

> **2.) Recommendation:** To improve management of the Small Business Administration and to ensure that SBA fully meets GPRAMA requirements, the SBA Administrator should use the results of additional evaluations it conducts in its strategic planning process and ensure the agency's next strategic plan includes required information on program evaluations, including a schedule of future evaluations.

The SBA is currently developing a framework for evaluations and data collection (see recommendation 1). Once completed, the evaluations will be incorporated into the next SBA strategic plan and will help shape the agency's strategic goals and objectives. The process of drafting the next strategic plan will begin in FY 2017. A list of future evaluations will be incorporated into the new plan.

> **3.) Recommendation:** To improve management of the Small Business Administration and to improve SBA's human capital management, the SBA Administrator should complete a workforce plan that includes key principles such as a com-

petency and skills gap assessment and long term strategies to address skills imbalances.

We've taken important actions on our human capital management. I am proud to work alongside so many dedicated public servants at the SBA, and we're working to ensure that the Agency has the talent required to continue serving America's entrepreneurs in the 21st century. We're currently drafting a comprehensive workforce plan, which will include both a skills gap analysis and a gap closure plan. We anticipate that the workforce plan will be issued in March of this year.

We have taken several steps to address the SBA's aging workforce within current budgetary constraints. More than 150 employees took early retirement under the VERA VSIP program, allowing us to recruit candidates with specific competencies. Considering the public-facing nature of our work, we prioritized filling key openings in our field operations. SBA is also reorganizing our Presidential Management Fellows program to increase their impact. We've increased our veterans hiring and partnered with the Peace Corps to attract service-oriented volunteers to fill SBA positions at the conclusion of their missions.

We have also hired SBA's first-ever Chief Learning Officer/Chief of Organizational Effectiveness (CLO) to help existing staff acquire new skills to advance their careers and fill critical agency needs. The CLO is responsible for the implementation of our enterprise learning function, drawing upon best practices from the public and private sectors. The CLO's chief responsibilities include formulating and implementing the agency's learning and development strategy; establishing goals and objectives that support the strategy; developing quantitative and qualitative research and reporting findings associated with each of the goals; and assessing the agency's progress in achieving those goals. Placing a premium on workforce upskilling, SBA will expand education, training, certification, mentoring, and broaden opportunities available to employees at all levels. These actions will build leadership capacity, improve our talent management, and foster a culture of continuous learning.

4.) Recommendation: To improve management of the Small Business Administration and to improve SBA's human capital management, the SBA Administrator sho9uld incorporate into its next training plan key principles such as goals and measures for its training programs and input on employee development goals.

SBA has identified learning and development goals we will include in the workforce plan. Upon completion of the competency assessment (referenced in Response 3), the SBA will use the results to inform additional measures for employee development. To support the achievement of overarching goals outlined in the Agency's learning and development strategy, SBA will set quantifiable targets with specific timeframes at the program level. The Agency's CLO, working closely with senior management, will subsequently measure learning effectiveness and return on investment associated with each of the supporting programs. Assessing progress and

outcomes against targets will strengthen transparency and accountability.

> **5.) Recommendation:** To improve management of the Small Business Administration and to ensure that SBA's organizational structure helps the agency meet its mission, the SBA Administrator should document the assessment of the Agency's organizational structure, including any necessary changes to, for example, better ensure areas of authority, responsibility, and lines of reporting are clear and defined.

When I arrived at the Agency in April 2014, I undertook a full review of SBA's organizational structure. While I believe our structure and lines of reporting are well defined in the current structure, we are continually examining the possibilities. Our goal is to optimize SBA's service delivery systems to ensure that entrepreneurs and small businesses receive the support they need as efficiently as possible.

In this regard, we analyzed and instituted several structural changes in FY 2015. For example, the Office of Field Operations (OFO) completed a position review for its Managers, Business Opportunity Specialists, Lender Relations Specialists, and Economic Development Specialists. We incorporated the identified attributes into updated Position Descriptions. OFO revised critical elements and performance standards as a result. We have established an Office of Intergovernmental Affairs to address streamlining challenges at the local government level, where most small business licensing occurs. The Office of the Chief Information Officer underwent an organizational restructuring at the division level to improve workflow.

> **6.) Recommendation:** To improve management of the Small Business Administration and to ensure that SBA can effectively identify, assess, and manage risks, the SBA Administrator should develop its enterprise risk management consistent with GAO's risk management framework and document the specific steps that the agency plans to take to implement its enterprise risk management process.

As GAO reported, SBA designated a senior agency official as the Director of Risk Management in October 2013. Early in my tenure I met with the Director, and in October 2014, I approved the creation of an Enterprise Risk Management Board. We formalized the composition of the ERM Board in April 2015, and added a dedicated Enterprise Risk Program Manager in June 2015. Together they have been developing a comprehensive Enterprise Risk Management (ERM) process. I believe it is critical that we continue to develop and document the ERM process to address ever-evolving risks. As a former community banker, I have a keen appreciation for the importance of managing risk. We are making considerable progress with implementation of our ERM process and will continue to monitor this critical function to ensure milestones are met.

Recognizing the importance of this work, I appointed the highest-ranking official under my command, SBA's Deputy Administrator, as Chairman of the ERM Board. They have met 12 times from May to December 2015. One of the early projects of the ERM Board was

to draft an SBA ERM Board Charter, which I approved on December 18, 2015. I remain personally committed to developing an ERM program that meets SBA leadership needs and is in compliance withy GAO and evolving OMB guidance.

> **7.) Recommendation:** To improve management of the Small Business Administration and to improve SBA's program and management guidance, the SBA Administrator should set time frames for periodically reviewing and updating its SOPs as appropriate.

SBA has in place Standard Operating Procedure 00 23 (Directives Management Program), which outlines the creation, format, clearing, publishing and distribution of formal SOPs and their revisions. SOP 00 23 requires an annual attestation by the head of each program office that a review of their SOPs has determined the following: 1) no revisions are required, 2) the SOP(s) are under review, 3) the SOP(s) are being revised, and/or 4) the SOP(s) may be canceled. In an effort to improve our SOP updates, I have required senior management to be directly responsible for ensuring the review and dissemination of SOPs under their jurisdiction. While the GAO reported that 71 SOPs had not been updated since the 90s, and some not since the 80s, SBA has already updated approximately 15% of its SOPs in the last two years. SBA Program heads are working diligently to continue this momentum.

> **8.) Recommendation:** To improve management of the Small Business Administration and to help ensure that SBA's IT operations and maintenance investments are continuing to meet business and customer needs and the agency's strategic goals, the SBA Administrator should direct the appropriate officials to perform an annual operational analysis on all SBA investments in accordance with OMB guidance.

By the end of FY2015, we successfully completed operational analysis for each of SBA's investments that have operations and maintenance components. OCIO conducts the operational analyse4s on an annual basis, but also conducts them on an as-needed basis when issues arise. We continue to complete operational analysis for each of these investments during their system life cycles, and we maintain the documentation for required OMB reporting of investment artifacts.

SBA has made significant strides in addressing the information technology challenges. We're in the midst of a major upgrade of our IT systems. It starts with a comprehensive network infrastructure modernization to give our systems greater capacity and reliability. We are in the final stages of moving our entire email system into the cloud. Additionally, we're investing in mobile technology because we recognize that our SBA team members in the field need to get out beyond the walls of federal offices and meet entrepreneurs where they are. As you know, we have also launched projects to modernize our loan and contracting systems and to reengineer our disaster credit management system.

This modernization agenda complements our work to update our external platforms by bringing advances such as automation, digital signatures, greater transparency, reliability and online match-

making to our lending partners and the entrepreneurs we mutually serve. These time-saving and cost-saving technological enhancements have encouraged community bankers, CDFIs, and credit unions across the country to initiate or increase their SBA lending.

I've been on the job at SBA for 20 months, and I'm proud of the progress we have made in that time. But the truth is, members of this committee have been committed to building a strong SBA since long before I arrived. As a result of your leadership and the daily efforts of our dedicated staff, I inherited an agency highly leveraged and operating at a high level in fulfilling our statutory mission.

The proof is in our record-breaking performance.

Of course, there is always room to improve, and I look forward to continuing to work with all of you, your staff, the Inspector General and the GAO to make the reforms necessary to deliver the services that small businesses seek as well as the systems and controls that taxpayers expect and deserve.

Thank you.

