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United States Government Accountability Office
Washington, DC 20548

October 15, 2008

The Honorable John F. Kerry
Chairman
The Honorable Olympia J. Snowe
Ranking Member
Committee on Small Business
and Entrepreneurship
United States Senate

The Honorable Nydia M. Velázquez
Chairwoman
The Honorable Steve Chabot
Ranking Member
Committee on Small Business
House of Representatives

Subject: *Multiple Agencies Provide Assistance to Service-disabled Veterans or Entrepreneurs, but Specific Needs Are Difficult to Identify and Coordination Is Weak*

As of July 2008, the Department of Defense (DOD) reported that almost 33,000 servicemembers had been wounded in action as part of Operation Enduring Freedom or Operation Iraqi Freedom. Some of these servicemembers could have injuries that keep them from easily entering or returning to the workplace upon their exit from the military. For some service-disabled veterans, starting a business may be one option for entering or returning to the workforce.

In the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50), Congress stated that too little had been done to help veterans, particularly service-disabled veterans, in starting small businesses.¹ This law established the framework for the Small Business Administration (SBA), the Department of Veterans Affairs (VA), the Department of Labor (DOL), DOD, and others to coordinate in providing entrepreneurial assistance to veterans and service-disabled veterans. To improve coordination and enhance small business assistance to veterans, the law required that these agencies enter into memorandums of understanding (MOU) as specified in the 1999 Act (but not all of the agencies were required to participate in each of the MOUs); established the National Veterans Business Development Corporation (now known as The Veterans Corporation) to assist veterans, including service-disabled veterans, in forming and expanding small

¹P.L. No. 106-50 §101(3), (5) (1999), 15 U.S.C. § 657b note.

businesses; and established a government wide federal procurement goal for the participation of small businesses owned and controlled by service-disabled veterans.²

The Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (P.L. 110-186) amended P.L. 106-50 and contained provisions directing these agencies and their resource partners to improve coordination when providing entrepreneurial assistance.³ For example, it (1) established the authority for an interagency task force, chaired by the SBA Administrator, to coordinate these efforts;⁴ (2) increased the number of Veterans Business Outreach Centers (VBOC) by at least two centers in fiscal years 2008 and in 2009, subject to funding from Congress; (3) directed the SBA Administrator to sponsor an independent study on gaps in the availability of VBOCs across the country; and (4) directed SBA to create written materials on self-employment and veterans' entrepreneurship and provide them to DOL for use in its Transition Assistance Program, which helps servicemembers exiting the military.

Furthermore, P.L. 110-186 required that we describe the (1) types of assistance that may be needed by service-disabled veterans who want to become entrepreneurs and (2) resources that are available to assist such service-disabled veterans.⁵ P.L. 110-186 placed importance on interagency coordination in the delivery of assistance and resources. As agreed with your offices, we assessed the legal framework for coordinating entrepreneurial assistance to service-disabled veterans and discuss in this report the status of agencies efforts to meet their legal requirements. The law required us to report to the Senate Committee on Small Business and Entrepreneurship and the House Committee on Small Business not later than August 15, 2008. The purpose of this report is to document our compliance with this reporting requirement. We briefed these Committee staffs on the results of our work. Enclosure I contains the briefing slides that we provided and used on August 7, 2008.

To assess the types of assistance that may be needed by service-disabled veterans who want to become entrepreneurs, we reviewed studies on self-employment; entrepreneurship activities; and assistance available to veterans and service-disabled veterans, including studies from the SBA Office of Advocacy and a VA task force. Additionally, we reviewed documents and information from interviews with responsible agency officials at SBA, VA, DOL, and DOD on the types of assistance that may be needed by service-disabled veterans who may want to become entrepreneurs. We also summarized documents and information from interviews with

²GAO has ongoing work mandated by P.L. 109-461 to evaluate VA's efforts to meet its contracting goals for veteran-owned and service-disabled, veteran-owned small businesses.

³See, e.g., P.L. 110-186 §§ 102, 201.

⁴In addition to the SBA Administrator, the members of the task force are to include senior-level representatives from SBA; VA; DOL; DOD; the Department of the Treasury; the General Services Administration; and the Office of Management and Budget; and four representatives from a veteran service organization or military organization or association, that are selected by the President.

⁵P.L. 110-186 § 206.

veteran service organizations (VSO), which represent and advocate for the needs of veterans and others on the types of entrepreneurial assistance that may be needed by service-disabled veterans.⁶ To identify the resources that are available to assist service-disabled veterans who want to become entrepreneurs, we (1) conducted interviews and analyzed documents on programs offered by SBA, VA, DOL, DOD, and their resource partners for service-disabled veterans who are interested in starting a small business and (2) explored the Web-based information that the agencies and their resource partners provide. We also visited and interviewed officials at the VBOC in Farmingdale, New York. To satisfy this objective and to assess compliance with the requirements pertaining to interagency coordination in P.L. 106-50, as amended by P.L. 110-186, we reviewed MOUs entered into, as required by P.L. 106-50, to understand the extent to which federal agencies deliver the services themselves or coordinate their resources with others. As part of this work, we determined the progress made toward the establishment of an information clearinghouse on the entrepreneurial assistance available to veterans and service-disabled veterans, as required of certain agencies and resource partners in P.L. 106-50 and to be executed through an MOU. We also determined the status of the interagency task force, required by P.L. 110-186, to coordinate the federal efforts to provide small business assistance to veterans and service-disabled veterans. We conducted this performance audit from March 2008 to October 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

P.L. 110-186 designated a number of federal agencies with responsibilities related to assisting veterans and service-disabled veteran entrepreneurs. In particular, the law contained provisions for SBA, DOL, and VA. SBA and DOL, respectively, provide small business and employment assistance to qualifying persons, including veterans and service-disabled veterans. SBA's mission is to aid, counsel, assist, and protect the interests of small business concerns. As such, SBA and its resource partners provide small business assistance, such as business development and loan guarantees, to qualifying persons, including veterans and service-disabled veterans, who want to

⁶We spoke with officials from nine VSOs that represent different groups of veterans on a variety of issues. For example, some of the organizations represent veterans from specific wars or with specific interests, such as veterans who served in foreign wars or veterans who are disabled. As part of these meetings, we spoke with service-disabled veterans who owned small businesses. Additionally, we spoke with groups such as the Heroes to Hometown Program, which assists veterans as they return to their communities, and the Entrepreneurship Bootcamp for Veterans with Disabilities, which is a privately funded program that offers disabled veterans entrepreneurial training from a consortium of business schools.

start a small business.⁷ DOL's mission is to foster and promote the welfare of the job seekers, wage earners, and retirees of the United States. DOL programs are available to assist all persons, including veterans and persons with disabilities, seeking employment assistance; however, DOL-funded One-Stop Career Centers have the discretion to offer entrepreneurial training.⁸ VA, which serves and honors America's veterans, provides assistance to veterans, including service-disabled veterans, interested in becoming entrepreneurs through its Center for Veterans Enterprise (CVE) and its Vocational Rehabilitation and Employment (VR&E) program. CVE offers veterans and service-disabled veterans technical assistance and coaching, including assistance with federal procurement opportunities; while VR&E offers a vocational rehabilitation track focused on self-employment.

Under P.L. 106-50, many of these same agencies were required to enter into MOUs to coordinate the entrepreneurial assistance they provide to veterans, including service-disabled veterans. The law laid out the requirements for three MOUs. In an MOU between SBA and SCORE, SCORE was to appoint a National Veterans Business Coordinator; assist in the establishment of a toll-free telephone number and Web site to provide access for veterans to information about the entrepreneurial counseling and training available through SCORE; and compile statistics on the services that SCORE provided to veterans, including service-disabled veterans. A second MOU among VA, SBA, and the Association for Small Business Development Centers (ASBDC),⁹ was to include provisions such as (1) the establishment of an information clearinghouse to collect and distribute information to veteran entrepreneurs on the assistance programs of federal, state, and local governments and of the private sector and (2) training and counseling to veterans interested in starting a small business. A third MOU among VA, SBA, and DOL was to provide for the coordination of vocational rehabilitation services, technical and managerial assistance, and financial assistance to veterans and service-disabled veterans interested in small business assistance.

We have previously reported on several issues related to entrepreneurial assistance for veterans and service-disabled veterans. In a June 2000 report, we concluded that VA has the infrastructure to reach veterans, and that SBA has the expertise and infrastructure for operating business loan guarantee programs. We recommended,

⁷SBA resource partners include the Small Business Development Centers (SBDC), SCORE, and the VBOCs. The SBDCs are local resource centers that provide assistance to current and prospective small business owners. SCORE is a nonprofit association dedicated to educating entrepreneurs and to the education, growth, and formation of small business nationwide. For more detailed information on each of these resource partners, see enclosure I, slides 17 and 18.

⁸One-Stop Career Centers are funded under the Workforce Investment Act of 1998 (Pub. L. No. 105-220, (Aug. 7, 1998)). The funding is allocated to the states, which according to DOL, then allocates the funding to local workforce areas.

⁹ASBDC represents the collective interest of SBDCs by promoting, informing, supporting, and continuously improving the SBDC network.

however, that congressional committees encourage greater sharing of expertise between the two agencies.¹⁰

In April 2003, in response to a mandate in P.L. 106-50, we described The Veterans Corporation's (1) efforts to provide small business assistance to veterans, including service-disabled veterans; (2) use of and controls over federal funds in providing these services; and (3) efforts to become financially self-sufficient. We found that The Veterans Corporation faced challenges in providing entrepreneurial assistance to veterans, such as difficulty in obtaining information from government sources on transitioning military personnel and on veteran businesses as well as limited government participation in its activities. We reported, however, that, at that time, it was too soon to assess the effectiveness of the corporation's programs.¹¹

In August 2004, we conducted additional work and found that The Veterans Corporation continued to face significant challenges in its efforts to become financially self-sufficient. We recommended that The Veterans Corporation develop outcome-oriented goals and objectives, make some program changes to reduce expenses, and provide Congress with updated information on its progress toward financial self-sufficiency.¹² While The Veterans Corporation had no objections to our recommendations, it offered information that it believed would explain, clarify, or correct points made in the draft report related to strategic planning and financial self-sufficiency. With respect to financial self-sufficiency, The Veterans Corporation stated that its strategy was sound, and that sound execution of its plan would result in achievement of its self-sufficiency goal. Our analysis focused on the then current state of federal funding and The Veterans Corporation's self-sufficiency projections. We concluded that there was uncertainty regarding The Veterans Corporation's attainment of self-sufficiency.

Summary

Although VSOs and others indicated that service-disabled veterans have needs that are common to many entrepreneurs, they also stated that these veterans may need additional help in gaining access to capital, building a support network, and accommodating individual disabilities as they start a business. In particular, because of their military service away from their home community, some veterans may have poor credit histories and few assets. As we noted in a 2005 report, some active-duty servicemembers did not receive correspondence from creditors on time during

¹⁰GAO, *Department of Veterans Affairs: Credit Costs and Risks of Proposed VA Small Business Loan Guarantee Program*, [GAO/GGD-00-158](#) (Washington, D.C.: June 30, 2000).

¹¹GAO, *Small Business: The National Veterans Business Development Corporation's Progress in Providing Small Business Assistance to Veterans*, [GAO-03-434](#) (Washington, D.C.: Apr. 30, 2003).

¹²GAO, *Small Business: The National Veterans Business Development Corporation Faces Challenges in Planning for and Achieving Financial Self-sufficiency*, [GAO-04-893](#) (Washington, D.C.: Aug. 30, 2004).

deployments and fell behind in payments, which could have led to negative information being entered into their credit reports and would have made it more

difficult and expensive to obtain credit in the future.¹³ These negative outcomes could make access to capital more challenging. The time that servicemembers spend away from home also could adversely affect veterans' support networks, which could be a useful tool when starting a small business. Depending on the type and extent of their disability, service-disabled veteran entrepreneurs may have additional needs, due to physical limitations or psychological challenges, which could require specific types and delivery methods of entrepreneurial assistance. Federal officials and their agencies have difficulty in identifying the needs of service-disabled veteran entrepreneurs as a group, partly because their needs are specific to an individual's circumstances. The agency officials also noted that their data on assisted service-disabled veterans rely on service-disabled veterans identifying themselves as such, but some of these veterans may be reluctant to do so.

Multiple agencies provide federal resources to assist veterans and service-disabled veterans or individuals starting small businesses; but few resources are targeted specifically to providing entrepreneurial assistance for service-disabled veterans. VR&E's self-employment track is the only federal program that exclusively targets service-disabled veterans who want to become entrepreneurs. VR&E offers five tracks to rehabilitation that are available to qualified veterans. Any qualified veteran may choose the self-employment track, which also offers additional financial assistance to start a small business to those with the most severe service-connected disabilities and for those for whom self-employment is likely the only way to achieve vocational rehabilitation.¹⁴ SBA, VA's Center for Veterans Enterprise, DOL, and their resource partners provide some assistance to service-disabled veterans with financing, business plan development, and education and training. But these entities primarily focus on providing veteran and service-disabled veteran entrepreneurs with information and referrals to other federal, state, and local resources. According to SBA, it would only refer someone to another agency or government entity if they were seeking a service that SBA does not provide; however, it often refers individuals to local SBA district offices, local SBA lenders, or local chapters of an SBA resource partner. According to DOL, a service-disabled veteran who visits a One-Stop Career Center and is interested in entrepreneurial assistance will be referred to federal, state, and local resources or, in some cases, to entrepreneurial training that is available through the One-Stop Career Center or its partners.

In assessing the legal framework to coordinate entrepreneurial assistance and resources across federal agencies, we found that statutory objectives and mandates were not fully satisfied and weak coordination could add to the difficulty that veterans face in navigating federal programs. These unfulfilled statutory requirements include a delay in establishing an interagency task force to coordinate federal efforts

¹³GAO, *Military Personnel: More DOD Actions Needed to Address Servicemembers' Personal Financial Management Issues*, [GAO-05-348](#) (Washington, D.C.: Apr. 26, 2005).

¹⁴GAO has ongoing work assessing this program and its capacity to meet the future needs of service-disabled veterans.

to provide small business assistance to veterans and service-disabled veterans; agencies not executing and achieving the objectives of required MOUs, and

continuing problems of The Veterans Corporation in attaining financial self-sufficiency. Specifically:

- P.L. 110-186 required that an interagency task force be established within 90 days of the statute's enactment on February 14, 2008. The law designated the SBA Administrator as the chairperson of the task force. As of October 2008, the interagency task force had not been established, and SBA officials were unable to provide an expected establishment date. According to SBA officials, the delay in forming the interagency task force was caused by the need to seek legal clarification from SBA's General Counsel regarding the appointment of senior-level representatives to the task force and the appointment of four nonfederal members.¹⁵ Officials from VA, DOL, and DOD (three of the other agencies mandated to participate) had not been notified about the status of the task force and did not know who would represent their agency. This situation has resulted in a concomitant delay in carrying out the task force's assigned duties. These duties include coordinating activities and developing proposals related to (1) improving capital access and capacity of small businesses owned and controlled by veterans and service-disabled veterans through loans, surety bonding, and franchising and (2) increasing and improving training and counseling services to small businesses owned and controlled by veterans.
- In an effort to coordinate entrepreneurial assistance to veterans, P.L. 106-50 called for agencies and resource partners—such as SBA, VA, DOL, SCORE, and the ASBDC—to enter into MOUs as specified in the act. None of the MOUs required under P.L. 106-50 is currently operative. When asked why the MOUs were no longer operative, SBA officials said that they had institutionalized the activities developed under the MOUs, and VA officials said that subsequent MOUs to which they were a party were drafted and signed by VA, but were not signed by SBA. As we have previously mentioned, one MOU was between SBA and SCORE. According to a SCORE official, the coordinated activities (e.g., establishing a National Veterans Business Coordinator and a toll-free telephone number) called for in section 301 of P.L. 106-50 have been incorporated as requirements in the yearly Notice of Grant award that SCORE receives from SBA instead of in an MOU. We also reviewed the language of the Notice of Grant and the tasks specified in the law and found that they have been accomplished. The second MOU, among other things, required that SBA, VA, and the ASBDC establish an information clearinghouse on the entrepreneurial assistance available to service-disabled veterans. This clearinghouse was to include information on office locations, key personnel, telephone numbers, and e-mail addresses; however, a

¹⁵P.L. 110-186 § 102 requires that the task force be staffed by, among others, four representatives from a veterans service organization or association, selected by the President. SBA officials told us that they have sought guidance from counsel regarding the appointment of these members and the extent to which they may participate in task force activities.

single clearinghouse was never established.¹⁶ While agencies have some efforts under way to coordinate and provide information on their assistance through their Web sites and referral processes as called for under the third MOU between VA, SBA, and DOL, several sources noted that coordination was inconsistent and weak. VSOs and others told us that service-disabled veterans wanting to start a small business may be referred to multiple programs, which adds to the confusion and frustration of navigating available assistance from various agencies and programs. In addition, VSOs said that service-disabled veterans may not know where to go to access entrepreneurial assistance because it is fragmented among agencies and no single source exists to provide information about available assistance from the multiple programs (see Enc. II). For example, one VSO official said that the lack of a single source of information on the available entrepreneurial assistance is the biggest barrier to accessing such assistance because service-disabled veterans must contact multiple agencies to try to understand what assistance is available. According to an official with another VSO, without a single source of information, service-disabled veterans have difficulty locating all of the available resources and they become frustrated. Not executing or achieving the objectives of two of the three MOUs may contribute to the agencies not focusing sufficient attention on coordinating their assistance to service-disabled veterans. Weakness in coordinating available assistance adds to the difficulties that service-disabled veterans face in navigating multiple programs and obtaining entrepreneurial assistance.

- P.L. 106-50 required that The Veterans Corporation institute and implement a plan to raise private funds and become a self-sustaining corporation. In 2004, we reported that The Veterans Corporation had pushed back its deadline for mandated self-sufficiency from 2004 to 2009. In its 2007 annual report, The Veterans Corporation stated that it doubts it will ever become self-sufficient, due to the difficulty in raising private funding to support its mission.¹⁷ The inability of The Veterans Corporation to become financially self-supporting significantly hampers its ability to provide the services outlined in P.L. 106-50. These services include assisting veterans with the formation and expansion of small businesses by working with and organizing public and private resources, and establishing and maintaining a network of information and veterans' assistance centers.

¹⁶SBA maintains a Web site, www.business.gov, that has a section providing information and links to SBA and VA and contains some of the information that was required as part of the clearinghouse. SBA officials said that the agency plans to increase the veteran-related content of this Web site to better serve veterans interested in entrepreneurship. VA maintains a database on its website, www.vetbiz.gov, that contains information on business startup, financing, training, procurement, and business development. VA considers the content of this database as meeting the requirement for an electronic clearinghouse as required under P.L. 106-50.

¹⁷The National Veterans Business Development Corporation, Annual Report FY 2007, (Washington, D.C.: Oct. 2007).

Conclusions

While our discussions with VSOs and others appeared to suggest that adequate resources were available to help service-disabled veterans interested in starting small businesses, it was clear to us that better coordination is needed across these federal programs and their resource partners. In passing P.L. 110-186, Congress recognized this need as well. The mandated interagency task force would provide a formal mechanism for the relevant agencies to improve their coordination. However, the task force has not yet convened as mandated, and there are no firm plans to do so. Establishment of the task force and implementation of its mandate will be important steps for federal agencies that have a mutual interest in helping service-disabled veterans become self-sufficient, including successfully becoming entrepreneurs. Furthermore, the potential exists through the MOU process to better streamline the technical assistance provided by federal agencies that aid service-disabled veteran entrepreneurs. Reactivating relevant tasks that were required under the MOUs specified in P.L. 106-50 would help agencies better coordinate their services. Improved coordination among the agencies would help alleviate service-disabled veterans' confusion and frustration in navigating the assistance available from multiple agencies and programs. Service-disabled veterans seeking entrepreneurial assistance would also benefit from a clearinghouse containing information on the available federal resources.

Recommendation for Executive Action

We recommend that the SBA Administrator expedite the agency's efforts to convene the interagency task force required under P.L. 110-186 to coordinate assistance to service-disabled veteran and veteran-owned small businesses. In addition to addressing this mandated responsibility, the interagency task force should:

- encourage SBA, VA, DOL, and other resource partners to strengthen the coordination of entrepreneurial assistance to veterans and service-disabled veterans, and determine whether more formal agency agreements (such as MOUs of the type required in P.L. 106-50) are needed and
- encourage VA, SBA, and others to work together, as called for in P.L. 106-50, to establish a clearinghouse of information (including contact information) on the federal and local resources available to service-disabled veterans who are interested in becoming entrepreneurs.

Agency Comments

Before providing a briefing on August 7, 2008, we supplied SBA, VA, DOL, and DOD with statements of facts related to the information pertaining to each agency. We received technical comments that we incorporated where appropriate. We subsequently provided a draft of this report to these four agencies and requested

comments. We received written agency comments from SBA and VA. Both agencies generally agreed with our findings and recommendation (see Enclosures III and IV, respectively). In its response, SBA described the programs and assistance it makes available to veterans and service-disabled veterans who are interested in becoming entrepreneurs. We discuss these programs in greater detail in our briefing slides (see Enc. I). SBA also stated that they are continuing to work through the specific requirements contained in P.L. 110-186 as they proceed with establishing the interagency task force. Additionally, SBA said that it routinely coordinates with VA and DOL to ensure proper coordination of veteran programs and resources. In its letter, VA pointed out that it maintains an online database that it believes satisfies the requirement for an electronic clearinghouse as required under P.L. 106-50. The Department welcomed the opportunity to offer this program as a launching platform for the more robust information repository. In addition, DOL provided separate technical comments which we incorporated, as appropriate, in the report. DOD did not provide written or technical comments.

We are sending copies of this report to interested congressional committees and other parties. We also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8678 or edwardsj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report were Debra R. Johnson, Assistant Director; Jill M. Evancho; William B. Shear; Rachel E. Siegel; and Paul G. Thompson.



Jack E. Edwards
Acting Director, Financial Markets
and Community Investment

Enclosures - 4

**Briefing to Staff of the Senate and House
Small Business Committees on August 7, 2008**



**Multiple Agencies Provide Assistance to Service-Disabled
Veterans or Entrepreneurs, But Specific Needs Are Difficult to
Identify, and Coordination Is Weak**

Briefing to Staff of the Senate and House
Small Business Committees

August 7, 2008

- Mandate and Objectives
- Background
- Scope and Methodology
- Summary of Findings
- Discussion of Objectives

- The Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (P.L. 110-186, Section 206) requires GAO to:
 1. Describe the types of assistance that may be needed by service-disabled veterans who want to become entrepreneurs.
 2. Describe the resources that are available to assist service-disabled veterans who want to become entrepreneurs.
- Because of the emphasis on coordination in P.L. 110-186, we also assessed the legal framework for coordinating entrepreneurial assistance to service-disabled veterans.

- As of July 2008, Department of Defense (DOD) data showed that almost 33,000 military servicemembers had been wounded in Operation Enduring Freedom and Operation Iraqi Freedom. Some of these servicemembers could have injuries that keep them from easily entering or returning to the workplace upon their exit from the military. For some service-disabled veterans, starting a business may be one option for entering or returning to the workforce.
- In the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50), Congress stated that too little has been done to help veterans, particularly service-disabled veterans, in starting small businesses. The law established the framework for the Small Business Administration (SBA), Department of Veterans Affairs (VA), Department of Labor (DOL), DOD, and others to coordinate in providing small business assistance to veterans and service-disabled veterans.
 - Among other things, the law required SBA, VA, DOL, and other resource partners to enter into pertinent Memoranda of Understanding (MOUs) to improve coordination and enhance small business assistance to veterans.

- The law also established the National Veterans Business Development Corporation (The Veterans Corporation) to assist veterans, including service-disabled veterans, in forming and expanding small businesses. In addition to other duties, The Veterans Corporation was to establish a network of information and assistance centers for this purpose and raise private funds to become a self-sustaining corporation.
- The law established a government-wide goal for participation in federal procurement for small business concerns owned and controlled by service-disabled veterans.
- GAO has on-going work looking at VA's efforts to meet its contracting goals for veteran and service-disabled veteran owned small businesses.

- GAO has reported on several issues related to entrepreneurship assistance for veterans and service-disabled veterans.
 - In a June 2000 report, GAO concluded that VA has the infrastructure to reach veterans and SBA has the expertise and infrastructure for operating business loan guarantee programs. GAO recommended that Congressional committees may want to encourage greater expertise sharing between the two agencies.¹
 - In April 2003, in response to a mandate in P.L. 106-50, GAO described (1) The Veterans Corporation's efforts to provide small business assistance to veterans, including service-disabled veterans; (2) the use of and controls over federal funds in providing these services; and (3) the efforts of The Veterans Corporation to become financially self-sufficient. GAO reported that Veterans Corporation officials said they faced challenges in providing entrepreneurial assistance to veterans, such as difficulty obtaining information from government sources on transitioning military personnel and veteran businesses, as well as limited government participation in its activities. GAO reported that it was too soon to assess the effectiveness of The Veterans Corporation's programs.²
 - In August 2004, GAO conducted further work and found that The Veterans Corporation continued to face significant challenges in its efforts to become financially self-sufficient. The report recommended that The Veterans Corporation develop outcome-oriented goals and objectives, analyze the extent to which it could make some program changes to potentially reduce expenses, and provide Congress updated information on its progress towards financial self-sufficiency.³

¹ See GAO/GGD-00-158.

² See GAO-03-434.

³ See GAO-04-893.

- The Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (P.L. 110-186) amended P.L. 106-50. The law contains provisions for SBA, VA, DOL, DOD, and other resource partners to improve coordination when providing entrepreneurial assistance to veterans and service-disabled veterans. Specifically,
 - The President is to establish an interagency task force, chaired by the Administrator of SBA, to coordinate certain federal efforts to provide small business assistance to veterans and service-disabled veterans.
 - The SBA Administrator is to ensure, subject to the level of funding made available, that the number of Veterans Business Outreach Centers (VBOCs) increases by at least two for both fiscal year 2008 and 2009.
 - The SBA Administrator is to sponsor an independent study on gaps in the availability of VBOCs across the country to inform decisions on funding and on the allocation and coordination of resources.
 - The Associate Administrator of SBA is to create written materials on self-employment and veterans' entrepreneurship and provide them to DOL for inclusion in the manual for DOL's Transition Assistance Program (TAP) workshops for servicemembers exiting the military.

- To assess the types of assistance that may be needed by service-disabled veterans who want to become entrepreneurs, we
 - reviewed studies of self-employment, entrepreneurship activities, and assistance available to veterans and service-disabled veterans, including studies from the SBA Office of Advocacy and a Department of Veterans Affairs task force,
 - reviewed information provided from interviews with agency officials on the types of assistance that may be needed by service-disabled veterans and/or those who wish to become entrepreneurs, and
 - summarized documents and information from interviews with Veteran Service Organizations (VSOs represent and advocate for the needs of veterans) on the types of assistance that may be needed by service-disabled veterans who are interested in starting a small business.

- To identify the resources that are available to assist service-disabled veterans who wish to become entrepreneurs, we
 - assessed the legal requirements laid out in P.L. 106-50, as amended in P.L. 110-186;
 - reviewed MOUs entered into, as required by P.L. 106-50, in an effort to understand the extent to which federal agencies deliver the services themselves or coordinate their resources with others; and
 - conducted interviews and analyzed documents on programs offered by the SBA, VA, DOL, DOD, and their resource partners for service-disabled veterans who are interested in starting a small business.
- We provided agencies with statements of facts for the information contained in these slides and have incorporated their comments as appropriate.
- We conducted our work between March 2008 and August 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

- Although VSOs and others indicated that service-disabled veterans have needs common to many entrepreneurs, they may need additional help with gaining access to capital, building a support network, and accommodating individual disabilities. Additionally, agencies have difficulty identifying the needs of service-disabled veteran entrepreneurs as a group, in part because the needs are individualized.
- Multiple agencies provide federal resources to assist (1) veterans and service-disabled veterans or (2) individuals starting small businesses, but few resources are targeted specifically to entrepreneurial assistance for service-disabled veterans.
- Unfulfilled statutory objectives and mandates and weak coordination have added to the difficulty veterans may face in navigating federal entrepreneurial assistance programs.

- Agencies have difficulty identifying the needs of service-disabled veteran entrepreneurs, in part because the needs are individualized. However, VSOs and others indicated that service-disabled veterans have needs common to many entrepreneurs but may need additional help with:
 - Gaining access to capital;
 - Building a support network; and
 - Accommodating individual physical and psychological challenges.

- Federal agencies that provide assistance to service-disabled veteran entrepreneurs have difficulty identifying their needs.
 - Agency officials and others said that service-disabled veterans' small business needs are *individualized* based on their specific circumstances.
 - Agency officials and others noted that information on service-disabled veterans that they assist is based on the service-disabled veterans self-identifying, which some may be reluctant to do. As a result, it could be difficult for the agencies to identify their needs.
 - VA officials told us that they have not independently conducted studies on entrepreneurial assistance to determine the needs of service-disabled veterans, but used studies produced by others. The studies contained demographic information and identified problems that service-disabled veteran entrepreneurs said they faced when starting a small business.
 - Officials from the SBA's Office of Veterans Business Development said that they provided input and some funding to the Office of Advocacy to conduct its studies on veterans and service-disabled veterans. Office of Advocacy officials told us that it is difficult to conduct research focused only on service-disabled veterans because of issues related to the relatively small size of the population, data availability, and data sharing among agencies.

- Due to military service away from their home communities, some veterans may have poor credit histories and few assets, which could make access to capital more challenging.
 - In 2005, GAO noted that active duty servicemembers did not receive correspondence from creditors on time during deployments and fell behind in payments, which could lead to negative information being entered into their credit reports and make it more difficult or expensive to obtain credit in the future.⁶
 - In a 2004 SBA Office of Advocacy study, service-disabled veteran entrepreneurs reported access to financing as their most critical problem in starting a small business.⁷
 - Consistent with these studies, VSOs and others told us that veterans could have poor credit histories or may not have accumulated assets, such as a home, due to their military service. As a result, veterans may face challenges qualifying for or obtaining small business loans.
 - SBA offers loan and surety bond guarantee programs and, according to SBA officials, it is SBA's policy not to decline a loan or guaranty based solely on lack of collateral. However, veterans and service-disabled veterans may need a certain amount of collateral to qualify for this assistance, depending on the amount of the assistance and the collateral policies of either the program or the lenders.

⁶ See GAO-05-348.

⁷ See SBA Office of Advocacy, *Entrepreneurship and Business Ownership in the Veteran Population* (November 2004).

- The transient nature and duration of prior military service could make it difficult for service-disabled veterans to identify and take advantage of support helpful in developing a small business.
 - VSOs and others said that frequent moves, including time overseas, or absence from their home community during active duty could result in service-disabled veterans having a limited network in their current community to assist them in starting a small business.
 - One VSO said that because of time spent in the military, service-disabled veterans are at a disadvantage compared to their civilian peers in awareness and education of how to start a small business.
 - Studies on veterans' employment needs have found that it is difficult for veterans to translate their military experiences into requirements for civilian licensure and certification, which could be helpful in starting a small business.

- Agency officials and VSOs noted that service-disabled veteran entrepreneurs may have individualized needs based on the type and extent of their disabilities.
 - Some disabilities could pose physical limitations and require that service-disabled veterans have the ability to access small business courses on-line or work from home in an effort to get a small business started.
 - Coping with the physical and psychological impact from combat or adapting to a service-connected disability may pose special challenges while dealing with the demands of starting or running a small business.

- Federal resources are available to (1) veterans and service-disabled veterans or (2) individuals starting small businesses, but few are targeted specifically to service-disabled veterans.
 - SBA, VA, DOL, and other resource partners furnish veteran entrepreneurs with information and referrals to other federal, state, and local resources.
 - Few resources are focused specifically on service-disabled veterans who wish to start small businesses.

- SBA provides small business assistance, including business development and loan guarantees, which is available to qualifying persons wishing to start a small business, including veterans and service-disabled veterans.
 - SBA focuses some of its resources on veterans and service-disabled veterans through its
 - Office of Veterans Business Development which assists veteran-owned small businesses with increased federal contracting opportunities contracts, and
 - Patriot Express Pilot Loan Initiative which provides SBA guaranteed loans to qualifying veterans, service-disabled veterans, active duty, reservists, National Guard, their spouses, and others.⁸ SBA reported that from June 2007 to August 2008 it guaranteed 132 Patriot Express Loans totaling about \$14 million to service-disabled veterans.
 - SBA delivers much of its small business development assistance through its local resource partners.
 - SBA works with resource partners to provide technical assistance to veterans entrepreneurs. These resource partners include the Small Business Development Centers (SBDCs) and SCORE who provide outreach and assistance related to business plan development, entrepreneurial education and training, and counseling to anyone with small business interests—including service-disabled veterans.

⁸ The Patriot Express loan program pilot was launched in June 2007. The loans can be used for most business purposes and are available for up to \$500,000. 17

- SBA also provides funding for five VBOCs, which offer outreach, counseling, training, referrals, mentoring, and network building to veterans—including service-disabled veterans—both in the nascent stage and those with established businesses.
 - Subject to funding, P.L. 110-186 called for SBA to fund at least two additional VBOCs in fiscal year 2008 and two more in fiscal year 2009. SBA issued a request for proposals that closed in July.
 - P.L. 110-186 required the Administrator of SBA to sponsor a study on the gaps in the availability of VBOCs across the country and report to Congress no later than August 2008. SBA told us that they have not yet started this study because they do not have the resources necessary to conduct the work.
 - SBA officials told us that funding for one of the existing five VBOCs is set to expire this year and for the remaining four in 2010. To continue to receive funding beyond the initial five year period, VBOCs would have to re-compete for another grant.
- SBA officials said that in 2007, it and its resource partners provided counseling to approximately 153,000 veterans, of which almost 13,000 were service-disabled. The officials cautioned that the data may under-report actual participation rates because they are based on self-reported information, and some service-disabled veterans may not identify themselves as such.

- Two VA offices—the Center for Veterans Enterprise (CVE) and VR&E—provide assistance to veterans, including service-disabled veterans, who are interested in becoming entrepreneurs.
 - CVE offers veterans, including service-disabled veterans, technical assistance and coaching including assistance with federal procurement opportunities (through its Web site, www.vetbiz.gov) and referrals to other small business resources.
 - CVE does not maintain specific data on the number of service-disabled veterans who have received assistance through its programs.
 - While assistance from CVE is available to any veteran who contacts the office, officials said that they primarily help service-disabled veterans whose disabilities are less severe.
 - The VR&E program offers a track focused on self-employment. The program provides services to veterans with disability ratings of 10 percent or more.⁹
 - VR&E officials said the self-employment track is targeted at disabled veterans who have limited access to traditional employment, need flexible work schedules, or who need a more accommodating work environment due to their disabling conditions or other life circumstances. In 2007, relatively few veterans selected the self-employment track.

⁹ In order to be eligible for VR&E, a veteran must have been discharged under other than dishonorable conditions and have (1) a service-connected disability rating of at least 20 percent and an employment handicap, or (2) a disability rating of 10 percent and a serious employment handicap.

- DOL programs are available to assist all veterans and persons with disabilities seeking *employment* assistance, however, local One Stop Centers have the discretion to offer entrepreneurial training.
 - DOL provides funding for state One Stop Career Centers which employ Disabled Veteran Outreach Program (DVOP) specialists and Local Veteran’s Employment Representatives (LVERs) who work with veterans and employers to help veterans gain employment. DVOP specialists and LVERs do not provide any direct entrepreneurial assistance but may refer an interested veteran to other resources.
 - As part of its TAP workshop for servicemembers exiting the military, DOL includes some limited information on small business assistance. The assistance focuses on the federal government’s contracting goals for service-disabled veterans. The TAP workshop also provides a brief overview of services and programs available through SBA, and it directs those interested to contact SBA.
 - DOL also has programs and services to assist persons with physical and psychological disabilities as they re-enter the workforce. Thus, these programs are open to service-disabled veterans.
 - DOL officials said that the agency collects data on veteran status at its One Stop Career Centers and has recently begun collecting data on entrepreneurial training. However they were uncertain if they could provide useful data on the number of service-disabled veterans who sought entrepreneurial training at the centers.



- VR&E's self-employment track is the only federal program exclusively for service-disabled veteran entrepreneurs, but vocational rehabilitation counselors may not encourage selection of this track.
 - Eligible service-disabled veterans can apply to the VR&E program and choose to enter the self-employment track.¹⁰
 - While self-employment options are available to qualified veterans, the self-employment track offers additional financial help to start a small business to those with the most severe service-connected disabilities and for whom self-employment is likely the only way they will achieve vocational rehabilitation.¹¹
 - Representatives from VSOs told us that restricting financial support to the most severely disabled could discourage less severely disabled veterans from utilizing this track and questioned whether this was prudent.

¹⁰ GAO has ongoing work looking at the VR&E program and its capacity to meet future demand.

¹¹ This determination is made by the vocational rehabilitation counselor.



- VR&E's vocational rehabilitation counselors may not encourage service-disabled veterans to pursue self-employment.
 - Counselors may not encourage self-employment because, relative to the other tracks, the self-employment track
 - is more difficult and time intensive (e.g., business plan development), and
 - requires counselors to engage in more frequent and longer follow-up.
 - A 2004 VR&E task force found that low demand for VR&E's self-employment services did not warrant acquiring in-house expertise on the technical assistance and support necessary to assist with self-employment.¹²
 - The task force noted that vocational rehabilitation counselors should focus on referring those in the self-employment track to other small business resources (such as the SBDCs and SCORE) since the counselors are not trained business professionals.

¹² See *Report to the Secretary of Veteran Affairs: The Vocational Rehabilitation and Employment Program for the 21st Century Veteran*. (March 2004).

- In assessing the legal framework to coordinate entrepreneurial assistance, we found unfulfilled statutory mandates and weak coordination, which have added to the difficulty veterans may face in navigating federal programs.
 - The unfulfilled statutory requirements include:
 - Establishment of an interagency task force to coordinate the federal efforts to provide small business assistance to veterans and service-disabled veterans,
 - The Veterans Corporation achieving financial self-sufficiency, and
 - Executing and achieving objectives of agency MOUs have not fully occurred.

- A mandated interagency task force to coordinate the federal efforts to provide small business assistance to veterans and service-disabled veterans has not been established.
 - P.L. 110-186 mandated that the task force, to be chaired by the Administrator of SBA, be established within 90 days of the law's enactment on February 14, 2008.
 - SBA officials said the delay has been caused by a need to seek legal clarification on appointing representatives to the task force.
 - SBA could not provide an expected date when the task force will be in place.

- VA, DOL, and DOD officials whose agencies had been mandated for task force membership (1) had not been notified about the status of the task force and (2) did not know who would represent their agency on the task force.

- This delay has resulted in a concomitant delay in carrying out the task force’s assigned duties, such as coordinating activities and developing proposals related to:
 - Improving capital access and capacity of small business concerns owned and controlled by service-disabled veterans and small business concerns owned and controlled by veterans through loans, surety bonding, and franchising, and

 - increasing and improving training and counseling services provided to small business concerns owned and controlled by veterans.

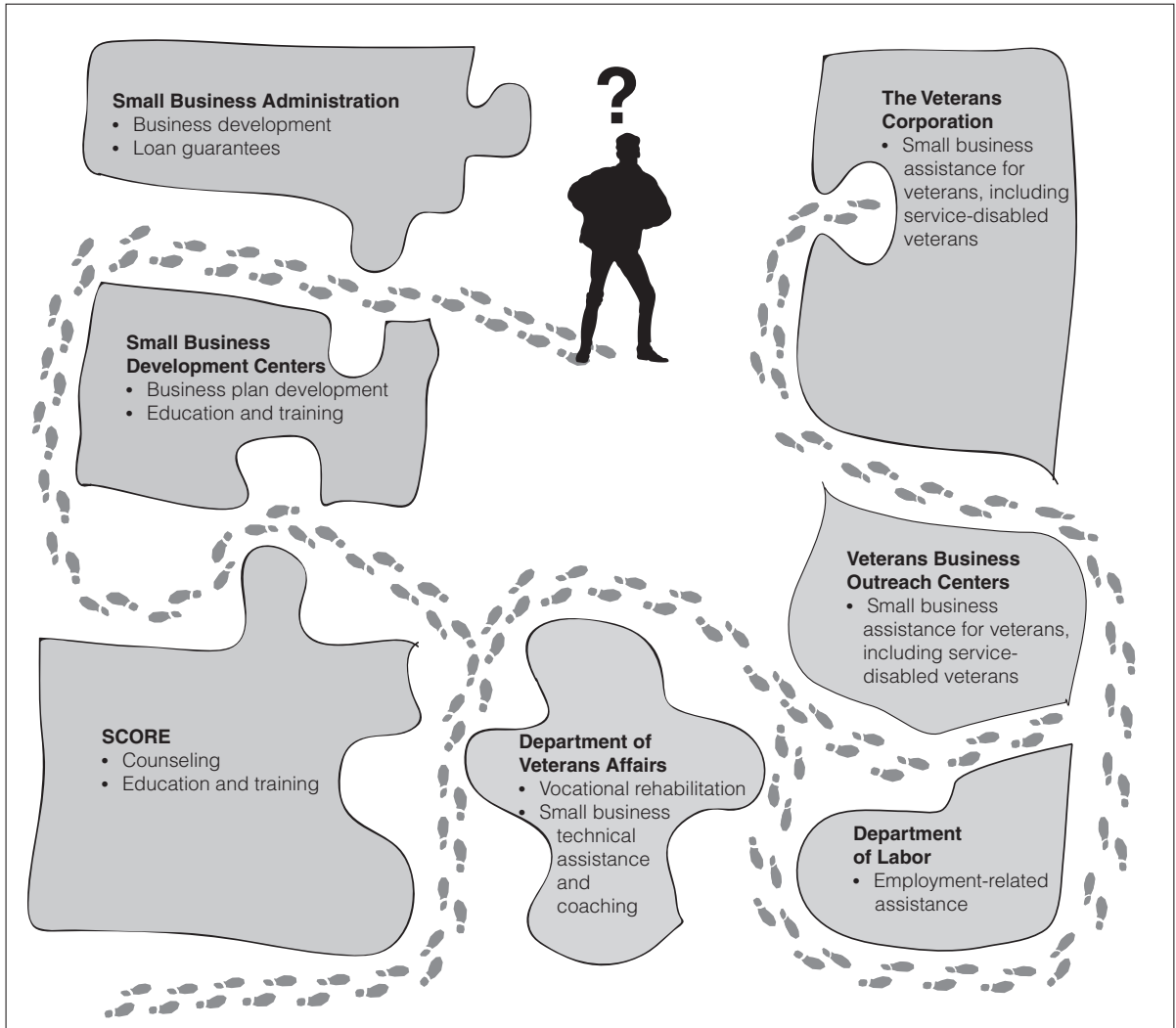
- The Veterans Corporation has not become financially self-sufficient as required in P.L. 106-50.
- In 2004, GAO reported that The Veterans Corporation had revised its timeline for self-sufficiency from 2004 to 2009. In its 2007 annual report, The Veterans Corporation reported that it does not think it will ever become self-sufficient due to the difficulty it faces in raising private funding.
 - The Veterans Corporation's inability to become financially self-supporting has hampered its ability to provide the services outlined in P.L. 106-50, such as
 - Assisting veterans with the formation and expansion of small businesses by working with and organizing public and private resources, and
 - Establishing and maintaining a network of information and assistance centers for use by veterans.

- Agencies do not have active MOUs detailing their efforts to coordinate entrepreneurial assistance to veterans and service-disabled veterans.
 - P.L. 106-50 required that SBA, VA, DOL, and other resource partners establish MOUs to coordinate entrepreneurial assistance to veterans, including service-disabled veterans.
 - When asked why the MOUs were not currently active,
 - SBA officials told us that the MOUs were no longer necessary because coordination across the federal agencies had been institutionalized.
 - VA officials said that subsequent MOUs were drafted and signed by VA, but not signed by SBA.
 - DOL officials said they were unaware of the MOU required under P.L. 106-50.
 - A SCORE official told us that requirements relating to entrepreneurial assistance for veterans are included in its grant award notices rather than an MOU.
 - In discussing coordination among agency programs, officials at both SBA's Office of Veterans Business Development and VA's CVE stated that there are strained relationships between these offices leading to inconsistent coordination.

- While VSOs said that there is adequate entrepreneurial assistance available, they also emphasized that it is difficult for veterans to navigate among the various agencies and programs.
 - Service-disabled veterans may not know where to go to access entrepreneurial assistance because there is no one source of information about all the assistance available from multiple programs.
 - The entrepreneurial assistance a service-disabled veteran receives could vary depending on the program or office from which he or she seeks assistance. For example, a service-disabled veteran seeking assistance from DOL may be referred to different resources than a service-disabled veteran seeking assistance from the SBA.
 - VSOs and others told us that service-disabled veterans wishing to start a small business may be referred to many programs, which adds to the confusion and frustration of navigating available assistance.
- Such weakness in coordinating available assistance adds to difficulties of service-disabled veterans in obtaining entrepreneurial assistance.

Enclosure II

Service-Disabled Veterans Face Difficulty Navigating Entrepreneurial Assistance



Sources: GAO analysis of agency documents; Art Explosion (images).

Enclosure III

Comments from the U.S. Small Business Administration



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

October 7, 2008

Mr. Jack Edwards
Acting Director
Financial Markets & Community Investments
US Government Accountability Office
Washington, DC 20548

Dear Mr. Edwards:

The Small Business Administration (SBA) welcomes this review of the programs and resources available to service disabled veterans. SBA is committed to providing the highest level of service to the 150,000 veterans that utilize this agency each year through our programs, offices and resource partners. SBA is always looking to improve and strengthen our level of service for the men and women who have served our country in defense of freedom and liberty.

SBA continues to serve veteran entrepreneurs by improving the products we offer as a part of our commitment to serving our nation's veterans. SBA recently announced five Small Business Development Centers (SBDC), as a part of Public Law (PL) 110-186, who were awarded veteran related grants to 1) develop a marketing campaign to promote awareness of available services, 2) utilize technology-assisted online counseling and distance learning, and 3) increase coordination among organizations that assist veterans. SBA published regulatory changes in the Federal Register to expand the Military Reservist Economic Injury Disaster Loan (MREIDL) to allow non-collateralized loans, extend the application deadline for reservists, and provide a pre-consideration process for reservists who wish to apply for an MREIDL loan before they receive their official activation notice. Additionally, SBA's Office of Disaster Assistance will provide prioritized loan processing for veterans.

SBA's Office of Veteran Business Development (OVBD) continues to provide outreach to veteran service organizations like the American Legion and Veterans of Foreign Wars to educate their membership of SBA products for veteran entrepreneurs. OVBD provides material to the Department of Labor's Transition Assistance Program (DOL-TAP) and is compiling training information and resources for women veterans. SBA and the Department of Defense (DOD) are working on a joint website providing information on programs for veterans and Reservists regarding small business concerns. Lastly, the Patriot Express Pilot Loan Initiative has provided over 2,000 loans to veteran owned businesses for over \$200 million. SBA has the proven expertise and infrastructure to provide business development assistance through counseling, training and capital assistance and continues to review and improve these programs.

SBA appreciates the efforts by the Government Accountability Office (GAO) and generally agrees with the recommendations. Additionally, SBA would like to update GAO on the current status and future plans of the agency to meet GAO's recommendations for SBA.



Recommendation 1: Interagency Task Force

Public Law 110-186 mandates an Interagency Task Force comprised of members from the Department of Veterans Affairs (VA), Department of Defense, SBA, Department of Labor (DOL), Department of the Treasury, General Services Administration, Office of Management & Budget, and four veteran service organizations. SBA routinely works in concert with other federal agencies. SBA's Associate Administrator of the Office of Veterans Business Development (OVBD) serves on several working groups and multi-agency committees designed to meet the needs of veterans. OVBD routinely communicates and coordinates with DOD, DOL and VA on veteran matters. SBA is working through the specific requirements contained in the law and continues to proceed on establishing the Interagency Task Force.

• **Coordination**

SBA routinely coordinates and participates with DOL and VA on veteran issues. SBA will renew and strengthen the previous MOU with VA and DOL to ensure proper coordination of veteran programs and resources.

• **Clearinghouse**

SBA previously held an MOU with the Association of Small Business Development Centers (ASBDC) to establish an information clearinghouse of veteran related information including key personnel names, addresses, phone numbers and e-mail addresses of federal, state, and local government and key private sector assistance programs. After carrying out the initial MOU, SBA has applied the lessons learned to continue to provide information to veterans and achieve the goals of PL 106-50.

Centralized clearinghouses work if all potential clients automatically pass through it. However, the veteran community is diverse and their paths to entrepreneurship can happen as they exit the military or after years in the private sector. SBA's Office of Veteran Business Development uses multiple paths to reach potential entrepreneurs. This includes, but is not limited to, VA Vocational Rehabilitation, Transition Assistance Program, DOD Military One-Source, Veteran Business Outreach Centers, Small Business Development Centers (SBDC), and Veteran Service Organizations using SBA material and information that refer back to SBA's website and resources.

SBA is currently establishing an information portal for veterans on our website at <http://www.business.gov/veterans>. This website will become a central hub for veteran entrepreneurship information, including links to other government agencies and state programs and resources. Additionally, SBA is working with ASBDC to strengthen the collaboration we have built based on the previous MOU. SBA plans on including language in future SBDC Program Announcements and Notice of Awards to require each individual SBDC website to include names, addresses, phone numbers, and e-mail addresses for all state and local veteran resources and a link to SBA's veterans' website. Additionally, SBA's website will provide links

Mr. Jack Edwards
U.S. Government Accountability Office
Page 3

to local SBDC veteran resources. This will strengthen the www.business.gov/veterans website as a central veteran information portal.

Thank you for the opportunity to comment on the GAO Report. I look forward to continuing to update you on our progress.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Elmore', written over a horizontal line.

William Elmore
Associate Administrator
Office of Veterans Business Development

Comments from the Department of Veterans Affairs



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

September 26, 2008

Mr. Jack Edwards
Acting Director, Financial Markets
and Community Investment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Edwards:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, ***Multiple Agencies Provide Assistance to Service-disabled Veterans or Entrepreneurs, but Specific Needs Are Difficult to Identify and Coordination Is Weak*** (GAO-09-11R) and generally agrees with GAO's conclusions and concurs with GAO's recommendations.

GAO's draft report states that the Small Business Administration, VA and the Association of Small Business Development Centers were required to establish an information clearinghouse on the entrepreneurial assistance available to service-disabled veterans. This clearinghouse was to include information on office locations, key personnel, telephone numbers, and email addresses; however, a single clearinghouse was never established. We would like to point out that VA maintains an online database that was developed to satisfy the requirements for an electronic clearinghouse of information as required by Public Law 106-50. The online database resides on the VetBiz.gov web portal and is identified as the Assistance Program Pages (APP). The Department would welcome the opportunity to offer this program as a launching platform for the more robust information repository envisioned by the GAO report, should this be viewed positively by our Federal agency partners. We encourage our partners to work with us to devise an outreach plan that will satisfy the expectations of the GAO report.

VA appreciates the opportunity to comment on your draft report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gordon H. Mansfield".

Gordon H. Mansfield

(250415)

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