

November 1990

SMALL BUSINESS

Efforts to Improve Activities of the Service Corps of Retired Executives



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United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-235671

November 20, 1990

The Honorable Dale Bumpers
Chairman, Committee on Small Business
United States Senate

The Honorable John J. LaFalce
Chairman, Committee on Small Business
House of Representatives

The Small Business Administration (SBA) Reauthorization and Amendment Act of 1988 required that we review the operations of the Service Corps of Retired Executives (SCORE).¹ By charter, SCORE is a voluntary, nonprofit corporation whose primary purpose is to provide the expertise of its counselors in solving the problems of the small business community.

The House of Representative's Small Business Committee, the originator of the act's provision, agreed that we would provide general information on (1) how SCORE operates and what services it provides, and (2) a number of managerial and administrative issues including SCORE's management information system, SBA's oversight of SCORE's chapters, the chapters' interaction with the Small Business Development Center (SBDC) program,² evaluations of counselors' performances, and funding for clerical support and travel.

Results in Brief

For fiscal year 1989, SCORE reported that its volunteers—retired and employed executives and managers—provided about 194,000 counseling sessions and gave free or inexpensive workshops to about 102,000 clients. Counseling may include advice on whether a client should start a business or how a client should expand an ongoing business.

We found inconsistencies in SCORE's management and administration of its chapters and in SBA's oversight of them. Incomplete and inconsistent reporting by SCORE's chapters affect the usefulness of data from the SCORE-generated management information system (MIS). SCORE and SBA officials told us that there were differences, to varying degrees, in SBA's

¹The act required GAO to also review the Active Corps of Executives (ACE), but since SCORE merged with ACE in 1982, we refer only to SCORE.

²Using paid staff, SBDC's offices provide business-related counseling, training, and specialized support assistance to the small business community. SBDC's offices are usually operated by colleges and universities under cooperative agreements with SBA.

oversight of SCORE's chapters and SCORE's coordination of its chapters with SBDC. Further, SCORE's limited surveys of its clients identified several positive contributions of SCORE's operations and also a need for evaluations of counselors' performances. Also, the use of federal funds for clerical support varied according to whether the chapter could get such support from SBA, other organizations, or volunteers; and for travel expenses, according to whether volunteers requested reimbursement. The inconsistencies we found can be attributed in part to inadequate guidance from SBA. However, these differences may also stem from the volunteer makeup of the SCORE organization. Although SCORE headquarters and SBA have taken some actions to improve the management and administration of chapters, better guidance from SCORE headquarters and closer coordination between SBA and SCORE headquarters could lead to further improvements.

SCORE's Services

SCORE began as a group of local voluntary service organizations in the 1960s. Pursuant to the Small Business Act, as amended, SCORE is sponsored by SBA and receives appropriations through SBA. SCORE is governed by a board of directors that consists of SCORE representatives from SBA's 10 regions, the SCORE president, president emeritus, and immediate past president.

During fiscal year 1989, SCORE had 387 chapters across the nation. Its members include retired and employed executives and managers. SCORE estimates that its chapters have about 12,500 members, who provide free counseling to clients wanting to start a business or already operating a business. The chapters also provide a variety of free or inexpensive workshops to the small business community on general pre-business information and on specialized topics such as mail order businesses, government contracts, accounting, and business taxes. According to SCORE's fiscal year 1989 reports, volunteers provided about 164,000 one-time counseling sessions and about 30,000 follow-on counseling sessions, offered about 3,000 workshops to about 102,000 clients, and gave about 3,400 speeches before educational civic groups. SCORE reports that its volunteers donated about 721,000 hours of service.

Through its appropriation to SBA, the Congress provides SCORE with funds to support its activities. In fiscal year 1989, SCORE was provided \$2.5 million—\$1.5 million for travel expenses and \$1 million for operating its headquarters and providing clerical support for individual chapters. According to the executive director, SCORE had six paid staff members at its headquarters.

Counselors provided various responses when we asked them what they considered SCORE's most important contribution to be. Several counselors mentioned discouraging those clients whom the counselors believed were unprepared to establish their own businesses from doing so. Counselors may determine that a client is unprepared to establish his/her own business if, for example, the client lacks experience, financing, or managerial ability. Counselors also mentioned that they were aiding clients in the following ways:

- providing counseling by experienced businesspersons with expertise in the areas discussed,
- providing assistance to clients that would otherwise have to be provided by SBA staff,
- helping create higher quality jobs by encouraging the growth of small businesses, and
- opening up new ideas and answering clients' questions.

Weaknesses in Management Information System

By interviewing SCORE officials and reviewing documentation used by the chapters to report their activities to SCORE headquarters, we identified two weaknesses in the MIS—some chapters were not submitting monthly or annual reports as SCORE's standard operating manual requires, and chapters were inconsistently reporting counseling sessions and workshops. The data from the chapters' reports are put into the MIS, and reports from this system are used for activities such as monitoring chapters' counseling sessions and workshops; targeting chapters' improvements; providing information for recruiting counselors and clients; allocating resources, such as publications used in counseling; and enabling SBA to justify SCORE's funding requests to the Congress. By agreement, SCORE and SBA are jointly responsible for developing and reviewing the MIS reports. The weaknesses we identified in the MIS limit SCORE's and SBA's ability to adequately monitor SCORE's activities.

Activity Reports Not Submitted

Some chapters have not complied with the requirement to submit monthly or annual reports that are designed to record activities such as counseling sessions, workshops, and the maintenance of membership. SCORE headquarters requires chapters to submit monthly activity reports and annual reports.

For fiscal year 1988, annual data did not include activities performed by 15 percent of its chapters, according to SCORE's estimates. For fiscal year 1989, 53 of the chapters, or about 14 percent, did not submit their

annual reports, according to data in the MIS. The SCORE executive director said the reason for this failure to report may be that chapters do not know what uses are made of the reports they submit and the fact that, to date, there have been no corrective actions required for not reporting. In commenting on our draft report, SCORE also mentioned other factors that contributed to reporting problems—(1) the MIS was not reviewed or field-tested by SCORE before SBA turned it over to SCORE for its use, (2) there were continuing problems in SBA's initial distribution of reporting forms, and (3) the design of the forms was cumbersome.

SCORE has initiated action to correct its reporting problems. In September 1989, the SCORE president requested that the chairpersons of 44 chapters with problems provide written corrective-action plans by December 1989 to their regional representatives. The executive director later told us that this effort was unsuccessful because few plans were submitted.

Reporting problems continue: for example, as of January 1990, the MIS reported that 53 of the chapters, or 14 percent, did not submit their monthly report as required. In March 1990, because of the continuing problem and the lack of response to the earlier effort, SCORE's board voted for a new approach to chapters with problems. Under a new procedure, any chapter that does not comply with requirements on performance will have its charter revoked and be converted to a satellite of a neighboring chapter unless its regional representative provides evidence justifying why the action should not take place.

In August 1990, SCORE reported that, as of June 1990, 27 of the chapters, or about 7 percent, were not submitting required reports.

Inconsistent Data Furnished

Several of the 10 chapters we visited reported counseling sessions and workshops differently on monthly reports. Consequently, accurate comparisons of the chapters are difficult unless the person making the comparison knows exactly how each chapter reports data on its workshops and counseling sessions. In August 1989, after we had briefed SCORE on the results of our field visits, the executive director issued guidance to help make reporting on chapters' activities more consistent.

At one chapter we visited, counselors counted efforts to close a case, through such means as telephone calls or letters to clients, as counseling sessions even when counselors did not reach clients. At two other chapters, we were told that case totals did not include a counselor's efforts when the client was not counseled. In August 1989, the chapters were

instructed not to report efforts to close a case as counseling actions if the client was not counseled.

SCORE's chapters also reported data on workshops differently on the monthly activity reports, according to officials at SCORE's headquarters, regions, and chapters. Inconsistencies occurred when chapters held multi-session workshops. For example, some chapters, including at least two we visited, reported each session of their multi-session workshops as a separate workshop. However, one of the chapters we visited reported an eight-session accounting workshop as a single workshop. Further, some other chapters multiplied the number of attendees by the number of sessions when reporting the number of attendees at workshops, even though the SCORE manual states that chapters should report only the number of attendees who have registered for the entire workshop, rather than the session. Chapters were also advised that a workshop may be composed of multiple sessions, but it should be recorded as one workshop on the activity reports.

Chapters also inconsistently recorded counseling hours for sessions that involved more than one counselor, according to counseling forms we examined and counselors we interviewed. Some chapters multiplied the length of the counseling session by the number of counselors, while others did not. In August 1989, the executive director advised the chapters that counseling hours are to reflect the amount of time invested by counselors rather than the length of the clients' counseling sessions.

On the subject of the accuracy of the MIS reports, SCORE officials told us that some chapters are underreporting follow-on counseling because counselors do not submit the required paperwork. At the October 1989 national workshop, the executive director reported that his analysis of the results of a survey of one region indicated significant underreporting of follow-on counseling. The SCORE president wants chapters to perform more continuous counseling, especially when chapters are unable to meet SCORE's goal of one client per counselor per month. He said that chapters that have chronically failed to meet this goal and that are unable to improve may have their charters revoked and be merged with other chapters.

In addition to SCORE's clarifying the reporting requirements for the MIS, SBA officials said that SBA was considering several changes to the forms used by SCORE. For example, SCORE wants the form for requesting counseling revised to provide more specific information on the type of business making the request so that chapters can assign proper counseling.

SBA is also working with SCORE to implement a form that merges the former counseling application form with the form used to report counseling. SBA told us that it is scheduling training in the area of reporting for each of SCORE's chapters during fiscal year 1991.

SBA's Oversight of Chapters

The oversight of SCORE's chapters by SBA's field offices has varied. SBA's standard operating procedures do not contain specific standards for how the field office's supervision of chapters should be performed. The procedures state that SBA field staff are to review and assess the performance of SCORE's chapters, but do not contain quantitative requirements. Without specific requirements, SBA's field offices have approached oversight differently. For example, in one district office, SBA staff told us that they performed quarterly reviews of a sample of members' counseling reports from all chapters in the service area and evaluated the performance of chapters against specific predetermined performance targets as required by SBA's Assistant District Director. The SBA staff members then provided detailed reports on chapters' activities to SBA's regional management and to the chairs of SCORE's chapters. An SBA official at another office that was located with one of SCORE's chapters said that SBA staff informally monitored the reporting of activities because he believed that the chapter should run its own program.

The frequency of SBA's visits to the chapters in their service areas has been inconsistent, according to SBA officials. In one state, the SBA Assistant Director said that his staff tries to visit each chapter once a year. However, he said that his staff was not able to make the annual visits to all chapters because of limited travel funds and the size of the district his staff had to cover. In another state, the staff of the SBA District Director said SBA staff visit each chapter at least once every 3 months. In a third state, a member of the SBA staff told us she attended the monthly meetings of each chapter.

In commenting on relations between SCORE and SBA, SCORE said that it has not always received full, timely feedback from SBA, but has received responses from SBA by phone, visit, or memo about 95 percent of the time. Further, relations with SBA's field offices that were responsible for oversight and support of the chapters varied from excellent to very poor, according to the chapter members we interviewed.

SBA recognizes that more of its resources must be placed in the field in order to improve oversight of SCORE's program. SBA said that it plans to amend its procedures concerning SCORE to mandate structured reviewing

procedures to be carried out by SBA's field offices. SBA said that it would request additional allocations for personnel and travel to implement this plan.

Interaction With SBDC

Interaction between those of SCORE's chapters we visited and SBDC varied. According to SBA's standard operating procedures, SBA's field staff responsible for the development of businesses are expected to motivate organizations supporting businesses, such as SCORE and SBDC, and establish a climate of trust and cooperation within the community. Since SCORE and SBDC serve the same business community, close cooperation and coordination would help to ensure the best use of the resources from both organizations as well as the best service to clients needing counseling.

Some chapters we visited had cooperative relations with SBDC's offices in their areas. For example, two chapters we visited said they received numerous referrals—an indicator of cooperation between the two groups—from SBDC and/or provided many referrals of clients to SBDC. At one chapter we visited, representatives of SCORE and SBDC attended each other's workshops and business meetings, according to an SBA official. The chair of another chapter we visited said that he and two other members of SCORE had joined the boards of directors of two of SBDC's offices to promote cooperation between the chapter and SBDC.

Other chapters did not cooperate as well with SBDC. According to SCORE and SBA officials, few or no clients were referred between at least four of the chapters of SCORE we visited and SBDC's offices in their areas. Officials and members of SCORE noted that this could have been because the SBDC staff were paid to provide the same kind of services that SCORE's members provide voluntarily, or that SBDC was competing with SCORE for funding and clients.

Another example of differences between chapters' operations is their varying approaches to pre-business workshops. For example, SBA has provided clear guidance to SBDC's offices that they should not conduct pre-business workshops if one of SCORE's chapters is able to meet the need. According to data in the MIS from fiscal year 1989 and the first 4 months of fiscal year 1990, 67 chapters did not meet SCORE's goal that each chapter conduct at least two workshops per year. This could result in SBDC's coming forward to fill the need for pre-business workshops and be one reason for the competition between the two groups in serving the small business community. Other chapters, however, far exceeded

SCORE's goal, thereby reducing the need for SBDC to conduct workshops in that area. For example, one chapter we visited was offering four workshops a month. Further, some of SCORE's chapters, including one we visited, had conducted joint conferences and/or workshops with SBDC, according to SCORE and SBA representatives.

Better Cooperation Between SCORE and SBDC Recommended by Advisory Committee

Recognizing that relations between SCORE and SBDC could be improved, SBA created an SBDC-SCORE Study Committee in September 1987, according to the SBA Associate Administrator for SBDC. In a report prepared in 1989, the Committee concluded, in part, that

- interaction between SCORE and SBDC "leaves much to be desired,"
- SBA must assume the leading role in promoting better cooperation, and
- all entities must continually promote better cooperative interaction.

SBA said that it would redouble its efforts to ensure that SBA, SBDC, and SCORE understand the importance of cooperation between these entities. SBA also plans to evaluate how well and to what extent SCORE's chapters work with SBDC as part of SBA's increased oversight of SCORE's operations.

SCORE's Contributions and SCORE's Need for Evaluations of Counselors

Limited surveys of clients by SCORE showed SCORE's contributions and demonstrated the need for evaluations of counselors. At the time of our field work, SCORE's standard operating manual indicated that committees that examine counselors' performances were optional for the chapters. While some chapters periodically performed formal reviews of counselors' performances, other chapters did not consistently evaluate the quality or benefits of the counseling their members provide. In March 1990, after recognizing the need for evaluations of counselors, SCORE's board of directors approved procedures to implement a new requirement that all chapters evaluate counselors annually.

At the board's direction, SCORE headquarters surveyed SCORE's clients to measure their satisfaction with the counseling they received from the organization's volunteers. SCORE's executive director reviewed 102 responses from 500 clients selected for one survey in particular that was administered in Region V. This review showed, among other things, that

- 88 percent of the clients rated the expertise of their counselors as average or better;

- 74 percent probably or definitely would recommend SCORE to others needing assistance in business;
- 56 percent said that the counseling had a moderate or greater effect on their decisions related to business; and
- 56 percent received about half or more of the assistance they requested.

The executive director concluded that some areas of counselor-client relations needed improvement, because the survey showed that

- 60 percent said that they were encouraged to seek additional counseling, which the executive director believed was too low;
- 39 percent said that counselors had only some or little understanding of their clients' needs related to business;
- 31 percent said that they were dissatisfied with the help they received; and
- 37 percent said that their counselors provided little or no improvement in their clients' skills and knowledge related to business.

The executive director said that he reached similar conclusions on the basis of results of 111 responses from a less detailed survey sent to 500 clients in Region IV.

Efforts are underway to address some of the problems identified in the surveys. For example, the SCORE president is encouraging chapters to concentrate on providing follow-on counseling to clients, and, as described earlier, SCORE's board has approved procedures to require more consistent evaluations of counselors as a means of improving the quality of the counseling that SCORE provides.

Also, through SBA, SCORE sought approval from the Office of Management and Budget to conduct a nationwide survey of clients' satisfaction. In June 1990, the executive director told us that the Office of Management and Budget had approved the survey form and that SBA was to administer the survey of SCORE's clients. We believe that nationwide data should give a broader analysis of SCORE's operations and possibly identify other areas needing attention.

At the conclusion of our fieldwork, SCORE was considering changes to the application form to improve the initial assignment of clients to counselors. In August 1990, SBA told us that a new application form was instituted in May 1990. Also in August 1990, SBA and SCORE said that a national roster, which lists the skills of SCORE's counselors, has been developed and provides information that will facilitate the matching of

clients and SCORE's counselors, according to clients' needs. A similar roster for personnel with expertise in international trade is also available for assigning clients to counselors. SBA also reported that it was working with SCORE to prepare training instruments for all volunteers. These instruments will address techniques for counseling, sensitivity to clients, and areas that will help SCORE improve its services to clients.

Clerical Support and Travel Funds

The levels and impact of clerical support and travel funds provided to individual chapters varied.

Clerical Support

The chapters we visited used various means to perform their clerical duties, some obtaining clerical support from more than one source. For 4 of the 10 chapters we visited, chapter officials told us that SCORE paid for from 3 to 20 hours of clerical support per week. According to SCORE's standard operating manual and its executive director, SCORE provides clerical support to selected chapters that are unable to obtain enough funds from workshops, enough clerical support from cooperating community organizations, or enough help from volunteers. According to chapter officials, each of the seven chapters we visited located with SBA received varying levels of clerical support from this agency. Three other chapters we visited were located with chambers of commerce and, according to chapter officials, had arranged to use and/or pay for the chamber's support staff.

In regard to using SCORE's members to perform clerical duties, a member at one of SCORE's chapters said that some members agreed to help with administrative duties while others did not. At least two chapters we visited required members to assist with administrative duties. Four chapters had volunteers (either members or nonmembers) who performed administrative tasks exclusively. SCORE's executive director said many chapters have had success in getting clerical assistance, and counselors, from the American Association of Retired Persons. He said that other chapters should use funds from their workshops to hire more clerical staff.

Partially reflecting the varying capabilities of clerical support, the chapters we visited had established different systems for managing records. Some chapters had files that facilitated retrieval of information on previous clients' applications or counseling sessions. At one chapter, an SBA

official told us that the counseling forms were collected daily and maintained by the district office with which the chapter was located. Three chapters we visited were using or installing computers to maintain data on the chapters' activities. An official from SBA's Office of Business Development said SBA is considering allowing those of SCORE's chapters that are located with SBA's field offices, to use SBA's computers.

Travel Reimbursement

Travel funds can be used for reimbursing volunteers' expenses to and from the chapters' offices, clients' places of business for counseling, or SCORE's meetings and workshops. Some of SCORE's members said some activities had to be curtailed because of limited travel funds. For example, one of SCORE's board members said that travel funds were not available for meetings that bring together chairs of special projects, such as international trade. A SCORE regional representative said that the number of regional meetings had been reduced because travel funds were limited.

The adequacy of travel funds, at the chapter level, is related to the number of counselors who claim reimbursement for travel expenses. At two chapters, officials said counselors did not claim reimbursement. At the other chapters, officials estimated that the number of counselors claiming reimbursement ranged from "a few" to 80 percent. Some counselors said they did not seek reimbursement because of the amount of paperwork required. We were also told that some counselors claim an income tax deduction rather than claim reimbursement for travel expenses. To address chapters' needs for clerical support and travel funds not met by congressional funding, SBA encourages chapters to use volunteers, help from the local private sector, and fees from workshops.

Conclusions

SCORE's chapters can provide counseling and workshops with modest financial and administrative support from SCORE headquarters or SBA. Some chapters, however, may not need large amounts of funds because facilities and/or services are provided without charge by SBA or business associations like the local chambers of commerce.

SCORE's recent efforts to help improve chapters' operations, by issuing reporting guidelines and revoking charters of chapters that do not improve their performance, are a move in the right direction. We realize that SCORE's members are volunteers who provide valuable assistance to SBA and the small business community; nevertheless, accurate reporting

of chapters' counseling sessions and workshops are important for improving management.

Additional attention to monitoring SCORE's activities and improving reports included in the MIS would help (1) SCORE target its efforts to improve chapters and allocate resources and (2) SBA to justify SCORE's funding requests. Finally, the interests of the small business community would be better served by improved relations between SCORE and SBDC.

Recommendations

Because of the various ways in which chapters interpreted reporting requirements, we recommend that the president of SCORE provide written guidance on reporting to the chapters as well as guidance for implementing changes to the counseling form and the MIS now being considered. We recommend that the president of SCORE and the Administrator of SBA work together to help ensure more accurate reporting of data in the MIS. We recommend also that the SBA Administrator conduct joint planning meetings and promote the referral of SCORE's clients to SBDC, to help foster cooperation between SCORE and SBDC.


Agency Comments and Our Evaluation

SCORE and SBA comments were incorporated as appropriate. SBA and SCORE suggested that a more positive presentation be used by fully discussing SCORE's contributions to the small business community. We have added this additional information. Further, SBA generally concurred with our recommendations, but SCORE expressed reservations about the practicality of working more closely with SBA and SBDC. We believe that closer cooperation can be accomplished. In fact, some of SCORE's chapters have worked effectively with SBDC by conducting joint workshops and conferences. The agencies' detailed comments and our evaluation are included in appendixes II and III.

The scope of our review was discussed with the House Committee on Small Business, the originator of the provision mandating our review. We (1) interviewed SCORE and SBA officials to discuss their operations and level of cooperation, (2) visited 10 of SCORE's chapters to observe their operations and discuss the level of SBA's support, and (3) reviewed SCORE's MIS reports and SCORE's supporting documentation to determine the accuracy of the system. We briefed the House Committee on Small Business staff on the results of our work. Details of our scope and methodology are presented in appendix I. We performed our work between

January 1989 and February 1990, with updates through August 1990, in accordance with generally accepted government auditing standards.

As arranged with the Small Business Committee staff, unless you publicly announce its contents, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to interested parties and make copies available to others upon request. This report was prepared under the direction of John M. Ols, Jr., Director, Housing and Community Development Issues, who can be reached on (202) 275-5525. Other major contributors to this report are listed in appendix IV.



J. Dexter Peach
Assistant Comptroller General

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Abbreviations

ACE	Active Corps of Executives
MIS	management information system
SBA	Small Business Administration
SBDC	Small Business Development Center
SCORE	Service Corps of Retired Executives

Scope and Methodology

During our review, we interviewed officials at SCORE headquarters in Washington, D.C., and members of SCORE's board of directors. We reviewed SCORE's standard operating manual and other materials that describe SCORE's policies and procedures. We reviewed in detail the monthly reports submitted by three chapters, which we later visited, and nearly 500 of the supporting documents. This provided an overview of how these local chapters were operating and how the management information system implemented by SCORE headquarters was working. We also reviewed reports and documents provided by seven other chapters.

We visited 10 of SCORE's chapters in the District of Columbia and 7 states—Kentucky, Maryland, Massachusetts, North Carolina, Pennsylvania, Rhode Island, and Virginia—to observe their operations. We selected chapters that would provide an overview of different kinds of operations. We visited small and large chapters ranging from 15 to 90 members, chapters that counseled hundreds of cases each month and those that counseled only a dozen or so, chapters that emphasized team counseling and those that did not, and chapters with as many as 17 satellite counseling locations and those with none. Our selection was not random and did not provide statistically projectible results. We also evaluated how consistently data in the MIS reflected the activities at the chapter level.

We interviewed officers and counselors from SCORE's regions, districts, and/or chapters. To learn about SCORE's counseling, we observed counseling sessions during visits to two chapters. We interviewed clients from five chapters who had received counseling. These interviews were conducted either (1) at SCORE's chapters in conjunction with counseling sessions, (2) by telephone, or (3) on visits by our staff to the clients' places of business. The interviews involved some clients who had had only one counseling session and some who had had up to 15 counseling sessions. These interviews helped provide information on whether clients were benefitting from assistance provided by SCORE's counselors.

We discussed relations between SBA and SCORE with representatives from all levels of SCORE, from SBA headquarters, and from seven of SBA's field offices. The district and branch offices we visited were responsible for support and oversight of 9 of the 10 chapters we visited.

We did not select a statistically valid sample of the documentation supporting the MIS reports because (1) that would have required substantial

staff resources, and (2) SCORE had initiated actions to address many of MIS' inconsistencies.

Comments From the Service Corps of Retired Executives

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

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Association

Sponsored by U.S. Small Business Administration

Helping Small Business SCORE . . . Since 1964

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August 3, 1990

Frank V. Subalusky
Assistant Director
Resources, Community, and Economic Development
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General Accounting Office
Washington, DC 20548

Dear Mr. Subalusky:

Enclosed are our comments with regard to your draft report concerning the activities of SCORE.

Our effort has been to introduce greater balance into the report so that the reader will have a better appreciation of the important accomplishments of SCORE notwithstanding the numerous criticisms of the draft.

Sincerely yours,

Harry B. Matzen
President
SCORE Association

**Appendix II
Comments From the Service Corps of
Retired Executives**

MEMORANDUM

TO: Frank V. Subalusky, Assistant Director, Resources
Community and Economic Development Division, GAO

FROM: Harry B. Matzen, President *HBM*
SCORE Association

DATE: August 7, 1990

SUBJECT: Comments on Draft GAO Titled: Report to Congressional Requestors,
Small Business, Activities of Service Corps of Retired Executives
Need Improvement

We appreciate the opportunity to review the draft of the subject report, and have a number of comments to make which we trust you will find helpful.

Initially, I am troubled by the title you have chosen to give the report. It was probably not intended to be prejudicial, but it reflects value judgements that are not borne out by the contents of the report. A less controversial title would be "Review of the Operations of SCORE Pursuant to the SBA Reauthorization and Amendment Act of 1988".

See comment 1.

1. The change in the scope of your review from an impact survey to the more extensive findings proposed in consultation with the House Small Business Committee makes it difficult to compare SCORE activities with SBDC activities, and the extent to which they overlap or compete -- one with the other. The GAO report on the SBDCs was an impact study and made neither negative findings nor recommendations for corrective actions. Your report on SCORE almost ignores SCORE's positive impact on clients and its cost effectiveness. It does point out where we need to do better in training and evaluating counselors and MIS reporting.

See comment 2.

2. The emphasis placed on SCORE chapter interaction with the Small Business Development Centers assumes policy determinations that have never been made -- neither by SBA, the SBDC's nor the Small Business Committees. As a matter of historical fact, the interaction that you assume to be desirable has not been encouraged by SBA until recently and attempts to "divide the field" by the parties themselves have been sporadic at best. That is not to say that the discussion of that subject at pages 9-10 of the draft report is not substantially accurate. We see no likelihood of improved interaction, however, until one of two events occurs. Either SBA "divides the field" between these two management resources or the leadership of SCORE and the SBDC program act to carve out areas appropriate for the operations of each, and each agrees to respect the independence of the other and the right of the small business community to choose the services and the provider that the client desires in any given instance.

See comment 3.

3. Although the draft report recognizes that "SCORE is a voluntary nonprofit organization whose primary purpose is to provide the expertise of its counselors in solving the problems of the small business community" and concludes "that SCORE members are unpaid volunteers who provide valuable assistance to both SBA and the small business community", the draft report evinces no insight into the appropriate level of expectations when dealing with part-time volunteers as opposed to either part-time or full-time paid personnel. For example, the summary of your report focuses on "inconsistencies in SCORE chapter management and administration and in SBA oversight". It laments "incomplete and inconsistent reporting" by SCORE chapters and urges improved SBA oversight of SCORE chapters as well as improved coordination of local chapters with SBDC as if this would somehow solve the problem.

See comment 4.

These observations overlook the nature of the problem and miss the mark in casting about for solutions.

A. SCORE volunteers join up to do counseling and to conduct workshops. Many of them have no patience with reports and forms. If they are to treat paperwork requirements seriously, they must be provided with adequate clerical support to relieve them of the burden, or provided with suitable training to give them an understanding of how their own counseling and workshop

**Appendix II
Comments From the Service Corps of
Retired Executives**

See comment 5.

activity will benefit from the data that is collected. We are making progress in obtaining the cooperation of our membership with SCORE and SBA reporting requirements. For May of this year 353 out of 381 chapters reported MIS data and for June 1990 the number of chapters reporting was 354. That is a significant improvement over the total for January when 53 chapters failed to report. To do more requires more funds for training and for clerical support. Neither SBA guidance nor closer coordination between SBA and SCORE headquarters holds the key to better or more complete reporting.

See comment 6.

4. We are concerned that a report containing so many errors of omission is bound to be unbalanced and to overlook the many obvious benefits to the government and to small business as a result of SCORE activity. To illustrate the point -

See comment 7.

A. Nothing in the report touches on the extraordinary cost effectiveness of the SCORE operation. The SBDC report places the cost of client service at \$258 per client. SCORE's cost of client service, employing the same rationale, is approximately \$10 per client. And yet our impact study discloses client satisfaction with SCORE services at about the same level as client satisfaction with SBDC services.

B. SCORE has developed a national skills roster of all our personnel and a separate one for personnel experienced in international trade. Additional funds would permit us to keep these rosters current and to develop similar specialized rosters for specific purposes. We suggest that you, 1) discuss the roster system in your report; 2) prioritize and cost out areas where improvements and extensions should be made; and 3) recommend budget increases that will permit SCORE to continue the development of this project.

See comment 8.

C. The report overlooks the many positive uses to which SCORE and SBA are putting the MIS data we collect. That data is critical to

- chapter revitalization
- budget justification and resource allocation
- news and publicity articles to recruit counselors and clients
- workshop audience targeting and planning
- staffing problem resolution (snowbirds)
- recruiting target groups and chapters
- recognition reporting of chapter involvement in speeches and information dissemination

See comment 9.

D. Although the MIS system was implemented at the start of FY1988, it had been designed by an SBA contractor and turned over to SCORE piece meal throughout the year. SCORE was never afforded the opportunity to review or field test the system prior to implementation. The forms did not become available until the middle of the fiscal year and there were continuous supply distribution problems until the following year. After some experience with the newly designed counseling forms, 641 and 641A, SCORE found them so cumbersome that it redesigned the forms and delivered them to SBA in March 1990. SBA adopted our changes in March of 1990, but that is the sequence of events that has contributed to the under reporting and errors in reporting of the past two years.

See comment 10.

5. One matter that cannot be overlooked is that information obtained by visits to ten chapters, all ten within easy reach of Washington along the east coast out of 390 does not yield statistically valid results. You draw the inference from your visits that the reporting of inconsistent data is a widespread problem for SCORE. We believe it to be a minor problem, which would not be confirmed by a larger sample and will be further corrected by additional clerical support and training as funds become available for those purposes.

The following are GAO's comments on SCORE's letter dated August 7, 1990.

GAO's Comments

1. We revised the title of our report to reflect that SCORE and SBA are continuing their efforts to improve SCORE's operations.
2. This report was not intended to parallel the GAO report on SBDC.¹ That report was based on the results of nationwide questionnaires and provided no recommendations for improving SBDC's operations. With the consent of the House Small Business Committee, the review of SCORE did not include questionnaires, but was based largely on interviews with officials from SCORE and SBA headquarters and visits to 10 of SCORE's chapters. Our review was not designed to provide an impact study or evaluate the cost effectiveness of SCORE. (Our scope is described in detail in app. I.) Unlike the report on SBDC, this report provides recommendations to help improve the operations of the organization. Further, we do not believe the report "almost ignores SCORE's positive impact on clients." Rather, the report provides statistics on SCORE's counseling and workshops as well as clients' positive responses from SCORE's surveys.
3. SCORE points out that SBA has recently encouraged cooperation between SCORE and SBDC. Notwithstanding, we believe that both organizations should take steps to maximize their resources in trying to provide assistance to the small business community. Although we recognize that SCORE and SBDC are independent entities, we do not believe, as SCORE's comments suggest, that a "divide the field" approach is the only likelihood for improved interaction. We also see no reason why the two groups cannot work together, when appropriate. In fact, our report supports joint efforts between SCORE and SBDC, such as joint conferences and/or workshops as a means of meeting the needs of the small business community.
4. As SCORE noted, we did acknowledge that SCORE's members are volunteers who provide valuable services to the small business community. We also provided statistics to indicate the magnitude of SCORE's contributions. We did not, however, attempt to establish criteria for the way in which volunteers' performances should be evaluated. We did identify areas where improvements could be made and, as the SCORE president

¹Small Business: Development Centers Meet Counseling Needs of Most Clients (GAO/RCED-90-38BR, Nov. 22, 1989).

commented, steps have been taken to address the need for more clerical help.

5. We revised the report to include the recent improvements in chapters' reporting. SCORE believes that neither SBA's guidance nor closer coordination between SBA and SCORE headquarters holds the key to better or more complete reporting. We believe that increased oversight on SBA's part and/or closer coordination between SBA and SCORE will promote further improvements because in its August 10, 1990, comments on our draft report, SBA recognizes the need to improve its oversight of SCORE's chapters, is beginning a review of field oversight, and will request additional staff as reflected by the results of this review.

6. As explained earlier, our review did not include an analysis of SCORE's impact on clients and did not attempt to assess the cost effectiveness of SCORE. We have added additional information on SCORE's positive contributions, including speeches before civic groups and volunteers' hours donated on behalf of small business.

7. We revised the report to include information on SCORE's rosters of counselors' skills, but it was beyond the scope of our review to prioritize and cost out areas where improvements and extensions to the roster system should be made or recommend budget increases that would permit SCORE to continue this project.

8. Our draft report mentioned several of the uses of the MIS contained in SCORE's listing. We have added others to our final report.

9. We revised our report to include reference to factors that SCORE believes contributed to underreporting and errors in reporting by SCORE's chapters.

10. As stated in our report, our review included visits to 10 chapters that were selected, with input from SCORE headquarters, as a limited cross-section of SCORE's operations at the local level. Limited travel funds, as well as concerns about whether the data we would get would be much different from that already collected, precluded us from visiting chapters in regions that officials from SCORE headquarters identified as having more serious problems than some of those we visited. We also did not visit other nearby chapters that officials from SCORE headquarters identified as having serious reporting problems. Our draft report clearly described our sample. We believe that the scope of our review provided an acceptable basis for our recommendations. We have stated that our selection of chapters did not represent a statistically valid sample.

Comments From the Small Business Administration

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



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



AUG 10 1990

Mr. John M. Ols, Jr.
Director, Housing and Community
Development Issues
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Ols:

Thank you for the opportunity to comment on the draft report, "Small Business: Activities of Service Corps of Retired Executives Need Improvement."

We have discussed the draft report with the SCORE Association and find that we have similar concerns and recommendations regarding the report. The Association's comments will be forwarded directly to you under separate cover.

First, we hope that the General Accounting Office will recognize that SCORE is a volunteer organization and that the tone of any report is very important in gaining the support of a volunteer organization to improve their operations. The title selected for the report could be used for any report generated on any program, since there is always room for improvement. We are, however, very concerned that a report that is written in a negative tone will undermine the improvement program that the SCORE Association and SBA has undertaken. We therefore request that consideration be given to making the report more positive in tone while still retaining the areas in which improvement is being recommended.

There are five areas of focus in the draft report and we submit the following comments on those five areas:

1. MANAGEMENT INFORMATION SYSTEM WEAKNESSES

The report addresses the lack of reporting by the individual chapters of SCORE, citing 14% not reporting in 1989 and further states that action was being taken to improve the reporting statistic.

The report states that SCORE advised that approximately 15% did not report in 1988. In 1989 this percentage was 14% and we are happy to advise you that in May, 1990, the reporting had increased to 93%.

It should also be pointed out that nonreporting understates the services actually being performed by SCORE and so when one states the value of SCORE in relation to the taxpayers' funds being expended, it is a conservative figure. We do not believe that this comes out in the draft report.

See comment 1.

See comment 2.

**Appendix III
Comments From the Small
Business Administration**

See comment 3.

As program managers, one would question how much follow-up and expenditure of taxpayers' money should be spent to obtain reports from volunteers so that an increase in figures could be reported.

See comment 4.

The improved forms, referred to in your draft report (pages 8 & 9) are nearing completion and have been approved by SCORE. We believe that this will assist in improving the consistency in reporting. Also, SBA is scheduling training in the area of reporting to be conducted in each SCORE chapter during fiscal year 1991.

See comment 5.

2. SBA OVERSIGHT OF CHAPTERS

The draft report cites the lack of uniform oversight of SCORE chapters as a problem. We recognize that greater resources must be placed in the field in order to improve oversight of the SCORE program. We are beginning a review of this part of the delivery system, including a model work measurement plan. We will be amending the Standard Operating Procedures covering this program and mandating structured review procedures to be carried out by the field offices. However, increased monitoring of the program, greater oversight of chapter operations will require increased SBA personnel allocations as well as increased travel funds. We will be requesting the needed support reflected by the work measurement plan being developed.

See comment 6.

3. INTERACTION WITH SBDCS

As pointed out in the draft report, the extent of interaction between SCORE and SBDCs depend on local conditions. At the national level, SBA has encouraged the two resources to coordinate activities wherever possible. We have held "summit" meetings to encourage cross-talk that hopefully will lead to improved relations at the field level. Similar meetings are being held at the regional and district levels. Current Standard Operating Procedures covering the SBDC and SCORE programs mandate cooperative efforts and nonduplication of efforts. This is also reinforced in the documents signed between the Agency and the various resources. The Assistant District Directors, at the local level and the Assistant Regional Administrators for Business Development at the regional level are charged with this responsibility.

We will redouble our efforts to insure that all resources and our field personnel understand that only through cooperative efforts will the small business client and the taxpayer receive an acceptable level of service and return on its investment in these programs. We will also include in the increased oversight program, an evaluation of how well and to what extent SCORE chapters are working with other resources.

4. COUNSELOR EVALUATION

Several improvements have occurred in the area of counselor evaluation since the review of the program.

See comment 7.

The new application form referred to on pages 12 and 13 of the draft report was instituted in May 1990. The National SCORE Association is working with SBA in preparing training instruments for all volunteers that will address techniques of counseling, sensitivity to clients and areas that will assist SCORE to improve the the services to its clients.

The national roster of SCORE volunteers is now operational and providing counselor information that permits improved counselor/client matches.

5. CLERICAL SUPPORT/TRAVEL FUNDING

See comment 8.

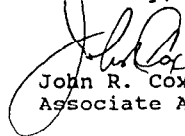
The extent of support given to SCORE for its operations is in direct proportion to the Congressional funding of the program. The Agency has encouraged the use of clerical volunteers, local private sector support, and training fees that would be used to help support the local chapter.

Due to the level of funding, it is impossible to have clerical support in every chapter.

Travel funds are also limited based on the overall appropriations. Currently, SBA allocates approximately 60% of the total budget for travel reimbursement and approximately 18% to clerical support.

In closing, I want to again thank you for the opportunity to comment on the draft report and hope the above observations will assist you.

Sincerely,



John R. Cox
Associate Administrator

The following are GAO's comments on SBA's letter dated August 10, 1990.

GAO's Comments

1. We believe that our draft report was balanced. Our report discussed what we found during a limited review that included visits to 10 of SCORE's chapters. We recognize the voluntary nature of the program. We also provide information on SCORE's services and improvements in the areas we reviewed. Our recommendations are intended to strengthen SCORE's improvement program. Also, we revised the title of our report to reflect that SCORE and SBA are continuing their efforts to improve SCORE's operations.
2. We revised the report to include the recent improvement in the reporting of chapters' activities. Neither our draft report nor our final report draws any conclusion about the value of SCORE's contributions relative to funds appropriated by the Congress.
3. SBA questioned how much follow-up and tax money should be spent to increase SCORE's reporting. However, they also are taking steps to study ways to improve SBA's field oversight of SCORE that will probably mean the need for additional staff. We believe that problems associated with chapters' reporting would diminish if increased oversight is implemented.
4. We revised the report to include SBA's training efforts for fiscal year 1991.
5. We revised the report to include SBA's plans to provide increased oversight of SCORE.
6. We revised the report to include SBA's plans to devote more attention to cooperation between SCORE and SBDC.
7. We revised the report to include the new application form, training instruments, and the rosters of SCORE's volunteers.
8. We revised the report to include SBA's comments on funding clerical support and travel.

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