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# INFORMATION TECHNOLOGY

## SBA Needs to Strengthen Oversight of Its Loan Management and Accounting System Modernization

## Why GAO Did This Study

The Small Business Administration (SBA) performs a range of significant activities intended to strengthen small businesses and relies extensively on information technology (IT) systems to do so. These systems are used to support loan accounting and track loans through origination, servicing, and liquidation. SBA has been attempting to modernize these systems for several years through its Loan Management and Accounting System (LMAS) modernization effort. The most recent iteration of this effort is a series of more focused development efforts, known as the LMAS-Incremental Improvement Projects (IIP).

GAO was asked to describe the status of SBA's LMAS modernization effort and determine whether SBA has adequate processes and procedures in place to manage and oversee its LMAS modernization effort. In performing this work, GAO reviewed cost and schedule reports to Congress and assessed SBA's current management of the projects against best practices and relevant guidance.

## What GAO Recommends

GAO is recommending that the Administrator of SBA ensure that appropriate IT management practices are applied to the projects as described in this report and clarify the responsibilities of the executive bodies with purview over the LMAS-IIPs and ensure they provide the appropriate oversight of the projects' progress.

View GAO-12-295. For more information, contact David A.Powner at (202) 512-9286 or pownerd@gao.gov.

## What GAO Found

As of October 2011, SBA had completed one of the seven projects and awarded contracts for work on three others. However, the projects are experiencing increasing costs and schedule delays. Specifically, according to the most recent project schedule, SBA completed one project in May 2011, 2 months later than planned, and SBA expects five of the remaining six projects to finish between 4 and 11 months later than the dates reported to Congress. Further, according to the agency's most recent report to Congress, dated March 2011, the total cost of the projects increased approximately $5 million since October 2010. SBA plans to complete the seven IIPs at a total cost of approximately $28 million by July 2013.

SBA has inconsistently implemented key information technology management practices for successfully managing and overseeing its LMAS modernization efforts; these practices include software requirements management, risk management, IT human capital management, enterprise architecture, and investment management (see table below). For example, SBA appropriately managed changes to IIP requirements, identified risks for three of four active projects, inventoried existing human capital capabilities, drafted target segment architectures, and had the overall direction of the IIP effort approved by an executive review committee. However, it has not fully implemented other key aspects of these practices and policies. For example, it did not validate the requirements for one of the ongoing IIPs. Also, the agency did not fully prioritize risks related to one IIP or plan to mitigate them. In addition, it did not fully identify gaps in project workforce skills, and did not fully implement basic enterprise architecture practices, including maintaining and prioritizing its segment architectures, which provide the modernization details needed to develop and implement portions, or segments, of an agency's IT portfolio. In addition, the cost baselines approved by SBA's executive oversight body differ from the projected costs reported to Congress 2 months later. Further, there is no evidence that the projects have approved schedule baselines. These weaknesses in basic management practices make it less likely that SBA will be able to complete the projects within the time, budget, and scope parameters originally planned.

**Summary of SBA Implementation of Key IT Management Controls**

| IT management control | Rating |
|---|---|
| Software requirements management | Partially implemented |
| IT risk management | Partially implemented |
| IT human capital management | Partially implemented |
| Enterprise architecture | Partially implemented |
| IT investment management | Partially implemented |

Source: GAO analysis of SBA data.

Inconsistencies in SBA's application of IT management practices occurred, in part, because it did not provide adequate executive oversight through its investment management process, even though it is using two executive boards to oversee the IIPs. While these boards have overlapping responsibilities and lines of authority, several basic oversight responsibilities, including executive approval of the project's schedule, were left unaddressed by either body.

_____ **United States Government Accountability Office**