Response to the Gulf Coast Hurricanes Highlights Need for Enhanced Disaster Preparedness

Why GAO Did This Study
The Small Business Administration (SBA) helps individuals and businesses recover from disasters such as hurricanes through its Disaster Loan Program. SBA faced an unprecedented demand for disaster loan assistance following the 2005 Gulf Coast hurricanes (Katrina, Rita, and Wilma), which resulted in extensive property damage and loss of life. In the aftermath of these disasters, concerns were expressed regarding the timeliness of SBA’s disaster assistance.

GAO initiated work and completed two reports under the Comptroller General’s authority to conduct evaluations and determine how well SBA provided victims of the Gulf Coast hurricanes with timely assistance. This testimony, which is based on these two reports, discusses (1) challenges SBA experienced in providing victims of the Gulf Coast hurricanes with timely assistance, (2) factors that contributed to these challenges, and (3) steps SBA has taken since the Gulf Coast hurricanes to enhance its disaster preparedness.

What GAO Found
GAO identified several significant system and logistical challenges that SBA experienced in responding to the Gulf Coast hurricanes that undermined the agency’s ability to provide timely disaster assistance to victims. For example, the limited capacity of SBA’s automated loan processing system—the Disaster Credit Management System (DCMS)—restricted the number of staff who could access the system at any one time to process disaster loan applications. In addition, SBA staff who could access DCMS initially encountered multiple system outages and slow response times in completing loan processing tasks. SBA also faced challenges training and supervising the thousands of mostly temporary employees the agency hired to process loan applications and obtaining suitable office space for its expanded workforce. As of late May 2006, SBA processed disaster loan applications, on average, in about 74 days compared with its goal of within 21 days.

While the large volume of disaster loan applications that SBA received clearly affected its capacity to provide timely disaster assistance to Gulf Coast hurricane victims, GAO’s two reports found that the absence of a comprehensive and sophisticated planning process beforehand likely limited the efficiency of the agency’s initial response. For example, in designing the capacity of DCMS, SBA primarily relied on historical data such as the number of loan applications that the agency received after the 1994 Northridge, California, earthquake—the most severe disaster that the agency had previously encountered. SBA did not consider disaster scenarios that were more severe or use the information available from disaster simulations (developed by federal agencies) or catastrophe models (used by insurance companies to estimate disaster losses). SBA also did not adequately monitor the performance of a DCMS contractor or completely stress test the system prior to its implementation. Moreover, SBA did not engage in comprehensive disaster planning prior to the Gulf Coast hurricanes for other logistical areas, such as workforce planning or space acquisition, at either the headquarters or field office levels.

What GAO Recommends
GAO recommends that SBA take several steps to improve its disaster preparedness, and SBA agreed with these recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-484T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.