



Highlights of [GAO-06-860](#), a report to congressional addressees

Why GAO Did This Study

Hurricanes Katrina, Rita, and Wilma (the Gulf Coast hurricanes) caused more than \$118 billion in estimated property damages across the Gulf Coast region in 2005. The Small Business Administration (SBA) helps individuals and businesses recover from disasters through its Disaster Loan Program. GAO initiated work to determine how well SBA provided victims of the Gulf Coast hurricanes with timely assistance. This report, the first of two, focuses primarily on the Disaster Credit Management System (DCMS) and disaster loan process. Here, GAO evaluates (1) what affected SBA's ability to provide timely disaster assistance and (2) actions SBA took after the disasters to improve its response to disaster victims. In conducting this study, GAO analyzed data on loan applications and assessed key aspects of SBA's acquisition and implementation of DCMS.

What GAO Recommends

GAO recommends four actions including reassessing DCMS's maximum user capacity based on such things as lessons learned from the Gulf Coast hurricanes, a review of information available from catastrophe risk modeling firms and disaster simulations, and related cost considerations. In comments on a draft of this report, SBA generally agreed with our recommendations but said more credit should have been given to its improvement efforts.

www.gao.gov/cgi-bin/getrpt?GAO-06-860.

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.

SMALL BUSINESS ADMINISTRATION

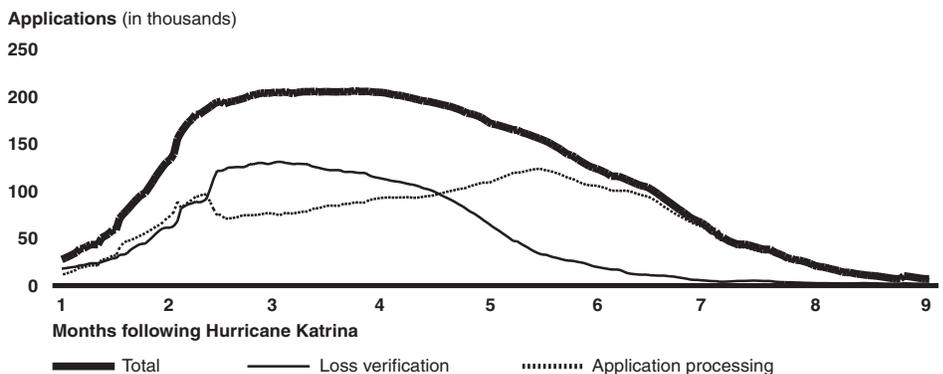
Actions Needed to Provide More Timely Disaster Assistance

What GAO Found

Although DCMS provided SBA with a number of benefits, several factors affected SBA's ability to provide timely disaster assistance to victims of the Gulf Coast hurricanes. First, the large volume of applications SBA processed greatly exceeded any previous disaster, including the 1994 Northridge earthquake—the largest single disaster SBA previously faced. Second, SBA primarily used this earthquake as the basis for planning the maximum user capacity for DCMS and did not consider information available from catastrophe risk modeling firms and disaster simulations, such as the likelihood and severity of damages from potential catastrophes, to help predict the expected application volume from such events. SBA's limited planning contributed to insufficient DCMS user capacity, which restricted the number of staff that could access the system and process the large volume of applications in a timely manner. SBA also did not receive the correct computer hardware from its contractor, and the agency did not completely stress test DCMS before implementation, which contributed to the system instability, outages, and slow response times initially experienced by SBA staff. As a result of these and other factors, SBA faced significant delays and backlogs in processing loan applications, as depicted in the figure below. This backlog peaked at more than 204,000 applications 4 months after Hurricane Katrina. As of May 27, 2006, SBA processed applications, on average, in about 74 days compared with its goal of within 21 days.

Some of the actions SBA took after the Gulf Coast hurricanes helped to improve its response to disaster victims. For example, SBA addressed system-related issues by increasing the number of users that could access DCMS, and it plans to further increase the system's maximum user capacity. SBA implemented other initiatives that had limited success. For example, SBA made only a few loan guarantees under its Gulf Opportunity Pilot Loan Program for small businesses in communities affected by the disasters. SBA would benefit by expediting its planned business process reengineering efforts to analyze ways to more efficiently process loan applications, such as implementing a secure Internet-based application feature for home loan applicants.

Backlog of Applications in Loss Verification and Application Processing



Source: GAO analysis of SBA data.