



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

Resources, Community, and
Economic Development Division

B-260661

March 10, 1995

The Honorable Larry Pressler
Chairman, Committee on Commerce,
Science, and Transportation
United States Senate

Dear Mr. Chairman:

The Service Corps of Retired Executives (SCORE) program, sponsored by the Small Business Administration (SBA), provides opportunities for persons interested in starting or expanding small businesses to obtain the advice of experienced business executives. This letter responds to your request that we provide information on how (1) SCORE determines budget allocations for regional locations, (2) SCORE officials view the fairness of the allocations, and (3) SCORE meets the needs of rural communities.

In summary, we found that SCORE's regional budget allocations are based primarily on historical trends in actual expenditures, with adjustments for special initiatives and other factors. SCORE field officials we spoke to stated that their areas received a fair share of SCORE's funds, given the small size of the total budget. To help meet the needs of rural areas--generally more difficult to service because of large geographic areas and lower populations--SCORE uses approaches such as waiving the guidelines for the number of volunteers or workshops needed to start a chapter in a rural area and using persons or donated funds from larger chapters to subsidize smaller rural chapters.

BACKGROUND

SCORE is a nonprofit corporation organized under the laws of the District of Columbia; it receives an annual appropriation from the Congress (\$3.25 million in fiscal year 1995). SCORE consists of a headquarters office in Washington, D.C.; 10 regions, each of which includes a number of districts; and one or more chapters within each district. SCORE is overseen by a Board of Directors, made up of the 10 regional directors and other officials (enclosure I contains the SCORE organization chart). The

B-260661

chapters are staffed with volunteers who provide business counseling to interested clients.

SCORE's appropriated funds are used primarily to reimburse volunteers for certain expenses they incur to conduct counseling sessions and workshops. Expenses that are eligible for reimbursement include items such as mileage (travel in personal vehicles) and, occasionally, overnight lodging. The appropriated funds are also used for the salaries and expenses of the executive director and SCORE's 12 other paid employees, all in the headquarters office; clerical support in some regional offices; and other administrative items. SCORE's annual budget allocates the appropriated funds among the regions and the headquarters office. The budget is essentially a spending guide; reimbursements and other expenses are actually paid from headquarters and recorded against the appropriate allocation during the year.

HOW SCORE DETERMINES REGIONAL BUDGET ALLOCATIONS

SCORE's regional budget allocations are based primarily on historical trends in actual expenditures, but the allocations also reflect factors such as the number of workshops held, average annual travel reimbursement costs, and clerical support costs in each region. SCORE does not employ a formula or attach specific weights to these factors when allocating the budget.

Annually, each regional director submits a budget request to headquarters for the upcoming 2 fiscal years. Regional directors develop a single request for their entire region, factoring in needs at the district or chapter level. These requests, which have no standard format, range from multipage typed documents to handwritten single pages.

SCORE's executive director and the director of accounting and administration then prepare a consolidated budget using (1) the requests submitted by the regional offices; (2) actual expenditure data, by region, from recent fiscal years; and (3) the estimated costs of any planned special initiatives. According to the executive director, examples of recent special initiatives are identifying more minority and/or women clients and counselors, assisting more clients in rural areas or otherwise participating in rural development projects, and supplying SCORE volunteers to help staff SBA's Small Business Information Centers.

The SCORE officials also take into account certain performance measures for each region, including (1) the number of counseling sessions held in the region relative

to its population and (2) the number of workshops conducted. However, no explicit weights are associated with the performance measures. After review by the Management Committee, the budget is submitted to SBA for approval.¹

If SCORE's final appropriation is lower than the requested amount, the president, treasurer, and executive director adjust the allocations for the regions and the headquarters office. Subsequently, the executive director may "reprogram" or revise the budget, if necessary, on the basis of events during the year; for example, the executive director said that in fiscal year 1994, regional budget allocations were adjusted to take advantage of a jointly funded SBA/SCORE training program for SCORE counselors. SCORE shifted about \$80,000 from regional budget allocations to headquarters to pay for the training.

At its December 1994 meeting, SCORE's Board of Directors established a budget task force to determine whether a more formal method of allocating SCORE funds would be appropriate. The executive director told us that the Board wants to ensure that its budgeting method is "defensible."

SCORE OFFICIALS' VIEWS ON FAIRNESS OF ALLOCATIONS

Generally, the SCORE field officials we spoke to stated that their areas received a fair share of SCORE funds given the small size of the total budget; however, all said that they could have used additional funds.² One regional director stated that the allocations did not adequately reflect the relative size of the geographic area to be covered or performance factors such as number of workshops held. The officials acknowledged that SBA and SCORE give the highest funding priority to reimbursing volunteers for travel expenses related to one-on-one counseling of prospective business owners. The officials said if additional funds were available, they would use them for special initiatives, additional training of SCORE

¹In the past, SCORE's final budget was reviewed by its Budget and Finance Committee and the Board of Directors before submission to SBA. In December 1994, the Board of Directors abolished all standing committees and replaced them with the Management Committee.

²We contacted nine SCORE regional directors and volunteer counselors in seven local chapters.

B-260661

counselors (annual turnover is about 20 percent), more workshops, and marketing SCORE's services to potential clients.

Neither SBA nor SCORE headquarters officials were aware of any instances in which legitimate expenses were not reimbursed. The executive director also stated that the headquarters office has never received an inquiry about a volunteer's not being reimbursed.

NEEDS OF RURAL COMMUNITIES

SCORE officials acknowledged the difficulty of balancing the needs of rural communities with those of metropolitan communities. Currently, the greatest demand for SCORE's services is in metropolitan areas, where more businesses tend to be created. Metropolitan areas are also where most of the SCORE counselors reside after retirement. Therefore, rural areas may have difficulty finding a sufficient pool of retired persons to volunteer.

According to SCORE officials, rural areas--with large land areas and relatively smaller populations--encompass not only states such as North Dakota, South Dakota, Wyoming, Kansas, Montana, Mississippi, and Tennessee but also portions of more populous states such as Texas, Florida, New York, and California. SCORE officials also noted that locations such as Hawaii and Guam, even if not rural, are also very expensive for SCORE to service. Officials noted that it is difficult to gauge the demand for SCORE's services in rural areas. For example, several regional directors noted that the opening of large new stores or malls in smaller towns may result in decreased sales for existing businesses, but the owners of the existing business may not contact SCORE for advice. Even when a need is identified, SCORE officials acknowledge difficulty in providing services to some remote areas.

To meet the needs of rural communities, SCORE uses a variety of approaches. The three most common forms are (1) waiving guidelines for the number of volunteers or workshops needed to start a chapter in a rural area, (2) using persons or donated funds from larger chapters to subsidize smaller rural chapters, and (3) enlisting working (that is, not retired) executives to volunteer counseling time to clients in rural areas. A fourth approach developed in one region and shared with others was the production of a video on business survival in small towns.

- - - -

To respond to your request, we interviewed SCORE's executive director, president, treasurer, budget task force chairman, and nine regional directors. We also spoke with one assistant regional director, two rural development coordinators, and volunteers in seven chapter locations. In addition, we reviewed segments of SCORE's management information system, regional budget submissions, standard operating manual, and other relevant documents. As requested, we did not obtain written comments on this letter; however, we discussed its contents with SCORE's executive director and director of accounting and administration, who agreed with the information presented. Our work was conducted from November 1994 to February 1995 in accordance with generally accepted government auditing standards.

We are providing copies of this letter to the Chairmen and Ranking Minority Members of the Senate Committee on Small Business and the House Small Business Committee. We will make copies available to other parties on request.

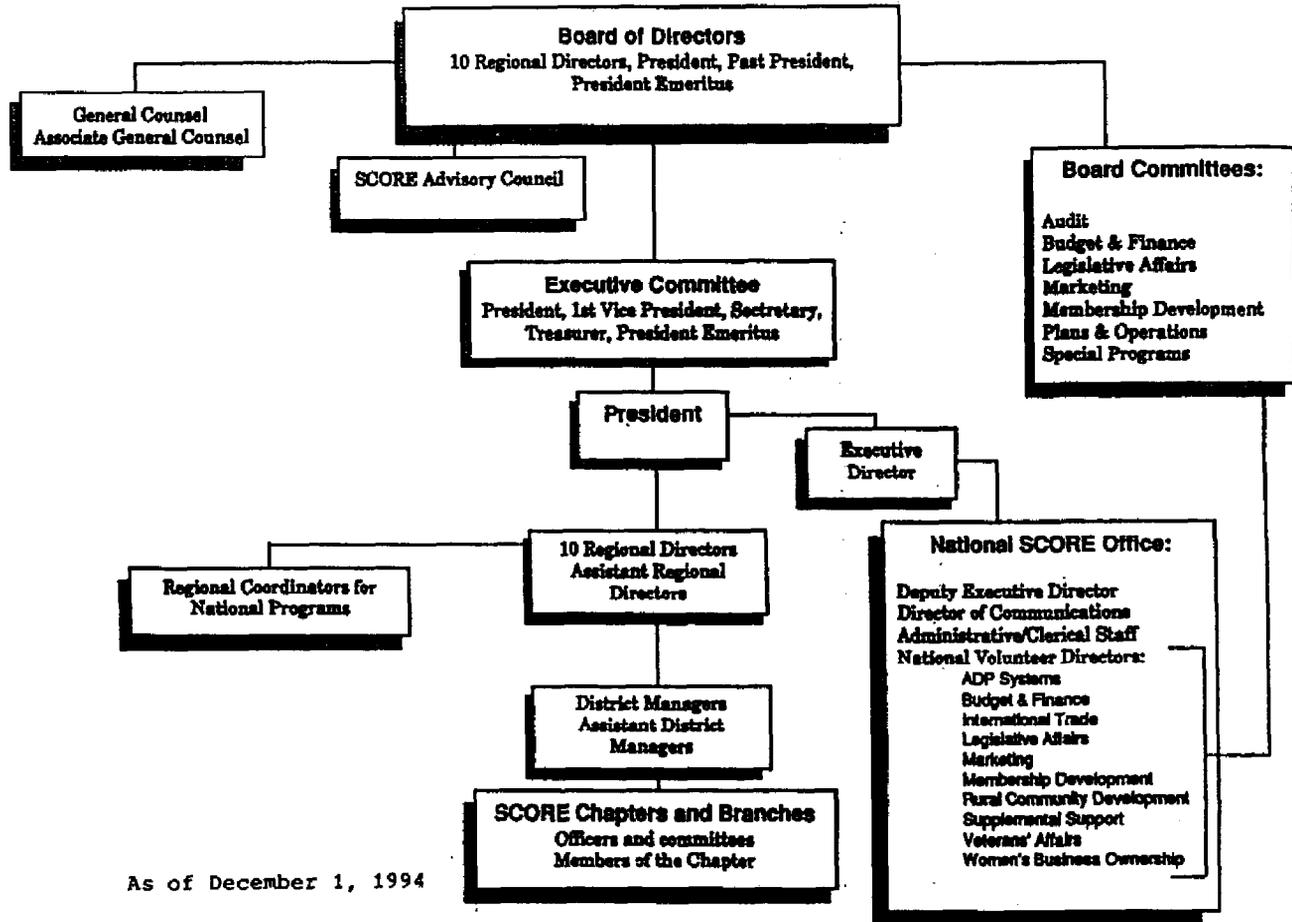
If you have any questions about the information in this letter, please call me at (202) 512-7631.

Sincerely yours,



Judy A. England-Joseph
Director, Housing and Community
Development Issues

SCORE ASSOCIATIONS'S ORGANIZATION CHART



Source: SCORE.

(385447)

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested
