



## Senator Feinstein Urges GAO to Investigate SBA Disaster Relief, Faulty Computerized Loan Processing System

- Cites Reports of Over 28,000 Outstanding SBA Disaster Relief Loans -

September 30, 2005

**Washington, DC** – U.S. Senator Dianne Feinstein (D-Calif.) is urging the General Accountability Office (GAO) to investigate claims of computer failure impeding the much-needed relief efforts of the Small Business Administration’s Office of Disaster Assistance for the hurricane victims of the Gulf Coast.

### Background:

In February, California SBA employees wrote a letter to Senator Feinstein, expressing their concerns about the new Disaster Credit Management System, or DCMS, which was designed to create a paperless system of making loans to disaster victims. SBA employees objected to the computer system, claiming that it had never been tested on a large-scale disaster of any kind and was already responsible for terrible delays, logjams and confusion when used in small-scale tests. They expected that further use of the problematic DCMS system would result in a spectacular failure in the event of the next big disaster.

Senator Feinstein consequently wrote a letter to the SBA, questioning the effectiveness of the DCMS system and its risk of failure in the event of a large-scale disaster. She requested that the SBA respond with the results of a thorough evaluation of the DCMS system.

In a follow-on letter to Senator Feinstein, Herbert Mitchell, Associate Administrator for Disaster Assistance, asserted that the DCMS had already undergone extensive testing and independent validation, and was sufficiently certified for widespread implementation.

In the disastrous wake of Hurricanes Katrina and Rita, however, the DCMS system has proved to be a massive failure. *USA Today* reports that the paperless, web-based server has severely hampered the ability of SBA employees to administer relief to the beleaguered residents of the Gulf Coast. As Jim Drinkard writes in the September 30 article, “Computers hang up SBA loans,” only one of the over 28,000 outstanding disaster relief loans has been processed – far exceeding the SBA’s intended disbursement goals.

*Following is the text of the letter sent by Senator Feinstein to Comptroller General David Walker, calling on the GAO to assess the efficacy of the DCMS system and whether there have been undue delays in the SBA’s overall disaster relief efforts as a result.:*

September 26, 2005

The Honorable David M. Walker  
Comptroller General of the United States  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Walker:

I am writing today to ask that the Government Accountability Office investigate the response of Small Business Administration's Office of Disaster Assistance to the hurricane disasters along the Gulf Coast.

In a response to an inquiry I made earlier this year, the SBA said it was developing the new Disaster Credit Management System to create a paperless system of making loans available to disaster victims. SBA employees have raised serious concerns with my office about this new system's ability to respond to a large scale disaster. I would like an assessment by your office of the adequacy of this system and whether or not there have been undue delays in providing SBA disaster assistance.

The SBA also indicated that it was reorganizing the functions of the agency's Disaster Assistance Offices in an effort to centralize loan operations as well as add the Dallas Fort Worth territory to Sacramento's responsibility. SBA employees charged that this reorganization, along with reductions in the work force, would leave the agency ill-equipped to respond to a major disaster. Have these changes helped or hampered the response to the hurricanes? Are victims getting the assistance they need in a timely manner?

At all levels of government, the immediate response to Katrina has been marred by serious failures. I would hope that your review of the SBA response could help to ensure that the Federal government is far better at responding to serious disasters in the future. Nothing less is acceptable.

Thank you in advance for your consideration of this request. If you have any questions, please do not hesitate to contact Michael Walker in my San Francisco Office at (415) 393-0707.

Sincerely,

Dianne Feinstein  
United States Senator

###