

GAO Highlights

Highlights of [GAO-14-431](#), a report to congressional committees

Why GAO Did This Study

Federal agencies have awarded more than 156,000 contracts and grants, totaling nearly \$40 billion, through the SBIR and STTR programs to small businesses to develop and commercialize innovative technologies. The Small Business Act requires agencies with extramural R&D budgets that meet certain thresholds for participation—\$100 million for SBIR and \$1 billion for STTR—must spend a percentage of these annual budgets on the programs. The agencies are to report on their activities to SBA and, in turn, SBA is to report to Congress.

The 2011 reauthorization of the programs mandated GAO to review compliance with spending and reporting requirements, and other program aspects. This report addresses, for fiscal year 2012, (1) the extent to which agencies complied with spending requirements, (2) the extent to which agencies and SBA complied with certain reporting requirements, (3) the potential effects of basing spending requirements on agencies' total R&D budgets, and (4) what is known about the amounts spent administering the programs. GAO reviewed agency spending data and required reports for fiscal year 2012 and interviewed program officials from SBA and the participating agencies.

What GAO Recommends

GAO recommends, among other things, that SBA revise program policy directives to accurately summarize spending requirements and request that agencies submit their methodology reports on time. SBA and participating agencies generally agreed with GAO's findings and recommendations.

View [GAO-14-431](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

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SMALL BUSINESS RESEARCH PROGRAMS

More Guidance and Oversight Needed to Comply with Spending and Reporting Requirements

What GAO Found

Agency data indicate that 8 of the 11 agencies participating in the Small Business Innovation Research (SBIR) program and 2 of the 5 agencies participating in the Small Business Technology Transfer (STTR) program complied with spending requirements in fiscal year 2012. Program managers for agencies that did not comply with the requirements identified reasons for noncompliance. For example, program managers at two of the agencies told GAO that they believe their agencies comply with spending requirements if the agencies spend the total amount reserved or budgeted for the program, regardless of the year the funding is spent. However, the authorizing legislation for the programs requires agencies to "expend" a certain amount of funding each year. This difference in the interpretation of spending requirements occurred, in part, because the Small Business Administration's (SBA) policy directives for the programs inaccurately state that the authorizing legislation requires agencies to "reserve" the minimum amount each year. Additionally, some officials told GAO their agencies did not comply with spending requirements because the recent reauthorization of the programs included an increased spending requirement in fiscal year 2012, but the reauthorization was enacted a full quarter into the fiscal year, after some agencies had planned their programs and made awards.

Participating agencies and SBA did not fully comply with certain reporting requirements for the SBIR and STTR programs. For example, participating agencies are required to submit reports to SBA describing their methodologies for calculating their budgets for extramural research or research and development (R&D)—which is generally conducted by nonfederal employees outside of federal facilities—within 4 months of the enactment of appropriations. However, all 11 participating agencies were late in submitting these reports because SBA allowed them to submit the reports later. As a result, SBA was unable to analyze the reports and provide timely feedback to assist agencies in accurately calculating these budgets.

Potential effects of basing each participating agency's spending requirement on its total R&D budget instead of its extramural R&D budget include an increase in the amount of the spending requirement—for some agencies more than others—and, if the thresholds for participation in the programs did not change, an increase in the number of agencies required to participate. Officials identified benefits of such a change, such as funding more projects, but they generally said the drawbacks could outweigh the benefits.

Little is known about the total amounts agencies spent administering the SBIR and STTR programs because agencies did not consistently collect such information for fiscal year 2012. Agencies are not required to track costs for administering the programs. Most agencies provided GAO with some data on such costs for fiscal year 2012, ranging from about \$200,000 to about \$8 million, but the data were wide-ranging, incomplete, and unverifiable. With the start of a pilot program in fiscal year 2013 that allows agencies to use up to 3 percent of SBIR program funds for administrative costs, agencies will be required to report to SBA on the amount spent for such activities. However, even with the pilot program, agencies will likely not identify or track all administrative costs.