

GAO Highlights

Highlights of [GAO-19-276](#), a report to the Ranking Member, Committee on Small Business, House of Representatives

Why GAO Did This Study

Congress established STEP in 2010 to increase small business exports. Through STEP, SBA has awarded about \$139 million in grants to state trade offices, which in turn facilitate small business export activities, including participation in trade missions and attendance at trade shows. Congress reauthorized STEP in 2016. GAO was asked to review SBA's management of the program.

This report examines the extent to which (1) SBA's STEP grants management process provides reasonable assurance of compliance with selected requirements of applicable law, and (2) SBA has taken steps to address challenges states report in using grant funds to achieve program goals. GAO reviewed the program's authorizing legislation and federal and agency guidance on grants management, analyzed SBA program data, and interviewed SBA officials. GAO also conducted semi-structured interviews with a non-generalizable sample of 12 of the 40 states that received STEP grants in fiscal year 2015, the most recent year for which complete data were available. GAO selected these states on the basis of their low grant fund use rates.

What GAO Recommends

GAO is recommending that SBA develop processes to ensure compliance with legal grant matching fund requirements, take steps to assess risks to program goals from low grant fund use rates, and enhance the sharing of best practices among states receiving the grant. SBA concurred with all of the recommendations.

View [GAO-19-276](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or gianopoulosk@gao.gov

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SMALL BUSINESS ADMINISTRATION

Export Promotion Grant Program Should Better Ensure Compliance with Law and Help States Make Full Use of Funds

What GAO Found

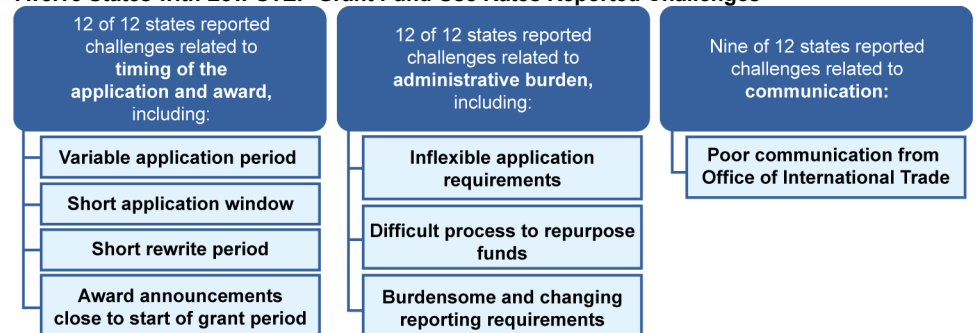
The Small Business Administration's (SBA) management of the State Trade Expansion Program (STEP) does not provide reasonable assurance of compliance with some legal requirements. Specifically, the Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) requirements for STEP include:

- **Proportional distribution requirement.** SBA's Office of International Trade (OIT) must distribute grant funds so that the total amount awarded to the 10 states with the highest percentage of eligible small businesses does not exceed 40 percent of the program's appropriation that year.
- **Total match requirement.** States must provide a 25 or 35 percent non-federal match to the federal grant amount.
- **Cash match requirement.** A state's match cannot be less than 50 percent cash.

GAO found that, while OIT has a process to meet the distribution requirement, it does not have a process for documenting that states have met the total match requirement before grant closeout, and does not have a process to determine whether states are meeting the cash match requirement. Without such processes, SBA cannot be reasonably assured that states are contributing per the law's requirements.

GAO found that, while OIT has made changes to STEP in response to states' feedback, officials from states with low grant use described ongoing challenges with the program that affect their ability to fully use funds. These challenges include compressed application and award timelines, administrative burden, and poor communication. SBA has not adequately assessed risks to the program, including the risk to achieving program goals posed by some states' low grant fund use rates. Without such an assessment, OIT's ability to support U.S. exporters may be diminished. Further, SBA has not effectively facilitated sharing best practices among states. By doing this, SBA could help states make full use of funds to achieve the program's goals.

Twelve States with Low STEP Grant Fund Use Rates Reported Challenges



Source: GAO analysis of interviews with selected state trade offices. | GAO-19-276