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SMALL BUSINESS RESEARCH PROGRAMS

Opportunities Exist for SBA and Agencies to Reduce Vulnerability to Fraud, Waste, and Abuse

Why GAO Did This Study

Since the inception of the programs, federal agencies have invested over $68 billion in SBIR/STTR awards for research and development and to commercialize technologies. SBA oversees the programs, which are carried out by 11 participating agencies. In response to the Small Business Act, as amended, the SBA established 10 minimum requirements for participating agencies to prevent fraud, waste, and abuse. The act also includes a provision that GAO report to Congress every 4 years on agencies' and their Offices of Inspector General (OIG) efforts related to fraud, waste, and abuse in the programs.

This GAO report, its fourth, assesses (1) SBIR/STTR fraud schemes from fiscal years 2016 through 2023 and participants and impacts; (2) SBA and agency antifraud activities against fraud, waste, and abuse requirements; (3) agency fraud risk assessments against leading practices; and (4) applicant and award data to identify fraud, waste, and abuse vulnerabilities.

GAO reviewed documentation from SBA and the 11 participating agencies and OIGs; analyzed criminal, civil, and administrative actions; compared SBA and agencies' processes against leading practices; conducted data matching to identify potentially ineligible awardees for fiscal years 2016 through 2021; and interviewed SBA, agency, and OIG officials.

What GAO Recommends

GAO is making eight recommendations, including six to SBA to provide agencies with guidance to support their fraud risk management. The agencies generally agreed with the recommendations.

View GAO-24-105470. For more information, contact Rebecca Shea at 202-512-6722 or SheaR@gao.gov.
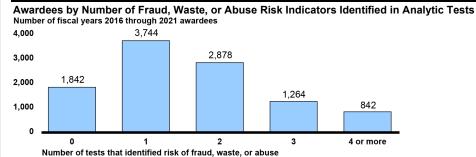
What GAO Found

GAO's analysis of 37 fraud schemes targeting the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs demonstrates control vulnerabilities and fraud risks with a range of financial and other impacts. These schemes often involved multiple participating agencies and programs. For example, 25 schemes involved awards from more than one agency, and 14 involved both SBIR and STTR awards. GAO identified approximately $34.7 million in civil settlements associated with these schemes. Fraudsters' diversion of funds affects the programs' economic stimulus goals and makes funds unavailable to eligible businesses. It can also result in prison time, financial penalties, and loss of employment for those involved in the schemes.

In addition to its Policy Directive guidance, the U.S. Small Business Administration (SBA) uses several tools, including its monthly program manager meetings, annual survey to participating agencies, and listing of fraud convictions and civil liabilities on SBIR.gov, to monitor and support agencies' fraud, waste, and abuse prevention efforts. However, GAO identified opportunities for SBA to better leverage these tools. For example, some agencies were unaware of the requirement to report fraud convictions and civil liabilities for listing on SBIR.gov, limiting the site's usefulness as an information source and fraud deterrent.

Most agencies did not conduct SBIR/STTR fraud risk assessments in alignment with GAO's leading practices and identified lack of guidance, training, and resources as related challenges. Through its guidance and other tools, SBA is in a position to reinforce fraud risk assessment requirements for agencies, in support of Policy Directive goals for fraud, waste, and abuse prevention.

GAO's analysis of SBIR.gov award data from fiscal years 2016 through 2021 identified thousands of awardees with one or more fraud, waste, or abuse risk indicator. Among the 10,570 awardees in this period, 842 were associated with four or more such indicators. GAO designed 27 analytic tests for (1) applicant eligibility, including foreign ownership, business size, essentially equivalent work, research facility address; and (2) other fraud, waste, or abuse risks, such as having prior criminal or civil actions. Data quality issues in SBIR.gov, such as incomplete project summaries, may impede agencies' full use of analytics for managing these risks. By improving the data through guidance and verification, SBA can support agencies' risk management activities.

Awardees by Number of Fraud, Waste, or Abuse Risk Indicators Identified in Analytic Tests
Number of fiscal years 2016 through 2021 awardees

Number of tests that identified risk of fraud, waste, or abuse	
0	1,842
1	3,744
2	2,878
3	1,264
4 or more	842

Source: GAO analysis of U.S. Small Business Administration data. | GAO-24-105470

United States Government Accountability Office