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.