

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 obligations that meet certain thresholds for participation—\$100 million for SBIR and \$1 billion for STTR—to spend a percentage of these funds 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, as well as other program aspects. This report examines, for fiscal year 2013, (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 total R&D budgets, and (4) what is known about the amounts spent on administering the programs. GAO reviewed agency spending data and required reports for fiscal year 2013 and interviewed program officials from SBA and the participating agencies.

What GAO Recommends

GAO recommends, among other things, that SBA notify Congress if it cannot determine agency compliance with spending requirements and assess the adequacy of the methodology reporting requirement. SBA generally agreed with GAO's findings and recommendations.

View [GAO-15-358](#). For more information, contact John Neumann at (202) 512-3841 or neumannj@gao.gov.

SMALL BUSINESS RESEARCH PROGRAMS

Challenges Remain in Meeting Spending and Reporting Requirements

What GAO Found

The Small Business Administration's (SBA) ability to fully determine compliance with spending requirements for the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs for fiscal year 2013 is limited because most agencies submitted incorrect data. Nevertheless, analyzing agency data submitted to SBA suggests that 9 of the 11 agencies participating in the SBIR program and 4 of the 5 agencies participating in the STTR program complied with spending requirements for fiscal year 2013. Specifically, agencies are required to submit the actual amount obligated for extramural research or research and development (R&D)—which is generally conducted by nonfederal employees outside of federal facilities—and these obligations are the basis for calculating the agencies' spending requirements. However, most agencies submitted budget data instead. Program managers raised concerns about the difficulties in determining the amount of extramural R&D obligations and the challenges in using this amount to calculate spending requirements, as extramural R&D obligations are not known until after the end of the fiscal year. However, without the required data, SBA cannot accurately report on agencies' compliance with spending requirements—as defined in the law—to Congress.

Some agencies did not comply with certain methodology reporting requirements for the programs. For example, 3 of the 11 participating agencies did not itemize the specific programs they excluded from their extramural R&D in their required methodology reports, or did not explain the reasons why they excluded the programs, or both. GAO also found that SBA did not assess whether the information it collected was adequate to appropriately analyze agencies' methodology reports. Without such an assessment, SBA cannot provide Congress with an accurate analysis of how agencies calculate their extramural R&D. Furthermore, SBA has not issued its required report to Congress on the programs for fiscal year 2013.

Basing the programs' spending requirements on total R&D instead of extramural R&D could increase the amount of each agency's spending requirement and increase the number of agencies required to participate. Some agency officials said that basing the calculation methodology on their total R&D budget would make administering their programs easier, but officials at other agencies said that the change could result in reduced funding for intramural research and extramural research outside of the SBIR and STTR programs.

Little is known about total administrative spending on the programs for fiscal year 2013 because the agencies that participate are not required to and do not fully track these costs. Six agencies participated in an administrative pilot program that allowed them to spend program funds on new administrative and oversight activities in fiscal year 2013. These agencies reported spending \$12.3 million on these activities, but this amount does not represent total administrative spending. Additionally, this is about 20 percent of what the agencies had planned to spend on the administrative pilot program at the beginning of the fiscal year. Program managers at seven agencies told GAO that they would prefer that the administrative pilot program were either extended or made permanent.