

GAO Highlights

Highlights of [GAO-18-207](#), a report to the Committee on Science, Space, and Technology, House of Representatives

Why GAO Did This Study

Through the SBIR and STTR programs, federal agencies have awarded about 162,000 contracts and grants totaling \$46 billion to small businesses to help them develop and commercialize new technologies. Eleven federal agencies participate in the SBIR program, and 5 agencies also participate in the STTR program. Each program has three phases, which take projects from initial feasibility studies through commercialization activities. SBA oversees both programs.

In response to the 2011 reauthorization of the programs, SBA and the participating agencies developed benchmarks to measure small businesses' progress in developing and commercializing technologies. GAO was asked to review SBA's and the agencies' efforts related to these benchmarks. This report examines the extent to which SBA and the participating agencies have implemented these benchmarks, including assessing businesses against them and establishing the consequence of not meeting them. GAO analyzed award data and interviewed officials from SBA and the 11 participating agencies.

What GAO Recommends

GAO is making 11 recommendations to SBA and other agencies to take actions to improve implementation of the benchmarks, including improving the reliability of award data; implementing or revising the Commercialization Benchmark; and updating information about the consequence of not meeting the benchmarks. SBA and these agencies agreed with GAO's recommendations.

View [GAO-18-207](#). For more information, contact John Neumann at (202) 512-3841 or neumannj@gao.gov.

January 2018

SMALL BUSINESS RESEARCH PROGRAMS

Agencies Need to Take Steps to Assess Progress Toward Commercializing Technologies

What GAO Found

Data challenges have limited the Small Business Administration's (SBA) and the 11 participating federal agencies' efforts to assess businesses against two benchmarks—the Transition Rate Benchmark and the Commercialization Benchmark—of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs.

- **Transition Rate Benchmark.** Small businesses that received more than 20 awards for the first phase of the programs in the past 5 fiscal years—excluding the most recent fiscal year—must have received an average of 1 award for the second phase of the programs for every 4 first phase awards. Since 2014, SBA and the agencies participating in the programs have regularly assessed small businesses against this benchmark. From 2014 through 2017, SBA determined that 4 to 7 businesses did not meet the benchmark each year. SBA officials provided GAO guidance on how to enter data into the programs' awards database they said is available to agencies, but GAO found evidence that suggests agencies are not fully utilizing it. For example, GAO found that the database used to perform the assessments contained inaccurate and incomplete data, such as about 2,700 businesses with multiple records with different spellings of their names and more than 1,400 instances in which a unique identification number had errors, such as an incorrect number of digits, all zeros, or hyphens. Thus, it could be difficult to determine which small businesses should be subject to the benchmark.
- **Commercialization Benchmark.** Small businesses that received more than 15 awards for the second phase of the programs in the past 10 fiscal years—excluding the most recent 2 fiscal years—must have received a certain amount of sales, investments, or patents resulting from their efforts. SBA and participating agencies have assessed small businesses against this benchmark only once, in 2014, and identified 12 businesses that did not meet the benchmark. This is, in part, due to challenges in collecting and verifying the accuracy of the data that small businesses report and that are needed to implement the benchmark, according to officials from SBA and several agencies. For example, agency officials told GAO that some needed data, such as for reported sales, are not consistently applicable across agencies or projects. The Small Business Act and policy directives provide flexibility in how the agencies can implement the benchmark. Working together to implement it as designed or revise it so that it can be implemented could allow the agencies to fulfill statutory requirements.

SBA and the participating agencies have provided inconsistent information to small businesses about the consequence of not meeting the benchmarks. SBA and the agencies agreed to change how the consequence of not meeting the benchmarks was to be implemented, starting in 2017, from ineligibility to receive certain awards to ineligibility to submit certain proposals. However, as of November 2017, some agencies had not updated this information in their project solicitations. Furthermore, SBA has not updated this information in its policy directives. Without consistent information, businesses may be confused about their eligibility to submit proposals or receive awards and could invest time developing and submitting proposals when they are not eligible to do so.