

GAO Highlights

Highlights of [GAO-13-421](#), a report to congressional committees

Why GAO Did This Study

The Small Business Act established the SBIR and STTR programs to use small businesses to meet federal R&D needs. The law mandates that agencies, with extramural R&D budgets that meet the thresholds for participation, must spend a percentage of these annual budgets on the SBIR and STTR programs. The agencies are to report on their activities to SBA and, in turn, SBA is to report to Congress. Eleven agencies participate in SBIR, and five of them also participate in STTR. The act's 2011 reauthorization mandates that GAO review SBA's and the agencies' compliance with spending and reporting requirements, and other program aspects, for fiscal years 2006 to 2011. GAO determined (1) the extent to which participating agencies complied with spending requirements and how the agencies calculated these requirements, (2) the extent to which participating agencies and SBA complied with certain reporting requirements, (3) the potential effects of basing the spending requirements on an agency's total R&D budget, and (4) the cost to participating agencies of SBIR and STTR program administration. GAO reviewed agency calculations of spending requirements and the required reports and interviewed SBA and participating agency program and financial officials.

What GAO Recommends

GAO recommends, among other things, that SBA provide additional guidance to agencies for spending and reporting requirements and provide Congress with a more timely annual report with more analysis of the agencies' methodologies. SBA stated that it agrees with the recommendations and will implement them.

View [GAO-13-421](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov

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SMALL BUSINESS RESEARCH PROGRAMS

Actions Needed to Improve Compliance with Spending and Reporting Requirements

What GAO Found

Using data agencies had reported to the Small Business Administration (SBA), GAO found that 8 of the 11 agencies participating in the Small Business Innovation Research (SBIR) program and 4 of the 5 agencies participating in the Small Business Technology Transfer (STTR) program did not consistently comply with spending requirements for fiscal years 2006 to 2011. In calculating their annual spending requirements for these programs, some agencies made improper exclusions from their extramural research and development (R&D) budgets and used differing methodologies. SBA, which oversees the programs, provided guidance in policy directives for agencies on calculating these requirements, but the directives do not provide guidance on calculating the requirements when appropriations are late and spending is delayed, resulting in agencies using differing methodologies. This made it difficult to determine whether agencies' calculations were correct. Without further SBA guidance, agencies will likely continue calculating spending requirements in differing ways.

The participating agencies and SBA have not consistently complied with certain program reporting requirements. For example, in their methodology reports to SBA, the agencies submitted different levels of detail on their methodologies, such as the programs excluded from the extramural budget and the reasons for the exclusions. SBA's guidance states that the methodology reports are to itemize each R&D program excluded from the calculation of the agency's extramural budget and explain why a program is excluded but does not specify the format of the methodology reports to ensure consistency. Also, SBA's annual reports to Congress contained limited analysis of the agencies' methodologies, often not including information on particular agencies. Without more guidance to agencies on the formats of their methodology reports and more analysis of the contents of those reports, SBA cannot provide Congress with information on the extent to which agencies are reporting what is required. Further, SBA has not submitted an annual report on these programs for fiscal years 2009 to 2011 but plans to submit the reports to Congress later in 2013—making the data available to Congress on the programs 2 to 4 years late.

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—depending on how much of the agency's R&D budget is composed of extramural spending. Also, if the thresholds of the spending requirements for participation in the programs did not change, changing the base to an agency's total R&D budget would increase the number of agencies required to participate.

The agencies' cost of administering the programs could not be determined because the agencies have not consistently tracked that cost as they are not required to by the authorizing legislation of the programs. Nine of the 11 agencies in SBIR provided GAO with estimates of some of these costs for fiscal year 2011—most of which were for salaries and expenses. With the start of a pilot program allowing agencies to use up to 3 percent of SBIR program funds for administrative costs in 2013, SBA plans to require agencies to track and report administrative costs paid from program funds.