

GAO Highlights

Highlights of [GAO-14-567T](#), a testimony before the Committee on Small Business and Entrepreneurship, U.S. Senate

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 mandates that agencies, with extramural R&D budgets that meet the thresholds for participation, must spend a percentage of these annual budgets on the two programs. The agencies are to report to SBA and SBA is to report to Congress.

This testimony is based on a report GAO issued in September 2013 and addresses for fiscal years 2006 through 2011, (1) the extent to which participating agencies complied with program spending requirements, (2) the extent to which participating agencies and SBA complied with certain reporting requirements, (3) the potential effects of basing the spending requirements for the SBIR and STTR programs on agencies' total R&D budgets instead of their extramural R&D budgets, and (4) what is known about the amounts participating agencies spent for administering the programs. For that report, GAO reviewed agency calculations of spending requirements and required reports, and interviewed SBA and participating agency officials.

What GAO Recommends

GAO is not making any new recommendations, but made several to SBA in GAO's 2013 report on this topic. SBA agreed with those recommendations and is taking steps to implement them.

View [GAO-14-567T](#). For more information, contact John Neumann at (202) 512-3841 or neumannj@gao.gov.

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SMALL BUSINESS RESEARCH PROGRAMS

Agencies Did Not Consistently Comply with Spending and Reporting Requirements

What GAO Found

Using data agencies had reported to the Small Business Administration (SBA), GAO found in its 2013 report 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. SBA, which oversees the programs, provided guidance in policy directives for agencies on calculating these requirements, but the directives did not provide guidance on calculating the requirements when appropriations are late and spending is delayed. Some SBIR and STTR program managers told GAO that it can be difficult to spend the required amount because delays in receiving final appropriations can delay agencies' awarding of contracts. As GAO found in its 2013 report, when appropriations were received late in the year agencies used differing methodologies to calculate their spending requirements, which made it difficult to determine whether agencies' calculations were correct. GAO found that, without further SBA guidance, agencies would likely continue calculating spending requirements in differing ways.

GAO also found in 2013 that the participating agencies and SBA had not consistently complied with certain program reporting requirements. For example, participating agencies did not itemize each program excluded from the calculation of their extramural research or research and development (R&D) budgets and explain why the program was excluded, as required. (Extramural R&D is generally conducted by nonfederal employees outside of federal facilities.) Also, SBA's annual reports to Congress that were available at the time of GAO's review contained limited analysis of the agencies' methodologies, often not including information on particular agencies. By providing more analysis of the agencies' reports, as GAO recommended in its 2013 report, SBA can provide information to Congress on the extent to which agencies were reporting what is required.

In 2013, GAO found that the potential effects of basing each participating agency's spending requirement on its total R&D budget instead of its extramural R&D budget would increase the amount of the spending requirement—for some agencies more than others, depending on how the change was implemented. 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.

In addition, GAO found in 2013 that the agencies' cost of administering the programs could not be determined because the agencies had not consistently tracked costs as they were not required to do so by the authorizing legislation of the programs. Estimates agencies provided to GAO indicated that the greatest amounts of administrative costs in fiscal year 2011 were for salaries and expenses, contract processing, outreach programs, technical assistance programs, support contracts, and other purposes. With the start of a pilot program allowing agencies to use up to 3 percent of SBIR program funds for administrative costs in fiscal year 2013, SBA planned to require participating agencies to track and report administrative costs paid from program funds.