

GAO Highlights

Highlights of [GAO-16-492](#), a report to congressional committees

Why GAO Did This Study

Federal agencies have awarded contracts and grants totaling more than \$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—\$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 includes a provision for GAO to review compliance with spending and reporting requirements and other program aspects. This report examines, for fiscal year 2014, (1) the extent to which participating 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 budget authority, and (4) what is known about the amounts spent to administer the programs. GAO reviewed agency spending data and reports and interviewed program officials from SBA and the 11 participating agencies.

What GAO Recommends

GAO recommends that SBA clarify guidance for when an agency is to start up an STTR program, restore guidance about dollar amounts of exclusions in the methodology report, and complete the required report to Congress for fiscal year 2014.

SBA generally agreed with GAO's findings and recommendations.

View [GAO-16-492](#). For more information, contact John Neumann at (202) 512-3841 or neumannj@gao.gov.

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SMALL BUSINESS RESEARCH PROGRAMS

Agencies Have Improved Compliance with Spending and Reporting Requirements, but Challenges Remain

What GAO Found

Agency data indicate that 9 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 complied with spending requirements in fiscal year 2014. One agency—the Department of Agriculture (USDA)—had extramural R&D obligations greater than \$1 billion, but did not implement an STTR program, as required in the Small Business Act. This is, in part, because the Small Business Administration's (SBA) guidance does not address when an agency should establish a new STTR program. As a result, in fiscal year 2014, less money was available for awards to small businesses through this program.

Most participating agencies did not fully comply with certain reporting requirements. For example, while all participating agencies submitted the required methodology reports for fiscal year 2014, 6 of the 11 did not fully itemize the specific programs they excluded from their extramural R&D, did not fully explain the reasons why they excluded the programs, or both. Additionally, 2 agencies did not submit complete information on the dollar amounts of exclusions in fiscal year 2014 because of a change in SBA's fiscal year 2014 guidance. Restoring this guidance could provide information to help SBA assess the accuracy of agency methodology reports.

GAO's analysis shows that basing SBIR and STTR spending requirements on an agency's total R&D budget authority instead of its extramural R&D obligations could increase the amount each agency has to spend on the programs and increase the number of agencies required to participate in the programs. Some agency officials identified benefits of this potential change, such as more funding to make awards to small businesses, but some agencies identified drawbacks, such as limiting resources for other R&D programs.

Total administrative spending on the SBIR and STTR programs in fiscal year 2014 is unknown, but agencies participating in the administrative pilot program spent about \$19 million on new activities. Agencies do not and are not required to track total administrative costs, and therefore total spending could not be calculated for fiscal year 2014. Seven agencies participated in the administrative pilot program and tracked the amounts of program funds they spent on new administrative and oversight activities in fiscal year 2014. While these 7 agencies spent more on the program in fiscal year 2014 than in the previous year, some of these agencies identified constraints that limited their participation. For example, agency officials pointed to guidance that requires agencies to only spend money on new initiatives and the limited length of the pilot. Agency officials told GAO these constraints kept them from achieving program goals by preventing them from undertaking some initiatives and hiring individuals for administrative purposes. SBA plans to include its required evaluation of the pilot program in its annual report to Congress, which could include an evaluation of such constraints and the steps needed to address them, but it has not yet submitted its fiscal year 2014 report to Congress. Until SBA submits its evaluation of the pilot program, SBA and Congress will not have needed information about the pilot for fiscal year 2014 or potential constraints for participants.