

GAO@100 Highlights

Highlights of [GAO-21-413](#), a report to congressional committees

Why GAO Did This Study

Federal agencies awarded small businesses almost \$4 billion in SBIR and STTR awards in fiscal year 2019 to perform research and development and commercialize technologies. SBA oversees the programs, which are carried out by officials in 11 participating agencies.

SBA established 10 minimum requirements for participating agencies to prevent fraud, waste, and abuse in the programs. The Small Business Act, as amended, also requires efforts by the 11 agencies' OIGs to mitigate the programs' fraud risks. The Act also includes a provision that GAO study fraud, waste, and abuse in the programs and report to Congress every 4 years.

This GAO report, its third, examines (1) the extent to which the 11 agencies have implemented SBA's minimum requirements and (2) the efforts OIGs have taken to mitigate fraud, waste, and abuse in SBIR and STTR programs.

GAO reviewed agency SBIR/STTR documents and interviewed officials from SBA, the 11 participating agencies, and from the agencies' OIGs and military investigative offices.

What GAO Recommends

GAO is making 21 recommendations that 10 agencies take steps to fully implement all 10 of the minimum requirements established by SBA. Eight of the agencies concurred with the recommendations. DOD concurred with four recommendations, partially concurred with one, and did not concur with two. USDA did not state whether it concurred. GAO continues to believe the recommendations are warranted.

View [GAO-21-413](#). For more information, contact Candice N. Wright at (202) 512-6888 or wrightc@gao.gov

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SMALL BUSINESS INNOVATION RESEARCH

Agencies Need to Fully Implement Requirements for Managing Fraud, Waste, and Abuse

What GAO Found

The 11 agencies participating in the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs largely implemented the Small Business Administration's (SBA) 10 minimum requirements for preventing fraud, waste, and abuse in the programs. Most agencies fully implemented at least eight of the 10 requirements and partially implemented the others; one agency, NASA, fully implemented all 10. The agencies used differing approaches to implement the requirements. For example, prior to making awards, agencies used different approaches to verify applicants' or awardees' eligibility to receive federal funds, including SBIR and STTR awards, and to avoid funding duplicative or essentially equivalent work.

Multiple agencies did not fully implement certain requirements, such as ones to collect eligibility certifications and to have a process for tracking referrals to Offices of Inspector General (OIG). Agency officials gave various reasons for partially implementing requirements, such as their belief that they had met a requirement's intent through other actions. However, because agencies did not fully implement all 10 requirements, they may face difficulties. For example, by not collecting program eligibility certifications, agencies may find it complicated to hold individuals and businesses accountable if they misrepresent their eligibility for SBIR and STTR awards. Further, agencies could miss opportunities to implement leading practices GAO identified in 2015 for managing fraud risks in federal programs, which align with some of SBA's requirements.

OIGs seek to mitigate risks of fraud, waste, and abuse in the SBIR and STTR programs by establishing, sharing, and using fraud detection indicators and by conducting investigations. As required under the Small Business Act, as amended, OIGs or military investigative offices at the 11 participating agencies established indicators specifically for use by the SBIR and STTR programs (see figure). OIGs or military investigative offices of all the participating agencies initiate investigations in response to referrals. Most also initiate investigations in response to information shared by investigative partners or signs of suspicious activity. Officials at most OIGs stated that they also use the indicators to train program officials and awardees and share information with other OIGs on cases undergoing investigation or prosecution for fraud.

Figure: Examples of Indicators Agencies Use to Identify Potential Fraud in SBIR and STTR Programs



Source: GAO analysis of agency data. | GAO-21-413

Note: The presence of an indicator for a particular applicant or awardee does not necessarily mean fraud is occurring, though it may signal the need for an inquiry.