



Report In Brief

U.S. Department of Commerce Office of Inspector General

March 2010



Why We Did this Review

The objective of our audit was to determine whether the State of Ohio Department of Development (ODOD) reported Manufacturing Extension Partnership (MEP) costs to the National Institute of Standards and Technology (NIST), including costs incurred by subrecipients, that were reasonable, allocable, and allowable in accordance with applicable federal cost principles, cooperative agreement terms and conditions, and NIST policy, including *MEP Operating Plan Guidelines*.

Background

In September 2005, NIST awarded an MEP cooperative agreement to ODOD to continue operating an existing MEP center. The award funded the period July 1, 2005, through June 30, 2006, and was later extended through June 30, 2007. Total estimated project costs for the 24-month award period were \$27,272,502.

In May 2007, we initiated an audit of the agreement to determine whether the recipient complied with award terms and conditions and NIST operating guidelines for MEP centers. The audit covered the period July 1, 2005, through March 31, 2007, during which time the recipient claimed project costs of \$20,269,989 and received federal reimbursements totaling \$6,517,538.

We examined the costs the recipient claimed to have incurred as well as the cost claims of two grant subrecipients, MAGNET and TechSolve, Inc.

National Institute of Standards and Technology

State of Ohio Department of Development MEP Award 70NANB5H1188 (DEN-18604)

What We Found

Our audit questioned \$6,781,041 in costs claimed by ODOD and its subrecipients, Manufacturing Advocacy and Growth Network (MAGNET) and Techsolve, Inc. The costs in question pertained to contractual claims, salaries and other personnel costs, invalid travel-related claims, and various indirect costs.

We found that the subrecipients did not report program income generated under their subawards to ODOD; consequently, ODOD did not report this information to NIST. The two subrecipients also generated program income in excess of what was permissible under the cooperative agreement. We analyzed MAGNET's and TechSolve's accounting records for the period July 1, 2005, through June 30, 2006, and found the two subrecipients had generated a combined program income of \$1,424,266 in excess of what was required to pay the nonfederal share of project costs.

As a result of the questioned costs and excess program income, ODOD received \$2,057,121 more than it should have in federal funds.

What We Recommended

We recommended the chief of NIST's Grants and Agreement Management Division

- disallow \$6,781,041 in questioned costs;
- deduct \$1,424,266 in excess program income from total accepted project costs from ODOD's subrecipients; and
- recover \$2,057,121 of excess federal funds from ODOD.