Report In Brief

U.S. Department of Commerce Office of Inspector General

March 2009

National Institute of Standards and Technology

South Carolina MEP
Award No. 70NANB5H1187 (ATL-18567)

Why We Did this Review

The South Carolina Manufacturing Extension Partnership (SCMEP) received a NIST cooperative agreement in 2005 that, as amended, funded operations of its MEP center for 2 years (July 2005-June 2007). Total estimated costs of the project were $13.6 million. The federal share was capped at $4.5 million.

We audited SCMEP to determine whether its claimed costs were allowable under the terms of the agreement and whether the recipient had complied with all other MEP operating guidelines, award terms, and conditions. We also examined the costs submitted by four entities ("subrecipients") that received cooperative agreement funding from SCMEP to operate centers.

Background

Congress established the Manufacturing Extension Program in 1988 to provide manufacturers with technical and business management assistance aimed at improving their profitability, productivity, and global competitiveness.

The South Carolina Manufacturing Extension Partnership was one of the original three extension centers established under the program in 1989. Today there is at least one center in every state and a total of 59 MEP centers located across the country.

View the full report at http://www.oig.doc.gov/oig/reports/2009/ATL-18567.pdf.

What We Found

The South Carolina Manufacturing Extension Partnership claimed costs totaling $11.4 million for the period July 2005 through March 2007, and received federal reimbursements of $3.8 million. Our audit found that the recipient could not properly support approximately $3.4 million in costs claimed by four of its subrecipients, largely for contract, matching share, and in-kind expenses incurred while operating MEP centers. Three subrecipients—Greenville Technical College, South Carolina Export Consortium, and University of South Carolina—did not provide complete, verifiable documentation to support their claims or program income (generated by fees, etc., charged to firms that use a center's services). The fourth—Clemson University—claimed costs that were largely outside the scope of the MEP project. We questioned the $3.4 million in claimed costs.

In addition, the subrecipients' MEP agreements did not contain the required budget information, and none had written procedures in place to determine whether amounts reported to SCMEP were allowable under federal cost principles.

Finally, two of three subrecipients that qualified for single audits* did not separately identify the NIST MEP program. Therefore these grants were not subjected to the proper audit techniques required under the Single Audit Act.

*The Single Audit Act requires nonfederal entities that expend federal awards from more than one agency totaling $500,000 or more in a year to undergo a "single" audit, conducted by an independent auditor.

What We Recommended

We recommended that NIST take the following actions:

1. Disallow $3,409,409 in questioned costs and recover the federal portion of $1,136,736.

2. Require the recipient to ensure its subrecipients have appropri ate budgets and written policies and procedures that meet finan cial system requirements prior to granting any future sub awards. The written procedures should direct subrecipients to comply with the Single Audit Act.