OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF COMMERCE

Report In Brief

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Why We Did this Review

The Florida Manufacturing Extension Partnership (MEP) received a NIST cooperative agreement in 2003 that, as amended, funded the operations of its MEP center for approximately 4 years (August 2003-June 2007). Total budgeted costs for the project were $17.1 million. The federal share was capped at $5.8 million.

We audited the MEP 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 eight entities ("subrecipients") that received cooperative agreement funding from the Florida MEP to provide related services and two third parties that made in-kind contributions to the program.

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.

Today there is at least one center in every state and a total of 59 MEP centers located across the country.

National Institute of Standards and Technology

Florida Manufacturing Extension Partnership Award No. 70NANB3H2002 (ATL-18568)

What We Found

The Florida Manufacturing Extension Partnership claimed costs totaling $19.1 million for the period July 2005 through March 2007, and received federal reimbursements of $5 million. We questioned $12.6 million of the claimed costs. The bulk of this amount—$11.4 million—represents costs submitted by eight subrecipients without documentation to show that the expenditures were directly incurred as part of their MEP-funded work.

We questioned an additional $742,782 for, among other things, unsubstantiated consultant fees, duplicative services, unallowable lobbying activities, unreasonable travel expenses, and unreasonable rent and supply costs, as well as $386,133 in indirect costs related to these expenditures.

We also questioned $99,738 in improperly valued and inadequately documented donated services and personnel time. The bulk of this amount—$85,738—represented expenses incurred by two third-party contributors for their own day-to-day business operations rather than in services directly supporting the MEP.

Finally, we found that the financial status reports the MEP filed during the period of our audit were erroneous: the MEP reported having excess program income, which was not the case, and incorrectly characterized these funds as "unrestricted net assets," meaning they could be used without federal restrictions or oversight.

What We Recommended

We recommended that NIST take the following actions:

1. Disallow $12,623,477 in questioned costs.
2. Recover $2,868,393 of excess federal funds.
3. Require the Florida MEP to correct and refile financial status reports to show that all earned program income was used to meet the MEP's cost-share requirement.