



# Report In Brief

U.S. Department of Commerce Office of Inspector General

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## Why We Did this Review

The Massachusetts Manufacturing Extension Partnership (MEP) received a NIST cooperative agreement in September 2005 to continue operating an MEP center it had established in 1998 with NIST funding. The September 2005 award, as amended, provided funding for 1 year (July 2005-June 2006). Total estimated costs of the project were \$7.1 million. The federal share was capped at \$2.4 million (33 percent) of allowable costs.

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 entities ("subrecipients") that received cooperative agreement funding from the MEP to provide related services.

## 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

### ***Massachusetts Manufacturing Extension Partnership Award No. 70NANB5H1144 (DEN-18135)***

## What We Found

The Massachusetts Manufacturing Extension Partnership claimed costs totaling \$9.4 million for the period July 2005 through June 2006, and received federal reimbursements of \$2.4 million. We questioned \$5.1 million of its claimed costs, as follows:

- \$4,167,430 claimed by two subrecipients who could not document that their costs were incurred as part of their MEP-funded work.
- \$908,823 for contract services that did not accomplish NIST cooperative agreement objectives.
- \$10,745 in consultant fees and associated costs for services provided prior to the award's start date.

In addition, we found that the MEP's reported earned program income for the year ended June 30, 2006, exceeded its nonfederal matching share expenditures by \$1.1 million. But the MEP did not seek required NIST approval to apply the additional income to nonfederal expenditures incurred in subsequent award periods and should therefore have used this amount to reduce the federal share of the MEP's expenditures, in accordance with cooperative agreement terms and conditions and federal regulations.

Because of the questioned costs and excess program income, Massachusetts MEP ultimately received \$1.3 million in excess federal funding.

## What We Recommended

We recommended that NIST disallow \$5.1 million in questioned costs, and recover \$1.3 million in excess federal funds.