



# Report In Brief

U.S. Department of Commerce Office of Inspector General

July 2010



## Why We Did this Review

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

## Background

In September 2005, NIST awarded an MEP cooperative agreement to CMTC to continue operating an existing MEP center. The award funded the period of July 1, 2005, through December 15, 2005, and was later extended through June 30, 2007. Total estimated project costs for the 24-month award period were \$59,946,418.

In April 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 \$46,070,804 and received federal reimbursements totaling \$15,355,400.

We examined the costs CMTC claimed to have incurred, as well as the cost claims of one subrecipient, Cerritos College, and five third-party in-kind contributors.

## National Institute of Standards and Technology

### **California Manufacturing Technology Consulting MEP Award 70NANB5H1181 (DEN-18572)**

#### What We Found

In our opinion, CMTC's claims included unallowable costs. Our audit questioned \$11,384,182 in costs claimed by CMTC and its subrecipient, Cerritos College:

- We questioned \$4,800,000 claimed for Cerritos College, for which the college could not document actual costs incurred under its subaward. Instead, the college based its claim on estimates of the costs incurred by its eligible programs. This practice violated the terms of the cooperative agreement between CMTC and NIST.
- We also questioned \$6,584,182 in claimed in-kind contributions from five outside organizations for which CMTC could not provide evidence that the contributions met minimum MEP requirements. None of the claims were for donations of goods and services to CMTC; rather, they represented costs incurred by the third-party organizations in the course of their regular activities. Also, none of the claims met the minimum requirements for in-kind contributions specified in the terms and conditions of CMTC's cooperative agreement. Furthermore, portions of the claims were related to activities that occurred prior to the MEP award period.

#### What We Recommended

We recommended the chief of NIST's Grants and Agreement Management Division disallow \$11,384,182 in questioned costs and recover \$3,794,349 in excess federal funds.