Report In Brief

U.S. Department of Commerce Office of Inspector General

June 2009

Why We Did this Review

The University of Texas at Arlington (UTA) received a NIST cooperative agreement in March 2005 to continue operating the Texas Manufacturing Assistance Center—a network of seven centers operating throughout the state. The award, as amended, provided funding for 33 months (December 2004-August 2007). Total estimated costs of the project were $42 million. The federal share was capped at $14 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 costs submitted to UTA by two “subrecipients”—Texas Engineering Extension Service and Southwest Research Institute—that received cooperative agreement funding from the MEP 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.

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

The University of Texas at Arlington Manufacturing Extension Partnership (MEP) Award No. 70NANB5H1005 (DEN-18573)

What We Found

The University of Texas at Arlington claimed costs totaling $21 million for the period September 2005 through March 2007, and received federal reimbursements of $6.6 million. We questioned $1,619,280 of these costs, as follows:

- $1,533,055 in costs submitted to UTA by subrecipient Texas Engineering Extension Service (TEEX) for, among other things, services from contractors that the contracting firms provided as part of their normal course of business, not as a result of their MEP association; activities the extension service could not document as having been incurred as part of MEP-funded work; and indirect costs that exceeded the approved budget.
- $86,225 in direct and indirect costs UTA incurred for unallowable lobbying and related hotel expenses.

We also found that TEEX used $238,338 budgeted for indirect costs to cover direct costs claimed from September 1, 2005, through August 31, 2006, without prior approval from NIST or UTA, and reported incorrect program income for its subrecipients.

Finally, we found that subrecipient Southwest Research Institute erroneously claimed certain indirect costs, totaling $63,412, as in-kind contributions.

What We Recommended

We recommended that NIST disallow $1,619,280 in questioned costs and recover $94,120 in excess federal funds.