



# Report In Brief

U.S. Department of Commerce Office of Inspector General

August 18, 2010



## Why We Did this Review

The objective of our audit was to determine whether the Trade Task Group was using the cooperative agreement funds it received in accordance with award requirements.

In particular, our objectives were to determine whether (1) costs claimed were reasonable, allowable, and allocable to the federal program; (2) the Trade Task Group established and followed adequate internal controls in the bid process for consultants; and (3) companies receiving TAAF assistance had been trade-injured due to foreign competition.

## Background

The Trade Act of 1974, as amended, authorized the President to negotiate international trade agreements. Recognizing that a free trade policy can result in injuries to U.S. business through market, sales, and job losses, the act also created the Trade Adjustment Assistance Program to mitigate the negative effects on affected manufacturing companies by providing technical assistance.

The American Recovery and Reinvestment Act of 2009 included provisions to expand the TAAF program by allowing service industry firms the opportunity to apply for assistance.

## Economic Development Administration

### *Trade Task Group: Trade Adjustment Assistance for Firms (TAAF) Cooperative Agreement (STL-19882)*

From March 2005 to February 2010, EDA awarded \$5,824,514 in TAAF cooperative agreements to the Trade Task Group as part of its efforts to strengthen the competitiveness of U.S. companies that have been adversely affected by imported goods and services. The Trade Task Group claimed a total of \$5,211,802 in project costs from March 2005 through November 30, 2009.

Our audit found that the Trade Task Group has generally complied with TAAF grant requirements; however, the group's financial management system did not meet the minimum standards required by uniform administrative requirements. This deficiency has resulted in \$41,195 in costs that were unallowable, unsupported, or unreasonable in accordance with Office of Management and Budget cost principles.

## What We Recommended

We made the following recommendations to the director of the TAAF program:

- disallow and recover the \$41,195 in questioned costs;
- work with the Trade Task Group to determine from which specific cooperative agreements funds were carried over and whether any funds should be disallowed and recovered;
- require compliance with minimum federal financial management standards; and
- provide training and guidance to the entities receiving TAAF cooperative agreements to clarify records-retention requirements.