



NOTICE



Public Law 117-263 requires the Office of Inspector General to post written responses received within 30 days of publication from nongovernmental organizations or business entities specifically identified in an OIG report.

To comply with this statute, this attachment includes written responses in their entirety. The content of each response is the sole responsibility of the submitting organization and their inclusion here does not imply our endorsement or agreement. Questions regarding the content of the attached responses should be directed to the respective nongovernmental organization or business entity. We reaffirm the findings and recommendations in our report.

As required by generally accepted government auditing standards, Department of Commerce management's official response to our evaluation is included in the report, along with OIG's assessment of their response.

October 23, 2024

Electronic Mail (PMcBarnette@oig.doc.gov and OAE_Projecttracking@oig.doc.gov)

Patricia McBarnette, Audit Director
United States Department of Commerce
Office of Inspector General
1401 Constitution Avenue NW
Washington, DC 20230

**Re: Final Report No. OIG-24-037-1 (September 25, 2024)
Response of California Manufacturing Technology Consulting**

Dear Ms. McBarnette:

California Manufacturing Technology Consulting (CMTC) is writing in response to the Office of Inspector General's recent Final Report No. OIG-24-037-1 about the National Institute of Standards and Technology's (NIST's) Holling Manufacturing Extension Partnership (MEP). The CMTC is one of the MEP Centers identified in the report. The CMTC appreciates this opportunity to respond to the report and to provide additional information.

As noted in the report, CMTC is one of the 51 MEP Centers found across the United States and Puerto Rico. In fact, CMTC is a long-standing member of NIST's MEP network and was formed specifically to operate a MEP Center. At the start of the MEP program in 1988, California's Center initially was housed at El Camino College. However, in 1994, the then advisory board organized CMTC as a separate 501(c)(3), California non-profit corporation to operate the MEP program throughout the state. Today, CMTC is the largest MEP Center in the United States and is proud of its nearly thirty-year association with the MEP program. However, in addition to the MEP program, CMTC also operates other successful programs from a variety of funding sources.

For the report in question, the OIG judgmentally selected economic impacts for Fiscal Year 2022 from seven MEP Centers. CMTC was among those Centers, and the report makes references to CMTC as the California Center. The report also refers to CMTC's subrecipient, known as Manex.

Relative to CMTC and Manex, the report contains three items that appear to go beyond the scope of the OIG's stated objectives in reviewing economic impact data and associated MEP client surveys. These items concern executive compensation at CMTC and purported program income at both CMTC and Manex. The CMTC is responding to the report because the report's discussion of these items is inaccurate and potentially misleading to readers without additional information. Therefore, CMTC is responding to the report to provide that necessary information.

First, CMTC believes that the report's characterization of compensation for one executive is not accurate and unnecessarily framed in a potentially negative light. The CMTC believes that the OIG's characterization of the executive's compensation as "substantial," unfairly places the compensation in a negative light and is not a proper measure for compensation. Instead, CMTC maintains that the proper measure of compensation is its reasonableness and that the compensation paid was reasonable.

Although the report correctly notes that executive compensation for MEP Centers is not subject to any salary cap or artificial limit, the report still takes issue with NIST's decision not to implement an arbitrary limit. However, NIST has previously explained that an arbitrary cap would inhibit the ability of MEP Centers to recruit and retain staff with the needed expertise to work with manufacturing clients. The CMTC concurs with NIST's position concerning arbitrary salary limitations. The absence of a formal salary cap, though, does not mean the absence of measures to ensure that executive compensation is reasonable.

The CMTC is a 501(c)(3) non-profit organization and maintains controls, consistent with Federal and state requirements, to ensure the reasonableness of all executive compensation. At CMTC, the Board of Directors determines compensation, and the Board also has a dedicated Compensation Committee. The Board of Directors sets not only organizational goals and objective but also executive goals and objectives with performance measured against those established goals and objectives. In addition, measures address not just the MEP program but other Federal, state, and independent programs that CMTC operates. Consequently, executive compensation is not (as the report seemingly implies) merely a function of the MEP program. Instead, CMTC provides reasonable, performance-based compensation comparable to other nonprofits operating diverse programs in the state.

The report also includes a section purportedly addressing an "other matter" in reference to CMTC and Manex that is unrelated to the report's stated objective. The "other matter" is program income supposedly generated by CMTC and Manex. Again, the inclusion of this section appears unnecessary (especially given that CMTC is in the process of resolving the matter directly with NIST). In addition, this section of the report is misleading because the premise is not accurate.

Although the report alleges that CMTC had unreported program income in Fiscal Years 2022 and 2023, the report is incorrect because CMTC did not have any unreported or unexpended program income. The CMTC had offsetting expenses associated with income generation that the governing regulations and terms of the MEP award allowed CMTC to deduct in determining net program income; however, those expenses were more than the amount of income generated. Therefore, CMTC did not have any unexpended program income in either fiscal year. Any appearance of unexpended program income was a reporting artifact resulting from confusion about reporting requirements in light of changes to the MEP program that did not require cost sharing during those fiscal years. Subsequently, CMTC revised the reports and has explained the issue to NIST and provided all requested, supporting documentation. The CMTC's Board and independent auditors have reviewed the matter, and CMTC and its auditors have certified to NIST that CMTC did not have unreported or unexpended program income.

Similarly, the report is not accurate regarding program income purportedly earned by CMTC's subrecipient, Manex, between Fiscal Years 2016 and 2023 because the income was not from MEP activities. The CMTC has ongoing monitoring of Manex, including any MEP program income Manex generates. Like CMTC itself, Manex operates multiple programs, and not all programs are related to MEP. The income Manex earned that was noted in the report was not for MEP projects and was for work with non-manufacturers (which would not be eligible under MEP). Therefore, Manex did not have unreported or unexpended MEP program income because the earnings were not MEP program income in the first place. The CMTC has also explained the matter to NIST and has provided NIST with supporting documents.

In conclusion, California Manufacturing Technology Consulting thanks the Office of Inspector General for this opportunity to submit this response to Final Report No. OIG-24-037-1. The CMTC is pleased to clarify the three points discussed above to provide proper context to the matters in the report. Additionally, CMTC remains proud of its longstanding position within the MEP Center network and would be happy to provide further information in connection with the report.

Sincerely,



Erin Dyer, Chair
CMTC Board of Directors



James Watson, President and
Chief Executive Officer, CMTC



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October 25, 2024

Patricia McBarnette
Division Director
United States Department of Commerce
Office of Inspector General
Office of Audit and Evaluation
Washington, DC 20230

Dear Ms. McBarnette:

Kansas Manufacturing Solutions (KMS) is the Kansas instance for the Hollings Manufacturing Extension Partnership (MEP) program's national network of MEP Centers. The 51 MEP Centers are US based nonprofit organizations, programs within institutions of higher education, or State, US territory, local, or tribal government organizations. The MEP program is dedicated to improving the competitiveness and resiliency of American small manufacturers. As KMS's President and CEO, I am writing to respond to the recent publication "NIST Overstated MEP's Impacts to Congress and Other Stakeholders." I'd like to enforce the idea that KMS is singularly dedicated to serving and supporting small to medium sized manufacturers in Kansas and our leadership, to include our board of majority Kansas manufacturers, stands by the strategies we have employed to ensure the sustainability and competitiveness of manufacturers in our state.

We would also like to clarify that as proponents and teachers of continuous improvement, KMS welcomes the opportunity to improve our practices yet stand by the reliability of economic impact reported directly by our clients. This Center would also like to remind reviewers that regardless of the number of individual impactful projects that the Center may complete with a client in a 12month period, the client is only surveyed ONE time in that 12 month period. This has led to some conclusions that are not fully indicative of the totality of the surveyable services delivered to the client when pulling one project in one year. Each instance exemplified in the recent publication is only looking at one of several engagements the KS Center worked with the identified Centers on in the 12 month period. As such, KMS would like to address some of the conclusions made in this report.

OIG claim: *manufacturing association as a MEP-provided service to NIST and then reported significant economic impacts. In one instance, a client of the **Kansas Center** reported \$100 million in new and retained sales and over 300 jobs created or retained, attributable to the \$300 membership fee paid to the Center in FY 2022. During an interview, the respondent explained the membership allowed the company to receive leadership training and attend meetings on various topics; however, the reported economic benefits had no relevance to the services received from the Center's membership program.*

Response: **The manufacturing client's reported economic impacts are based on direct services, including leadership training and coaching, received through their membership in the manufacturing association. These professional services deliver substantial ROI by optimizing operations, enhancing team performance, mitigating risks, and fostering sustainable growth. The client's reported impacts reflect these tangible improvements and are both relevant and accurate based on their estimates. To dismiss the client's experiences and the corresponding economic impacts would overlook the depth and**

long-term value provided by such training and coaching services, potentially demonstrating a lack of understanding of the comprehensive benefits that manufacturing clients experience from these programs.

In *addition*, the manufacturing client referenced received additional services to include services related to growth and included expansion incentives, delivered, coordinated and facilitated by the Kansas MEP Center. This included bringing the state economic development agency to the table to provide incentives that allowed the client to move into a new facility, start new lines and hire new employees. This as a direct result of the KS MEP engagement. To be clear, without the involvement of the Center, the necessary elements would not have been in place for the expansion to happen at the time that it did. The manufacturing client included the impacts from these services provided by the Kansas Center, in their responses to the survey. Again, the fullness of the work completed over a 12-month period, included much more than a membership to a network organization as was reported. However, a client is only surveyed once in a 12month period, regardless of the number of projects completed with said client.

OIG claim: As another example, in FY 2023, the **Kansas Center** facilitated a tour of a client's manufacturing facility for approximately 25 high school students. The client reported that the tour created or retained 2,200 jobs (over 41 percent of the Center's total reported jobs impact), based on an apparent estimate of the client's total workforce.

Response: The Kansas MEP Center's policy involves completing a Project Closure Document, which includes documenting the client's anticipated impacts at the conclusion of services. This document is for internal use to help track project success, not to lead or influence client responses to the NIST survey, which focuses on actual economic impacts. The Center follows a standard process of tracking anticipated impacts to ensure the services provided meet client expectations over time.

Again as stated previously, in the case of this manufacturing client, the services provided went beyond the one project pulled by OIG which was the student tour. The documented services included:

- Potential investment in programming supported by grant subsidies and other state and local incentives that allowed for substantial facility expansion of a large manufacturer.
- Training and recruitment efforts through partnerships with local community colleges, the Kansas City FAME Chapter, and surrounding school districts to grow and sustain workforce, and
- The student manufacturing tour designed to strengthen the future talent pipeline.

The client's reported impacts reflect the combined outcomes of these comprehensive services, not just the tour. OIG Auditors were provided with the Project Closure Document that is completed at the end of a project period, which clearly outlines the full scope of services provided, reinforcing the legitimacy of the client's reported job impacts based on the totality of efforts by the Kansas Center – not just a student tour as is reflected.

OIG claim: *The South Carolina and Kansas Centers told their clients not to take the survey until Center staff were present and able to sit with them while taking the survey—despite NIST survey policies directing Centers not to sit with clients while taking the survey.*

Response: **The Kansas MEP Center's policy for closing a project includes completing a Project Closure Document with the client, documenting the client's anticipated impacts at the close of a project. This is done as standard practice to ensure that Center has delivered against expected scope and deliverables. Approximately 6 months to 1 year after project closure, Kansas Center staff follow up with the client when they receive the Client Survey Email from a third-party. This follow-up is to confirm again if the anticipated impacts were realized, and this discussion is typically conducted virtually. At no point do Kansas Center staff instruct clients to delay the survey or insist on being present while clients complete it. Conducting a follow-up meeting is a common practice in consulting to ensure client satisfaction and uncover future opportunities for collaboration, not to influence the survey process.**

OIG claim: *The Kansas Center and subrecipients of the Ohio and California Centers, MAGNET and MANEX, respectively, had clients identify projected economic impacts upon completion of an MEP-provided service to use as a guide for completing the NIST survey, which asks for actual economic impacts realized.*

Response: **As stated previously, the Kansas MEP Center's policy involves completing a Project Closure Document at the close of a project to ensure that we delivered on expected and contracted outcomes. This document is for internal use to help track project success, not to lead or influence client responses to the NIST survey, which focuses on actual economic impacts. The Center follows a standard process of tracking anticipated impacts to ensure the services provided meet client expectations over time.**

KMS is open to updating processes to ensure transparency and compliance in survey processes, but it should be noted that the full intention and practice is and has always been to have clients report what they believe is the impact that is received from services reported. There are times where clients may under report based on what Center believes was delivered and was even discussed during project close. There are also times that clients report large numbers that they believe are indicative of the total impact of the work which is often much greater than the value of the project delivered. In either case, Center doesn't try to talk clients into or out of what they believe impact from services are. As is indicated here because both companies referenced are large manufacturers, many times the work done with large manufacturers delivers impact that is much greater than that we see in small organizations.

These topics have been and remains a challenge for Centers, maintaining focus on the small manufacturers that need our help to run where you can double staff size and still only net a handful of jobs, new/retained sales, cost savings, etc., and balancing with delivering services to larger organizations where we can have



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sizeable impacts. And yet, we stay committed to delivering services to the small manufacturers, knocking on their doors and getting in the trenches with them to sustain, enhance and grow small to medium sized manufacturing in Kansas and across the U.S.

Again, KMS, along with our peers in the MEP National Network are dedicated to sustaining and growing manufacturing in the United States. If there are ways that we can improve how we measure the output and impact of our work, we are open to that. We appreciate the opportunity to respond to this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Tiffany Stovall".

Tiffany Stovall

President and CEO

Kansas Manufacturing Solutions



October 25, 2024

Patricia McBarnette
Division Director
United States Department of Commerce
Office of Inspector General
Office of Audit and Evaluation
Washington, DC 20230

Dear Ms. McBarnette:

MAGNET, a subrecipient of the Ohio Manufacturing Extension Partnership, appreciates the recommendations provided by the Office of Inspector General (OIG) in its recent report entitled, “NIST Overstated MEP’s Impacts to Congress and Other Stakeholders.” MEP Centers focus on the process improvements of our manufacturing clients and appreciate the time and energy spent by the OIG to ensure the MEP survey process is sound. We do, however, respectfully disagree that MEP has overstated the true impact of the program specifically based on the conclusions drawn from the MAGNET examples provided. We appreciate the opportunity to respond and clarify the cited MAGNET examples.

The MEP survey is one tool of many to evaluate a Center’s performance. MAGNET believes that the survey is sufficient to capture an estimate of realized economic impact and that continuously improving our collection methods is important. It is critical that we are good stewards of federal funds, and we appreciate constructive feedback as well as second looks at ways things have been done.

MAGNET was mentioned in four areas of the report. During April 2023 through May 2024 evaluation, MAGNET responded in writing to three of these areas and verbally to the fourth to provide additional context. Below is a summary of those responses.

OIG Report Concern 1: “...both the Maryland Center and a subrecipient of the Ohio Center, MAGNET, provided free or substantially discounted services to companies whose owners or executives served on their respective boards of directors. Economic impacts we reviewed that were reported by three of MAGNET’s board members made up \$15 million in retained sales—nearly 17 percent of the subrecipient’s total retained sales for FY 2022. We found that despite organizational conflicts and risks of bias associated with board members reporting economic impacts attributable to a Center on whose board they serve,



NIST's own survey guidance encourages the use of board members to complete surveys because they are considered "slam dunks" and "easy wins" for survey completion."

Response to Concern 1: MAGNET proactively recruits Board Members who use MEP services. These Board Members are in the best position to provide feedback directly on what we do and understand who we are to support our work in the community. We believe this to be best practice for non-profit Boards nationally.

MAGNET provides reduced prices to the majority of our clients and do not treat our Board members preferably to other companies. The core MEP funding provided by the Federal government and matched by local and state sources (including the companies themselves) is a model created to charge reasonable rates for consulting work. This enables small and medium manufacturers to get access to resources they otherwise couldn't afford or might not know about.

MAGNET recognizes the potential conflict of interest having clients as Board members. We take clear, best practice steps to manage those potential conflicts with formalized processes. Board members sign a conflict-of-interest form annually that explicitly asks them to identify any projects being done with MAGNET; MAGNET also identifies and logs any new projects with Board members throughout the year. These projects, as well as any price reductions provided, are disclosed to the Board Finance Committee. Excluding those with conflict, the Finance Committee reviews the disclosures as "uninterested parties." This transparency among our Board ensures that potential Board member conflicts are handled appropriately. MAGNET has engaged legal counsel to set this process and procedure and regularly review it.

Board members are surveyed like any other MAGNET client. MAGNET seeks the most innovative and growth oriented companies in our region to join our board and because of these company characteristics, these are the same companies who have high impact. MAGNET is proud and strives to maintain the engagement of these companies to serve on its Board so that they may carry the MEP mission through our communities and provide feedback on our services.

OIG Report Concern 2: The Kansas Center and subrecipients of the Ohio and California Centers, MAGNET and MANEX, respectively, had clients identify projected economic impacts upon completion of an MEP-provided service to use as a guide for completing the NIST survey, which asks for actual economic impacts realized.



Response to Concern 2: MAGNET respectfully disagrees that the Project Impact Form (PIF) misleads our clients. Our discussions with clients and the form are clear that the PIF is *not* the MEP survey described in this OIG report. NIST MEP surveys are not conducted for six months to a year after project completion. The PIF is conducted much sooner (after or near the close of a project) and allows MAGNET to learn about the projected impact for multiple internal and external reporting purposes unrelated to NIST-MEP.

When the third-party survey comes from NIST MEP, that survey clearly says that it is measuring the past year's impact. MAGNET reinforces this if clients ask for clarification. MAGNET purposely does not try to influence or alter the client's input on the NIST-MEP survey and relies on the client to read and respond to the directions from NIST-MEP as intended by sending the survey from a third party.

Per language in each contract (see below), we specifically delineate the Project Impact Form and the NIST-MEP survey.

OIG Report Concern 3: "In addition, MAGNET, a subrecipient of the Ohio Center, informed us that it refuses to work with manufacturers that will not take the survey—even providing us an instance where MAGNET declined services to a manufacturer that was unwilling to take the survey. Despite knowing the requirement that Centers must disclose to manufacturers that surveys are voluntary and failure to respond will not have any negative consequences, NIST directs Centers to write the expectation of completing the survey into their contracts."

Response to Concern 3: MAGNET's contract *does not* require filling out the NIST Survey nor does it assess any penalty or benefit to a client for doing so. MAGNET's contract states: "As a beneficiary of MAGNET's services, you will be asked to complete Project Impact Form (attached) and a NIST/MEP Impact survey which focuses on the financial and operating changes that may have taken place in your business after having done a project with MAGNET. This survey typically takes 10 minutes to complete online or by phone. You will be contacted by email during the survey period in which your Project(s) are being evaluated." If, as a result of these OIG recommendations, a change to our language in our contracts is required, we will modify our contract accordingly.

Similarly, MAGNET does *not* refuse to do work with clients who do not complete surveys which is evident in our response rate which ranges approximately between 45% and 85%. We have never chosen to not work with a client based on whether they filled out the survey; this can be validated by the survey response rate of our regular clients.



In the hundreds of companies that MAGNET has served in the past decade, we have chosen not to pursue work with just two. These companies told us during our first meetings with them that were not interested in completing the PIF because the economic impact to be measured was not aligned with their goals. The potential clients did not ask to contract with us, and we did not pursue getting a contract with these two clients. The fact that the potential client's goals were not aligned with improving their competitiveness or growth (the metrics that we seek to measure), meant that they would not have gotten value from our services.

OIG Report Concern 4: *"Clients reported duplicate economic benefits stemming from the same provided services. We identified duplicate economic impacts reported by the same survey respondent from year to year...As another example, a client of MAGNET (an Ohio Center subrecipient) reported \$3 million in new and retained sales and approximately \$5 million in investments for both FY 2021 and FY 2022 for the same three services received in 2019 and 2020."*

Response to Concern 4: The impact of a client project may accrue for multiple years. In many cases, the impact lasts longer than one year as projects are specifically designed to have lasting impact, therefore, it is reasonable to believe that the impact is similar year to year for many projects.

In conclusion, MAGNET believes that many of the MAGNET specific referenced examples are taken out of context and used to draw incomplete conclusions about MEP's economic impact. That said, MAGNET appreciates the OIG evaluation and recommendations that seek to improve the NIST MEP Survey process without causing undue burden on the clients whom we serve.

Respectfully Submitted,

Ethan Karp, CEO & President

MAGNET



October 24, 2023

Patricia McBarnette
Audit Director
Office of the Inspector General
U.S. Department of Commerce

RE: Final Report No. OIG-24-037-I
NIST Overstated MEP's Economic Impacts to Congress and Other Stakeholders

Ms. McBarnette,

Maryland MEP has received and reviewed the Final Report No. OIG-24-037-I titled "NIST Overstated MEP's Economic Impacts to Congress and Other Stakeholders" and is providing the attached as our formal response and comment to the observations, findings and recommendations that directly mention our organization.

As the Manufacturing Extension Partnership (MEP) Center cooperative agreement recipient for the State of Maryland and a proud member of the MEP National Network, we continually work hard to deliver on the mission of the program to support and serve the small and medium manufacturing enterprises. In support of this mission, we follow the guidance issued by the National Institute of Standards and Technology (NIST) including the NIST's Grants Office and the NIST Manufacturing Extension Partnership Program Office (NIST MEP), inclusive of the Terms and Conditions of our Cooperative Agreement, as well as the program-specific requirements provided by NIST MEP. We appreciate the efforts of the Office of Inspector General and the Program to review and recommend opportunities for improvement for the national MEP program, however, we do believe that some of the conclusions related to Maryland MEP do not accurately or adequately reflect the activities, outcomes and efforts of the organization, nor the project and impacts reviewed.

Specifically, we provide the written responses below for the record:

Finding IA. NIST and MEP Center's lacked adequate processes to ensure reported economic impacts were accurate and reliable.

Issue 2: Reported economic impacts were not tied to MEP-provided services. (Page 6)

"For example, the Maryland Center knew a client reported significant impacts in FY 2022 based on a multiyear, nearly \$1 billion contract. According to our interview with the client, the contract award had no connection to the services received from the Center. Further, there was no actual delivery of services on the contract at the time the client was surveyed. Thus, the reported economic impacts, specifically the nearly \$1 billion in new sales (5 percent of all 51 Centers' total FY 2022 reported sales) and 400 jobs created, were overstated."

Maryland MEP Response:

Maryland MEP disagrees with the finding that the contract and impacts had no connection to the services received from the Center.



The Maryland MEP team worked with a manufacturing client to provide cybersecurity services and support to identify and mitigate issues related to compliance with the NIST 800-171, DFARS and CMMC standards. Effective December 31, 2017, the U.S. Department of Defense required all

contractors that handle Controlled Unclassified Information (CUI) to comply with the NIST-800-171 standards for cybersecurity. The services provided by Maryland MEP directly related to assessing and mitigating these issues, thereby enabling the client to compete for and win a large, multi-year, multi-billion-dollar, IDIQ contract with the Department of Defense.

This services provided directly resulted in increased sales and increased jobs for the Maryland-based client as they reported. We note, Maryland MEP does not report client impacts, pursuant to NIST MEP guidance, and OMB clearance, MEP Clients self-report these impacts. In fact, the client only reported a small percentage of the total contract value they believed attributable to the services they receive from the Maryland MEP. The client statement of impacts reported the services yielded additional new sales, retained sales and new jobs for their organization and the State of Maryland.

Finding IB. Survey responses may be biased, and some surveys were not populated by clients.

Issue 1: Surveys were completed by board members who were owners or executives of companies that received Center services. (Page 8)

“In some instances, Centers provided services to companies affiliated with their board members without charge or at a discounted rate. For example, both the Maryland Center and a subrecipient of the Ohio Center, MAGNET, provided free or substantially discounted services to companies whose owners or executives served on their respective boards of directors.”

Maryland MEP Response:

Maryland MEP agrees that services were provided to a company led by a current Maryland MEP board member without charge, however, 1) we do not agree that this is an unallowable activity, and 2) as part of the mission of Maryland MEP, services that provide value to clients may be reported as surveyable projects even if no fees are charged or collected.

As Maryland MEP shared with the OIG Review Team on January 4, 2024, Maryland MEP did provide services to a company led by a current Maryland MEP board member without charge. Of the projects delivered during the review period sampled by the OIG, nearly 28% were delivered at no-cost or reduced cost to small and medium sized manufacturers as part of our mission and market penetration strategy. Further, the legislation supporting the creation of the MEP program included discussion of the need to fund centers so they can reach smaller companies who without funding would not be served. Additionally, the Operating and Reporting Guidelines in place at the time of delivery stated, “Projects should only be submitted if the interaction was substantive which means the project or event facilitated measurable changes in a U.S. based manufacturing firm’s operations that affected the firm’s performance and had measurable impact”.

The specific project was related to a facility expansion / feasibility study. In support of these efforts, Maryland MEP provided introductions to the State of Maryland Department of Commerce representatives, the local Baltimore County Economic Development representatives and other local economic development partners. Additionally, Maryland MEP facilitated and participated in meetings between these parties to explore potential opportunities for expansion including potential



economic development incentives and programs that might be available to support the organizational growth. As directed by the reporting guidelines, the Center’s efforts resulted in economic benefits for the organization. The fact that no fees were charged is unrelated to the economic impact reported.

Finding II: NIST Overstated MEP’s Return on Investment from FYs 2020 to 2023 (Page 13)

“For example, during FY 2022, the Maryland Center received federal awards from the Department’s Economic Development Administration, the U.S. Department of Defense, and the U.S. Department of Labor. However, the federal funded amounts from these other sources were excluded from the total federal investment reported by NIST, even though 83 percent of the total sales reported by the Maryland Center was solely attributable to non-NIST funding.”

Maryland MEP Response: Maryland MEP agrees with this observation. As consistent with the legislative intent of the NIST MEP Program, Maryland MEP has continually worked to leverage the MEP program and diversify funding to support the manufacturing community through a variety of programs and funding sources (both federal and non-federal). As required and directed by NIST MEP, these project activities were reported as “Facilitated” and included in the reporting process as a method of demonstrating the total value of the program. How NIST MEP is using the data reported or calculating programmatic return on investment is not something that is under the control of the Maryland MEP.

CONCLUSION

Maryland MEP appreciates the time and effort of the Office of the Inspector General in reviewing the program activities, reporting process and impacts. While we agree that the program can continue to look for opportunities to improve and better demonstrate the impact of the activities, we do not agree with the findings and context as presented.

We will continue to work closely with the NIST MEP Program Office and the Grants Management Division to accurately and effectively ensure that we follow the requirements of the program and implement changes to the process should they be required.

I appreciate your time and the opportunity to provide Maryland MEP’s response to the final report as written and hope that you will take these comments into consideration.

Sincerely,

Michael Kelleher
Executive Director, Maryland MEP

Cc: Maryland MEP Advisory Board



October 22, 2024

Patricia McBarnette
Division Director
United States Department of Commerce
Office of Inspector General
Office of Audit and Evaluation
Washington, DC 20230

Dear Ms. McBarnette:

The South Carolina Manufacturing Extension Partnership (SCMEP) is a member of the Manufacturing Extension Partnership (MEP) program's network of MEP Centers. SCMEP is a 501(c)(3) nonprofit organization dedicated to improving the global competitiveness and resiliency of South Carolina's small and medium-sized manufacturers.

As President/CEO of SCMEP I am writing to respond to the recent publication "NIST Overstated MEP's Impacts to Congress and Other Stakeholders" in which SCMEP is named. I would like to address two conclusions that were listed in the report.

"NIST and MEP Centers lacked adequate processes to ensure reported economic impact were accurate and reliable."

MEP Centers are not required by policy or law to vet, certify, or validate client outlier impact numbers. SCMEP verifies client outlier impact numbers by contacting the client and asking them to confirm that the numbers reported during the survey were the numbers they intended to report. In response to the inquiry, SCMEP thoroughly reviewed the survey outlier verification process with all appropriate members of the SCMEP team to ensure processes defined by NIST MEP were followed.

Any requirement that SCMEP vet, certify, validate, or otherwise justify a client-reported impact would place a further burden on SCMEP and most worryingly on SCMEP's clients. This would make small and medium-sized manufacturers reluctant to work with SCMEP and jeopardize the future of the Center. In addition, SCMEP is in no position to determine the value, validity or certification of a client's report of economic impact.



“Survey responses were biased, and some surveys were not populated by clients.”

There is no language in the NIST-MEP Terms & Conditions or reporting guidelines stating that MEP staff may not be present when a client completes the survey. However, SCMEP staff are expressly forbidden from completing or populating the survey in any manner whatsoever. If NIST-MEP updates its policies and procedures to require that MEP staff not be present when the survey is completed, SCMEP will of course comply.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Andrew B. Carr', is positioned below the text 'Respectfully submitted,'.

Andrew B. Carr
President/CEO
SCMEP