



Report in Brief

March 13, 2023

Background

The U.S. Department of Commerce (the Department) National Institute of Standards and Technology's (NIST's) Hollings Manufacturing Extension Partnership (MEP) is a national network whose mission is to enhance the productivity and technological performance of U.S. manufacturing. According to NIST, there are currently 51 MEP Centers (Centers) in all 50 states and Puerto Rico. Centers assist manufacturers with improving production processes, upgrading technological capabilities, and facilitating product innovation.

NIST awards federal financial assistance in the form of cooperative agreements to state, university, and nonprofit organizations to operate Centers. Each MEP award pays for up to 50 percent of the Center's total project costs, while the recipient is responsible for the rest. Organizations operate Centers for up to 5 years, with the possibility of NIST noncompetitively renewing the agreement for up to an additional 5 years. However, renewal funding depends, in part, upon successful reviews and evaluations of each Center's operations.

Why We Did This Review

Our evaluation objective was to determine the adequacy of NIST's oversight of MEP to ensure requirements are met.

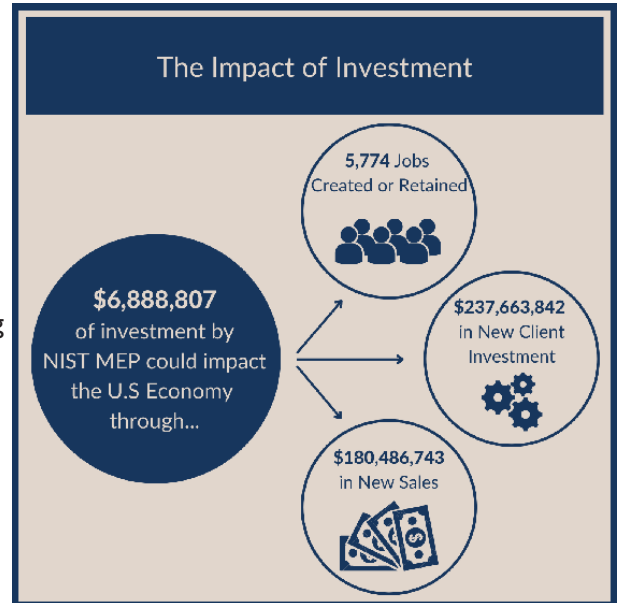
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

NIST Must Improve Monitoring of MEP to Prevent Waste of Financial Resources

OIG-23-014-I

WE FOUND that internal control deficiencies may be hindering MEP from achieving a greater economic impact. NIST does not require Centers to use unexpended program income (UPI) throughout the award, and NIST did not adequately review executive compensation for reasonableness. We also found that NIST did not provide adequate oversight of conflicts of interest.

Consequently, NIST missed opportunities to ensure financial resources were used to assist U.S. manufacturers. We identified nearly \$6.9 million in total funds that could be put to better use and could have resulted in the U.S. manufacturing sector creating or retaining jobs, increasing investments, and generating new sales. Annual funding for MEP is authorized to see a nearly fourfold increase by fiscal year 2027. Thus, it is important that NIST ensures sound oversight of MEP and its financial resources.



Source: OIG review of UPI, executive compensation, and the Fiscal Year 2021 NIST MEP economic impact data

WE RECOMMEND that NIST

1. Change policy to ensure (1) UPI is strategically reinvested into MEP and (2) if UPI is not reinvested into MEP, withhold federal funds until UPI is used to pay down allowable project expenses.
2. Conduct a thorough review of executive compensation for reasonableness as required by Departmental and NIST criteria.
3. Establish policy limits on executive compensation for MEP, including restrictions on Center and subrecipient salaries.
4. Establish procedures to (1) ensure recipients disclose in writing any potential conflict of interest to NIST consistent with award terms and (2) promptly review any such disclosures.
5. Review all disclosed related party activities identified by us and previously reported to NIST and take any action deemed appropriate.