GAO Highlights

Highlights of GAO-14-317, a report to congressional committees

March 2014

MANUFACTURING EXTENSION PARTNERSHIP

Most Federal Spending Directly Supports Work with Manufacturers, but Distribution Could Be Improved

Why GAO Did This Study

Manufacturing plays a key role in the U.S. economy. Congress established the MEP program in NIST in 1988. The program's objectives are to enhance productivity and technological performance and to strengthen the global competitiveness of target manufacturing firms, namely small and medium-sized U.S.-based firms. Under this program, NIST partners with 60 nonfederal organizations called MEP centers. The centers, located in 50 states and Puerto Rico, help target firms develop new customers and expand capacity, among other things. NIST awards federal funding to centers under annually renewed cooperative agreements, subject to the centers providing matching funds and receiving a positive performance evaluation.

The Consolidated and Further Continuing Appropriations Act, 2013, mandated GAO to report on MEP program administrative efficiency, which relates to funding provided to centers. This report (1) describes, over the past 5 years, how NIST spent federal MEP program funds and (2) examines the basis for NIST's cooperative agreement award spending. To conduct this work, GAO analyzed obligations data, reviewed relevant legislation and policies, and interviewed NIST officials.

What GAO Recommends

GAO recommends that Commerce's spending on cooperative agreement awards be revised to account for variations across service areas in demand for program services and in MEP centers' costs of providing services. Commerce agreed with GAO's recommendation.

View GAO-14-317. For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

What GAO Found

Of the approximately $608 million spent by the Department of Commerce's (Commerce) National Institute of Standards and Technology (NIST) in fiscal years 2009 through 2013 on the Manufacturing Extension Partnership (MEP) program, NIST used most of the funds to directly support MEP centers. Specifically, NIST spent about $495 million on awards to centers and spent the rest on contracts, staff, agency-wide overhead charges, and other items, some of which NIST considered direct support and some of which NIST considered administrative spending. Although NIST is not required to track, and has not historically tracked, administrative spending, NIST officials told GAO the agency developed definitions of direct support and administrative spending in fiscal year 2013 in response to congressional interest, then conducted an analysis of fiscal year 2013 federal MEP program spending using those definitions. NIST defines direct support spending as spending that directly supports the MEP center system's work with manufacturing firms, such as awards to centers or contracts to train MEP center staff on how to quickly assess innovative ideas for new products. NIST considers all other spending to be administrative, including spending on performance evaluations for MEP centers or on agency-wide overhead fees that pay for facilities operations and maintenance at the NIST campus. Using these definitions, NIST estimated that about 88.5 percent of federal MEP program spending in fiscal year 2013 was for direct support, and the remaining 11.5 percent was for administration.

NIST's spending on cooperative agreement awards is based on the historical amount awarded to each center when it was established. This took into account each center's identification of target manufacturing firms in its service area—including characteristics such as business size, industry types, product mix, and technology requirements—and its costs of providing services to those firms. However, because NIST made the awards on an incremental basis to individual centers serving different areas over a period of more than 15 years, NIST's awards did not take into account variations across service areas in the demand for program services—a function of the number and characteristics of target firms—or variations across service areas in costs of providing services. NIST's cooperative agreement award spending is, therefore, inconsistent with the beneficiary equity standard. This standard—commonly used to design and evaluate funding formulas—calls for funds to be distributed in a way that takes these variations into account so that centers can provide the same level of services to each target manufacturing firm, according to its needs. Because NIST did not account for these variations across service areas, NIST's cooperative agreement award spending may not allow centers to provide the same level of services to target manufacturing firms, according to their needs. NIST officials told GAO that an analysis they recently conducted showed wide variation across centers in the relationship between their cooperative agreement award amounts and the number of target manufacturing firms in their service areas. NIST officials told GAO they are exploring ways to revise NIST's cooperative agreement award spending to take into account variations across service areas in the number of target manufacturing firms, among other factors. The officials discussed various options they are considering, but they did not identify an option they had agreed to implement or a timeline for decision making and implementation.