Appendix II: Comments from the Department of Commerce

UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

March 12, 2014

Mr. Frank Rusco
Director
Natural Resources and Environment
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Rusco,

Thank you for the opportunity to provide comments on the draft report entitled *Manufacturing Extension Partnership: Federal Spending Mostly Supports Work with Manufacturers, but Distribution Could Be Improved* (GAO-14-317) dated March 2014 concerning the National Institute of Standards and Technology (NIST) Hollings Manufacturing Extension Partnership (MEP) program. We commend the Government Accountability Office (GAO) for the diligence of its approach in carefully examining the expenditures and investments of the MEP program and appreciate the professional courtesy that your team accorded NIST MEP during this process. We believe the GAO report presents an accurate analysis of the MEP program and will become a definitive reference document for the program.

NIST MEP is committed to the careful examination of all administrative expenses. The Senate explanatory statement accompanying the Consolidated and Further Continuing Appropriations Act, 2013 mandated GAO to evaluate the extent to which the MEP program achieves administrative efficiencies. We are pleased that the draft report recognizes that NIST MEP found that 88.5% of the federal MEP program expenditures in fiscal year (FY) 2013 were for direct support of MEP centers across the Nation and that only 11.5% was spent by NIST MEP for administrative expenses. We project that in FY 2014 administrative expenses will be approximately 11% of total federal MEP program expenditures.

GAO's analysis also recognized that "because most of the current MEP center cooperative agreements were made on an incremental basis over a period of more than 15 years, they did not take into account the distribution of demand for program services across service areas." As a result, GAO recommends that spending on cooperative agreement awards be revised "to account for variation across service areas in the demand for program services…and variations in MEP centers' costs of providing services." We concur with this recommendation and as GAO noted, NIST is "exploring ways to revise cooperative agreement award spending to take into account variations in service areas in the number of target manufacturing firms, among other factors."

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We appreciate your recognition that any such revision to funding agreements should take place over a number of years to minimize disruption to funding recipients, and that NIST MEP found that the two-thirds matching fund requirement limits the ability of many centers to access an increased cooperative agreement award.

Once again, we thank you for your efforts in examining the expenditures and investments of the MEP program and for allowing NIST MEP the opportunity to provide comments. The findings and recommendations developed as a result of GAO's work will allow NIST to continue to efficiently execute and operate the MEP program so that the nationwide system of MEP centers can continue to enhance the productivity, innovation, and competitiveness of domestic small and medium-sized manufacturing firms.

If you have any questions regarding our response, please contact Phillip Singerman, Acting Director, MEP, at (301) 975-4676.

Sincerely,

Patrick Gallagher
NIST Director Performing the
Duties of the Deputy Secretary