

*Making an Impact on U.S. Manufacturing*

# **NIST MEP Oversight Board Standards**

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## **Background**

The Hollings Manufacturing Extension Partnership (MEP) program, administered by the National Institute of Standards and Technology (NIST), is a public-private partnership with Centers in all 50 states and Puerto Rico dedicated to serving small and medium-sized manufacturers.

MEP's authorizing statute, codified at 15 USC 278k, specifies the activities and operation of the program. In particular, 15 USC 278k(k) requires MEP Centers to establish oversight boards to oversee the operations of the Center (Oversight Boards or Boards) as a condition of receiving a federal financial assistance award. The statute provides that the NIST Director or designee establish appropriate standards to address:

1. Membership;
2. Board composition;
3. Term limits;
4. Conflicts of interest; and
5. Such additional requirements as the Director considers necessary.

These Oversight Board Standards supplement and should be read in conjunction with the Oversight Board requirements contained in 15 U.S.C. 278k(k) and in Section B.11 Oversight Boards, of the MEP Center General Terms and Conditions (2025). Additionally, if an MEP Center's Oversight Board does not satisfy the requirements of Section B.11 of the MEP General Terms and Conditions (2025) or this document at any time during the term of an MEP Center cooperative agreement, the Center must promptly disclose the deficiencies to the NIST Federal Program Manager (FPM) and must ensure that its Oversight Board conforms to the requirements set forth herein within 90 calendar days from the initial date of the noncompliance, unless such time period is otherwise extended by the NIST Grants Officer based on a written request from an MEP Center.

## **Types of Oversight Boards**

The MEP statute and NIST recognize that the type and organizational structure of an MEP Center affects the type of Board that a Center uses. Within the MEP National Network, multiple types of organizations are recipients of MEP Center cooperative agreements, and, as set forth in this document, NIST has established varying Oversight Board standards depending on the type and characteristics of the Non-Federal Entity receiving an MEP Center cooperative agreement.

As a general rule, if the MEP program (Federal dollars and non-Federal match) is greater than or equal to 40% of the organization's overall annual budget, NIST considers the MEP program to be the primary activity of the recipient of an MEP Center award. However, an organization may submit a written justification that establishes, to the satisfaction of NIST MEP, that the MEP program is not the primary activity of the organization, notwithstanding that the federal and non-federal funding allocated to the MEP program is equal to or greater than 40% of the organization's overall annual budget. Any such justification should be submitted to the FPM and NIST Grants Officer to be reviewed, where NIST MEP will provide a response of either approval or indicate why the justification is insufficient.

NIST also recognizes that oversight boards must be compliant with State, U.S. Territory, Tribal and/or local laws that may preclude an Oversight Board from complying with the standards promulgated by the Director. In such cases where State, Territory, Tribal and/or local laws prohibit

the recipient from fully complying with the Oversight Board Standards set forth in this document, the recipient of an MEP Center award must promptly notify NIST MEP in writing, providing the reason(s) for deviation and the specific legal citation that requires the deviation.

The following Center organization classification specific recommendations apply:

#### Non-Profit Organization

NIST expects Centers with non-profit organizational classification to have a fiduciary board if the cumulative MEP Program is the Center's primary activity. The fiduciary board has responsibility for the organization and the Center leadership team reports to the fiduciary board. For a Center where the MEP Program is not the cumulative primary activity, an advisory board is acceptable. An advisory board must provide regular strategic, policy, and programmatic input related to the needs of manufacturers and the regional community.

#### Institute of Higher Education

For Institutions of Higher Education (IHE), the fiduciary board exists at the highest level of the institution and typically has responsibility for all the institution's program and activities. These boards are generally known as a Board of Trustees, Board of Regents, or have similar titles. NIST expects that the Center has an advisory board that works with the Center leadership staff to guide and provide advice to the Center. The advisory board will work with the Center leadership to accomplish the goals of the Program and will generally report to the Center Director's supervisor.

#### State, Local Government, and Indian Tribe

For state, local government, and Indian tribes, the fiduciary aspects of a board are carried out at the agency's executive level, with review and approval by the Office of the Controller or Controlling Board as prescribed by the entity's authorizing legislation and practices. NIST expects that the board will report to the agency head, rather than the Center Director. In limited cases, the board may report to the Center Director if the Center submits sufficient justification for why the reporting structure is necessary and beneficial.

### **By-laws**

15 U.S.C. 278(k)(4)(A) requires each Oversight Board to adopt and submit to the MEP Director by-laws to govern the operation of the Board. Board by-laws typically cover a wide range of topics including, but not limited to:

- Membership selection and appointment, and term limits,
- Roles and responsibilities of Board officials,
- Meeting procedures and guidelines,
- Conflicts of interest procedures,
- Quorum and voting provisions,
- Code of conduct,
- Compensation and indemnification
- Bylaw modification/change procedures

For Oversight Boards that are required to serve in a fiduciary capacity to the organization receiving an MEP cooperative agreement, the by-laws are generally prepared as part of the incorporation

process and subject to periodic amendment. Oversight Boards serving in a fiduciary capacity are required to submit their current by-laws to the MEP Director. Oversight Boards serving in an advisory capacity to the organization receiving an MEP cooperative agreement are also required to adopt and submit by-laws to the MEP Director governing operation of the Oversight Board, although such documents may be termed Governance or Guidance documents or have other appropriate titles.

The by-laws, including any policies within, must comply with the requirements set forth in Section B.11 of the MEP General Terms and Conditions (2025) and in these Oversight Board Standards, and must be acceptable in form and substance to the NIST MEP Director and to the NIST Grants Officer. Following its review, NIST will indicate in writing that the by-laws are acceptable or identify any areas of non-compliance or deficiency for resolution by the Non-Federal Entity receiving the MEP cooperative agreement. Importantly, the Non-Federal Entity receiving the MEP Center cooperative agreement has an affirmative obligation to promptly inform and provide copies of any amendments or other changes to its Oversight Board by-laws to NIST MEP.

The board should also consider additional governance policies to provide direction to the board and Center staff. These may include whistleblower protection; succession planning; and document retention/description.

### **Conflict of Interest**

The statute requires each board to establish a conflict of interest policy. Conflicts of interest is an actual or perceived interest that might affect or might reasonably appear to affect a member's professional judgment or conduct. 15 U.S.C. 278(k)(4)(B) an MEP Center Oversight Board's by-laws must include policies to minimize conflicts of interest, including such policies relating to disclosure of relationships and recusal as may be necessary to minimize conflicts of interest.

At a minimum, an Oversight Board will have adopted a policy, conduct regular periodic reviews of the policy and adherence to it, and have the board members sign a statement acknowledging that they have read and understand the conflict of interest policy.

NIST MEP uses the Internal Revenue Service (IRS) guidance (included under *References*) as a benchmark on conflict of interest management.

### **Board Membership**

15 U.S.C. 278(k)(3) requires that:

1. The membership of each Oversight Board be representative of "stakeholders in the region" in which the Center is located. For this purpose, stakeholders in the region means broadly those manufacturing businesses, other businesses, individuals, and organizations with a vested interest in the activities of the Center in its service region. Oversight Board members should be selected from among those persons whose primary residence is in the region of service, or whose business' or organization's primary address is in the region of service; and
2. A majority of the members of the Oversight Board are to be selected from among individuals who own or are employed by small or medium-sized manufacturers. Small or medium-sized manufacturers includes those manufacturers that would be qualified for survey using NIST's current definition of manufacturers within the region of service and whose facility has under

500 employees at the time the individual joins the board. Ownership or employment means current ownership or employment or ownership or employment within the last 6 months. Such an individual may serve out the remainder of their term of membership as if he/she was the owner or still employed by a small or medium-sized manufacturer. If after 6 months, the individual is not employed at a small or medium-sized manufacturer or does not have ownership in a small or medium-sized manufacturer, then they would be considered representative of non-manufacturing stakeholders. Ex-officio board members with non-voting rights are not considered a part of the calculation for determining if a majority of the members of the board are owners of or employed by small or medium-sized manufacturers.

An Oversight Board member may not concurrently serve on more than one MEP Center Oversight Board. See 15 U.S.C. 278k(k)(3)(B).

### **Board Composition**

In addition, NIST has observed, that the size of effective Oversight Boards typically range from 10 to 40 members. Oversight Boards larger than 20 members typically also have a committee structure, which includes an executive committee to deal with issues between board meetings. A review of relevant literature on board size suggests that the strategy and purpose of the Center should drive the size of the board and the Center should have a size and committee structure that allows the board to be an active participant in helping the Center achieve its mission and vision.

NIST has further observed that it is often useful to have individuals who can assist the Center Director with strategy, outreach and general business insight. Accordingly, when looking for Oversight Board members many Centers consider representatives from any number of industries such as banking, workforce development, insurance, etc., who may be helpful in providing critical insights into the manufacturing ecosystem within the region of service. NIST also encourages diversity and inclusion on oversight boards to broaden the perspective of the Centers into future needs and trends.

NIST MEP strongly discourages having any Center staff as board members. If the bylaws allow for internal candidacy, then the candidates should be limited to 1) the NIST-approved Center Director and 2) the Center Director can only serve in a non-voting, ex-officio capacity.

NIST MEP staff are available to support the board by attending as a guest; however, may not serve as ex-officio members.

### **Term Limits**

The statute requires each board to establish term limits for all members. The by-laws for the Oversight Boards must establish term limits, and Centers must be active in enforcing such term limits. NIST has observed a wide variety of practices at Centers and recommends that term limits be of sufficient length to allow board members to learn about the Center and make contributions to the Board, but not so long that the Board does not enjoy the benefits of new ideas and thoughts and broader thinking important to keeping an organization forward thinking.

Boards are encouraged to establish a Nominating Committee with an intentional approach to

identifying and adding new board members.

Recognizing that it takes some time to learn about the program to be able to contribute, NIST recommends terms of no less than 3 years. Typical practices include board members who can serve two terms in a row before taking some time away from the board. This has been an effective practice in maintaining a solid core base of knowledgeable board members functioning well together over time while adding new members to the mix. Typically, NIST will look for term limits with a maximum of 6 consecutive years.

In some instances, board members can remain effective beyond 6 consecutive years of service, and if so, the Center may make the case for longer service of individuals or move those members to an ex-officio capacity. In extraordinary cases, the Center may make the case for a board member to extend service beyond 10 consecutive years. Such extensions are expected to be rare and any such requests will be carefully evaluated by NIST and the Center will need to justify why that particular board member adds such unique value to the Oversight Board.

## **Additional Requirements and Best Practices**

### **Serving as Vendor or Subawardee to Center and Serving on Board**

No member of an Oversight Board, nor a company owned by a member, may be a vendor to or provide contractual services to the MEP Center or to any subrecipient of the MEP Center, regardless of the Oversight Board's conflict of interest policy. This provision includes anyone serving the Center as a vendor, regardless of the nature of the work. Representatives of subrecipients may serve as members of an Oversight Board, however, Oversight Boards, particularly those serving in a fiduciary capacity, consisting of a majority of subrecipients may be viewed as having significant real or apparent conflicts of interest to the organization receiving the MEP cooperative agreement (and responsible for administering and enforcing subawards) and are generally discouraged. Such board memberships will need to be justified by the Center and will be reviewed by NIST on a case-by-case basis.

Oversight Boards should review the Department of Commerce's Conflict of Interest and Code of Conduct section of the Standard Terms and Conditions (2025) for specific guidance on conflicts particularly with respect to "interested parties" and recognition thereof.

### **Meeting Frequency and Format**

NIST MEP expects that the board will meet at least three times a year. The bylaws should include a meeting format and agenda, under the Meeting Procedures and Guidelines. In-person meetings are a best practice; however, virtual is acceptable. The bylaws should include an option to hold a virtual meeting.

### **Onboarding and Orientation**

NIST MEP strongly encourages boards to establish an onboarding and orientation process for new members. NIST MEP has observed that onboarding new members helps to provide key information about the MEP Center they will be supporting, fill-in the knowledge gaps about governance, and prepare the new members to assume their role.

## **Training and Development Plan**



NIST MEP strongly encourages a board to establish a training and development plan to assist a new member to fully understand board expectations, how they can add value, and work effectively with the Center. Best practices suggest that member education, training, and development should be a continuous process and organizations should provide these opportunities to increase engagement and effectiveness.

## References

### Department of Commerce Regulations and Policies

- [DOC Financial Assistance Standard Terms and Conditions \(2024\)](#)

### NIST Statute and Regulations

- 15 USC 278k, Hollings Manufacturing Extension Partnership
- 15 CFR Part 290, Regional Centers for the Transfer of Manufacturing Technology NIST  
MEP Policies
- NIST MEP General Terms and Conditions (latest version available on MEIS and MEP Connect)
- NIST MEP Cooperative Agreement Recipient Reporting and Survey Requirements (latest version available on MEIS and MEP Connect)

### Other Federal Government Resources

- Part V. Compensation and Other Financial Arrangements with Your Officers, Directors, Trustees, Employees, and Independent Contractors and Appendix A of the Instructions for Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code (Rev. June 2006), accessible at: <https://www.irs.gov/pub/irs-pdf/i1023.pdf>.
- IRS Form 1023 Purpose of Conflict of Interest Policy Part V: <https://www.irs.gov/pub/irs-pdf/i1023.pdf>
- IRS Required Information about Compensation and Other Financial Information: <https://www.irs.gov/charities-non-profits/form-1023-required-information-about-compensation-and-other-financial-information>
- IRS Sample Policy Statement: <https://www.irs.gov/instructions/i1023/aro3.html>

### Other Sources

- BoardSource, <https://boardsource.org/resources/board-responsibilities-structures-faqs/>, accessed May 18, 2017.
- BoardSource, Report on the Size, Composition, and Structure of the Board of Regents, Prepared for: Governance and Nominating Committee of the Board of Regents of the Smithsonian Institution, January 26, 2008.
- NEO Law Group, <http://www.nonprofitlawblog.com/number-of-directors-whats-the-best-practice/>, accessed May 18, 2017.