

U.S. Department of Labor

Office of Inspector General—Office of Audit

EMPLOYMENT AND TRAINING ADMINISTRATION



GRANT TO THE INTERNATIONAL ASSOCIATION OF NANOTECHNOLOGY

This audit was performed by WithumSmith+Brown PC, CPA's, under contract to the Office of Inspector General, and by acceptance, it becomes a report of the Office of Inspector General.

Elizabeth P. Lewis

Assistant Inspector General for Audit

Date Issued: September 12, 2011
Report Number: 02-11-203-03-390

**U.S. Department of Labor
Office of Inspector General
Office of Audit**

BRIEFLY...

Highlights of Report Number 02-11-203-03-390, to the Assistant Secretary for Employment and Training.

WHY READ THE REPORT

The Office of Inspector General (OIG) audited a grant awarded by DOL's Employment and Training Administration (ETA) under the authority of the High Growth Job Training Initiative (HGJTI) to the International Association of Nanotechnology (IANANO), a 501(c)(3) non-profit organization located in California. HGJTI was a strategic effort to prepare workers to take advantage of new and increasing job opportunities in high growth, high demand, and economically vital sectors of the American economy. The grant was for \$1.5 million for the period November 1, 2006, through October 31, 2009. IANANO was to implement an innovative solution to address industry-identified challenges by developing nanotechnology coursework to meet the needs of multiple populations for potential career ladder growth. The courses were to target the following four key segments of the nanotechnology market: (1) Executive and Mid-Level Manager Business Re-engineering Training; 2) Training the Trainers from the industry; 3) Thirteen-week Nanotechnology Technician Certificate Program; and 4) One-Year Nanotechnology Technician Pre-Apprenticeship.

WHY OIG CONDUCTED THE AUDIT

In response to a request from ETA, OIG conducted the audit to answer the following questions:

1. Were financial transactions and program activities in accordance with the grant agreement and Federal cost principles?
2. Was information the grantee reported to ETA accurate?
3. Were grant terms for expenditures and deliverables clearly defined?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

<http://www.oig.dol.gov/public/reports/oa/2011/02-11-203-03-390.pdf>

September 2011

GRANT TO THE INTERNATIONAL ASSOCIATION OF NANOTECHNOLOGY

WHAT OIG FOUND

IANANO reported \$1.5 million in grant expenses and that it trained 328 participants. However, financial transactions and program activities did not comply with the grant agreement and Federal cost principles, and were not accurately reported to ETA. Moreover, the grant lacked clarity regarding the relationship between the grantee and training provider, and the association between cost categories and deliverables, that led to difficulties in monitoring grant performance.

IANANO charged personnel costs totaling \$896,066 that were unsupported, reported outcome measures that were misleading, and required grant deliverables were not developed or provided, were incomplete, or were otherwise inadequate. Moreover, program income of \$938,685 was not reported, the approved apprenticeship program was not established, and it was not clear if \$2.6 million of leveraged resources was obtained.

WHAT OIG RECOMMENDED

We recommend the Assistant Secretary for Employment and Training recover questioned costs of \$1.5 million; ensure that first time grantees have systems in place to provide grant products and services; and ensure grants are clear in regard to entities providing services and cost category associated with deliverables.

IANANO disagreed with our audit findings. However, IANANO's responses were not sufficiently supported to change the Findings and Recommendations.

ETA responded that it will follow its standard audit resolution procedures for disallowing and recovering questioned costs and indicated that it will review its procedures regarding new grantees and its grant award and budget process, and will make changes where appropriate and feasible.

Table of Contents

Independent Auditors’ Report	1
Results in Brief	2
Objective 1 — Were financial transactions and program activities in compliance with the grant agreement and Federal cost principles?	3
<i>IANANO did not demonstrate it expended grant funds to provide key services and products to produce career ladder growth.</i>	3
Finding 1 — Unsupported Personnel Costs of \$896,066	4
Finding 2 — Reported results and outcome measures were misleading, and required grant deliverables were not developed or provided, were incomplete, or were inadequate.	6
Objective 2 — Was information the grantee reported to ETA accurate?	11
<i>Reported information to ETA was incomplete and misleading.</i>	11
Finding 3 — Reported Information to ETA Was Not Accurate	11
Objective 3 — Were grant terms for expenditures and deliverables clearly defined?	15
<i>ETA encountered difficulties in monitoring grant performance because of the grant lack of clarity in certain aspects.</i>	15
Finding 4 — Grant terms for expenditures and deliverables were not always clearly defined.	15
Recommendations	17
Appendix A Background	21
Appendix B Objectives, Scope, Methodology, and Criteria	23
Appendix C Acronyms	25
Appendix D IANANO Response	27
Appendix E ETA Response	41

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Independent Auditors' Report

September 12, 2011

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In response to a request from the Employment and Training Administration (ETA) for an audit of its grant with the International Association of Nanotechnology (IANANO), the Department of Labor (DOL) Office of Inspector General (OIG), entered into a contract with WithumSmith+Brown (WS+B), PC, to conduct an audit of IANANO's \$1.5 million High Growth Job Training Initiative (HGJTI) grant (Grant Number HG-15852-07-60-A-6). The grant was awarded for the period of November 1, 2006, through October 31, 2009.

HGJTI was a strategic effort to prepare workers to take advantage of new and increasing job opportunities in high growth, high demand, and economically vital sectors of the American economy. One of the sectors was Advanced Manufacturing, in which innovative strategies were needed to compete in the global marketplace. Under the grant, IANANO was to implement an innovative solution to address industry identified challenges by developing nanotechnology coursework to meet the needs of multiple populations for potential career ladder growth. The courses were to target the following four key needs of the nanotechnology labor market: (1) Executive and Mid-Level Manager Business-Reengineering Training; (2) Training the Trainers from the industry; (3) Nanotechnology Technician Certification (a thirteen-week program); and (4) One-Year Nanotechnology Technician Pre-Apprenticeship.

Our audit objectives were to determine if (1) financial transactions and program activities were in accordance with the grant agreement and Federal cost principles; (2) information

reported by the grantee to ETA was accurate; and (3) grant terms for expenditures and deliverables were clearly defined. The audit included a review of IANANO's policies and procedures, grant proposal, grant records, and financial and programmatic reports. Interviews of IANANO staff, grant participants and ETA's National and Regional employees were also conducted. Audit work was performed at IANANO's Office in Fremont, Calif.; ETA Headquarters in Washington, D.C.; and ETA's Region 10 Office in San Francisco, CA.

WS+B conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our objectives, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

IANANO reported \$1.5 million in grant expenses and that it trained 328 participants. However, financial transactions and program activities did not comply with the grant agreement and Federal cost principles, and were not accurately reported to ETA. Moreover, the grant lacked clarity regarding the relationship between the grantee and training provider, and the association between cost categories and deliverables, that led to difficulties in monitoring grant performance. Although IANANO did provide some services to participants, due to program performance and financial accountability deficiencies, IANANO could not demonstrate it provided \$2,438,685 worth of benefit to ETA (\$1.5 million of grant funds and \$938,685 of program income which should have been committed to the project). Therefore, the entire grant of \$1.5 million is questioned.

Financial transactions and program activities were not in compliance with the grant agreement and Federal cost principles. Specifically, \$896,066 of personnel costs charged to the grant were unsupported; reported outcome measures were misleading; and required grant deliverables were not developed or provided, were incomplete, or were otherwise inadequate. Moreover, program income of \$938,685 was not reported, the apprenticeship program was not established, and it was not clear if \$2.6 million of leveraged resources was obtained. This occurred because IANANO misrepresented that it had systems in place to ensure proper planning, management, and completion of the project described in the grant agreement.

We recommend the Assistant Secretary for Employment and Training recover questioned costs of \$1.5 million, ensure first time grantees have systems in place to provide grant products and services, and ensure grants are clear in regard to entities providing services and cost category associated with deliverables.

IANANO'S RESPONSE

In response to draft findings 1-3, IANANO officials disagreed with the audit findings. IANANO's response, exclusive of the attachments to its response, is included in its entirety as Appendix D. The complete response, including the attachments, has been transmitted to ETA.

EMPLOYMENT AND TRAINING ADMINISTRATION RESPONSE

In response to our draft report, the Assistant Secretary for Employment and Training agreed to follow their standard audit resolution procedures for disallowing and recovering questioned costs. ETA indicated it will review its initial technical assistance and training efforts with new grantees and adjust them as appropriate; however, ETA cautioned that it is not feasible for ETA to determine that all grantees have all the systems they need prior to grant award. ETA also indicated it will review the current grant award and performance processes, including the need for clear budget justification documents, and will enhance current guidance and provide additional training and technical assistance. The Assistant Secretary's response is included in its entirety as Appendix E.

AUDITORS' CONCLUSION

Our analysis of IANANO's response and additional documentation did not substantively change our Findings and Recommendations. For the reasons stated in Results and Findings, we disagreed with IANANO's analysis offered in response to our Findings, and IANANO did not provide supporting evidence of many of its statements and assertions.

RESULTS AND FINDINGS

Objective 1 — Were financial transactions and program activities in compliance with the grant agreement and Federal cost principles?

IANANO did not demonstrate it expended grant funds to provide key services and products to produce career ladder growth.

IANANO reported \$1.5 million in grant expenses and claimed it trained 328 participants. However, financial transactions and program activities did not comply with the grant agreement and Federal cost principles. Specifically, 1) \$896,066 of personnel costs charged to the grant were unsupported, and 2) reported outcome measures were misleading, and required grant deliverables were not adequate. This occurred because IANANO misrepresented that it had systems in place to ensure proper planning, management, and completion of the project described in the grant agreement. As a result, IANANO did not provide the services and deliverables specified in the grant to meet the needs of the participants for potential career ladder growth.

Finding 1 — Unsupported Personnel Costs of \$896,066

IANANO reported expenditures of \$1.5 million to implement an innovative solution to address industry identified challenges by developing nanotechnology coursework to meet the needs of multiple populations for potential career ladder growth. IANANO's general ledger contained \$896,066 in personnel costs (\$772,363 of salaries and \$123,703 of fringe benefits). However, the timekeeping system was not sufficiently reliable to verify the amount of time actually spent by employees working on the grant, and IANANO employed family members of the Executive Director in positions that were primarily overhead. As a result, the \$896,066 in personnel cost is questioned.

2 Code of Federal Regulations (CFR) 230 Appendix A 2(g) states:

To be allowable under an award, costs must meet the following criteria ... Be adequately documented.

2 CFR 230 Appendix B 8. (m) states:

Reports reflecting the distribution of activity of each employee must be maintained for all staff members . . . whose compensation is charged, in whole or in part, directly to awards. . . . The reports must reflect an after the fact determination of the actual activity of each employee. . . . The reports must be signed by the individual employee or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee . . .

The grant award, signed by the Executive Director, states:

I certify that the applicant: . . . 1) Has the . . . institutional managerial and financial capability . . . to ensure proper planning, management and completion of the project described in this application. . . . 2) . . . Will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives. 3) Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.

Of the \$772,363 of salaries incurred on the DOL grant, \$479,571 (almost one-third of the \$1.5 million grant) relates to salaries paid to the Executive Director (\$263,381), his wife (\$144,166), son (\$61,864), and nephew (\$10,160). The Executive Director hired his wife as Operations Manager, his son as the Management Information Systems Manager and Program Assistant, and his nephew as Program Assistant/IT Support Specialist. The costs related to these family members were primarily administrative costs (e.g., accounting, information technology).

In addition, the Executive Director and his wife owned and operated at least six companies in addition to IANANO, including the California Institute of Nanotechnology (CINT), Cleantech Institute, Neurobiomed, Inc., Workforce Institute of America, Home Again USA, Inc., and Amptran Corporation, out of the same physical location as IANANO. The only timesheets maintained, which account for all of their time, were for IANANO. IANANO did not provide records to support the allocation of time to the other companies. Budget modification no. 6 submitted by IANANO described the percentages of time that each employee would be devoting to the grant, which typically was less than 100 percent of their time. However, the timesheets we observed, with few exceptions, had only DOL categories that employees could charge time to, creating another inconsistency in the timekeeping system. Moreover, the Executive Director also received wages from CINT totaling \$45,000 during the grant period. Furthermore, the Executive Director and his wife billed CINT for time spent as management consultants totaling \$132,500 during the grant period. Therefore, the Executive Director and his wife earned a total of \$177,500 from CINT while also working at IANANO. As a result, the Executive Director and his wife received salaries totaling \$585,047 from both IANANO and CINT during the grant period.

Furthermore, the timekeeping system used by IANANO was not reliable as observed practices did not always adhere to IANANO internal policies. Review of 220 timesheets revealed 22 timesheets (10 percent) either contained errors and/or had been manipulated after they were originally signed. For example, timesheets were submitted and approved for the 1st through the 15th of a month, then another timesheet was submitted and approved for the entire month, with a different distribution of the hours originally submitted. Three timesheets recorded 8 hours to DOL, and on the same day, 8 hours to vacation or sick time. These types of errors and manipulations we observed were consistent with the allegations of time mischarging described to us by a former employee, and with allegations we reviewed from former employees and consultants. For example, one former employee indicated he was instructed by the Executive Director's wife to change his timesheets to reflect more DOL hours than he actually worked. IANANO officials also explained it was a standard practice for IANANO management to complete and sign final timesheets for employees who no longer worked for IANANO.

The IANANO Timekeeping policy states “if corrections or modifications are made to the time record, **both the employee and HR Director or Operations Director . . .** must verify the accuracy of the changes by initialing the time record” [emphasis added]. Furthermore, the policy states “Tampering, altering, or falsifying time records or recording time on another employees’ timesheet is not allowed and may result in disciplinary action, up to and including suspension/termination. Under no circumstances, is an employee allowed to record time for another employee.”

Overall we concluded that IANANO neglected to follow its own timekeeping internal controls, much less the controls required under Federal grants management regulations. This resulted in unsupported personnel costs due to unreliable time records, and contradicts the assurances made by the Executive Director that IANANO

has managerial capability and proper accounting systems. Because the entire timekeeping system was unreliable and not in compliance with Federal requirements, the personnel costs are unsupported and all personnel costs are questioned.

Finding 2 — Reported results and outcome measures were misleading, and required grant deliverables were not developed or provided, were incomplete, or were inadequate.

IANANO reported grant outcome performance measures such as the number of participants trained and percentage of participants that found or retained employment as a result of the training. However, IANANO reported misleading employment outcomes, and the required grant deliverables provided were not adequate. This occurred because IANANO inflated the impact training had on participants' ability to secure employment in the nanotechnology field, and incorrectly believed grant deliverables produced were satisfactory. As a result, IANANO claimed credit for results it did not achieve.

Reported Outcomes

The grant required the following outcomes to be reported:

- Business Re-engineering Training – the number of participants entering and completing the course, certificates awarded, and promotions obtained, organizational changes, and average 6-month income increased.
- Training the Trainers – the number of participants entering the program, certified, professional development hours completed, institutions adopting IANANO's curriculum, number of classes and number of students trained using IANANO's curriculum.
- Certified Nanotech and Cleantech Professional (CNCP) – number of participants entering and completing the program, participants receiving an internship, participants employed at a nanotechnology firm, participants employed after 6 months, and average earnings over a 6-month period.
- Certified Nanotech Technicians Pre-Apprenticeship Training Program – The measures used for recruitment and completion of the federally-approved apprenticeship program will be adopted.

IANANO's final report claimed 328¹ participants completed nanotechnology training including Business Re-engineering (111), Train-the-Trainers (80), CNCP (122), and Apprenticeship Training Program (15) programs.

Regarding grant outcomes, IANANO reported that the employment rates of the Business Re-engineering participants exceeded 80 percent, and more than 85 percent of the Train-the-Trainers participants retained or found new employment within the scope of the training programs. However, these statistics are misleading and incomplete

¹ During our audit fieldwork, IANANO revised the number of pre-apprentices trained to 14, resulting in a total of 327 participants claimed.

because some of the key outcomes required to be reported, such as promotions obtained and number of institutions adopting the IANANO's curriculum, were not tracked and reported.

For the CNCP program, the grant required IANANO to track the number of participants employed in a nanotechnology firm at the conclusion of the training, with a targeted placement rate of 90 percent in the nanotechnology industry. IANANO reported that 46 CNCP participants found employment; however, the relationship of the CNCP training to the types of jobs found by its participants is unknown, as IANANO was unable to successfully track this information. As a result, the employment rates reported by IANANO reflecting actual employment as an outcome of the training received was unsupported.

The Executive Director disagreed with this finding and responded that the actual outcomes exceeded the projected outcomes. The Executive Director stated that most of the participants retained or found new employment within the scope of the training, but that the employment rates for CNCP graduates were lower than what was hoped for due to the recession.

We disagree with the Executive Director's assertions, since he did not provide documentation to support his assertions. Therefore, our finding remains unchanged.

Grant Deliverables

IANANO did not produce grant deliverables required in the Statement of Work (SOW) including the course curriculum, training certificate, and online distance learning program. The HGJTI grants were awarded not solely to train a certain number of participants, but to invest in demonstration projects that would model the power of partnerships at the national level and help the workforce system build their capacity to respond to employers' workforce needs.

Course Curricula Was Incomplete

IANANO's Executive Director provided draft curricula to ETA. However, as provided, the curricula were incomplete (did not include the Certified Nanotech Technicians Apprenticeship Curriculum/Course Materials), and according to ETA did not meet ETA's requirements for dissemination. The Executive Director promised to deliver the final curricula to ETA but this was never done. ETA deferred pursuing this issue pending the results of our audit. As a result, IANANO did not develop nanotechnology coursework to meet the needs of multiple populations for potential career ladder growth.

The SOW required the following course materials to be developed under the grant:

- Nanotech Business Re-engineering Curriculum/Course Materials

- Nanotech Train the Trainers Curriculum/Course Materials
- CNCP Curriculum/Course Materials
- Certified Nanotech Technicians Apprenticeship Curriculum/Course Materials

The SOW stated that the curricula were to be designed to be a replicable solution that would enable expanding these training programs across a larger geographic area.

IANANO reported that a copy of the compact disc (CD) containing the curricula was given to the ETA on October 12, 2009. It also reported it planned to submit updated curricula products to ETA by May 15, 2010. However, an updated version was not provided, and IANANO Executive Director stated that the original CD provided served as the final curricula.

One of the critical elements of the HGJTI grants defined in the Solicitation for Grant Agreement (SGA) was the replication of successful models for broad distribution. The SGA states:

HGJTI grantees are expected to develop the learning and achievement that result from their projects into solution models that can be shared with and implemented by the workforce investment system, industry leaders, and education and training community. . . . By supporting replicable proposals that can be implemented in multiple areas and industries, ETA is able to maximize the investment by expanding the grant's impact beyond the initial grant site and helping additional workers in other areas and industries.

ETA reviewed the provided curricula to determine suitability for dissemination to the public and to other stakeholders and deemed the curricula unsuitable. ETA officials stated the Certified Nanotech Technicians Apprenticeship Curriculum/Course Material was not included on the CD provided. ETA didn't disseminate the curricula as it believed that sharing this program with job seekers would mislead them about its substance and value.

The curricula/course materials provided primarily consisted of copies of presentation slides. For example, Business Re-engineering consisted of seven presentations, an outline, and a project proposal. The slides present, in bullet format, presentation highlights. They do not present detailed course content. For Train-the-Trainers, the materials did not include descriptions of the competencies addressed, the knowledge, skills and abilities that should result, the learning objectives or methods of delivery, and the method of measurement of attainment of the competencies.

The Executive Director disagreed with this finding and stated a local community college district was able to follow and replicate the training programs. However,

he did not provide any evidence to support his claims that a local community college was able to follow and replicate the program as provided. Therefore, our finding remains unchanged.

Industry-Recognized Training Certificate Not Provided

At the completion of the CNCP training, IANANO provided participants with certificates. However, IANANO did not demonstrate the CNCP training course was an industry-recognized course that indicated a level of mastery and competence as required by the grant agreement. This occurred because the IANANO Executive Director overstated IANANO's affiliations with third-parties and IANANO did not have the managerial capacity to properly establish a certificate program. As a result, IANANO misled ETA and participants as to the substance and value of the CNCP training.

The SGA states that all grants funded must include direct provision of training to individual participants. It also states that the training must:

(R)esult in an industry-recognized certificate, degree, or license that indicates a level of mastery and competence in a given field or function.

The certificate awarded to participants was not recognized by industry stakeholders other than IANANO and its related parties and affiliates. It was not based on defined knowledge and skill requirements and was not performance based. In addition, the entities that IANANO stated they consulted with did not include nanotechnology related professional organizations, such as the International Council on Nanotechnology or the National Nanotechnology Initiative.

Participants stated the certificates were not viable to obtain employment within the nanotechnology industry. Three participants we interviewed stated the certificate is worthless, not recognized by companies they talked to, and/or did not provide any benefit when seeking employment. The certificate itself is labeled simply a "Certificate of Completion."

The Executive Director disagreed with this finding and provided a response with several statements about CNCP training recognition. However, the Executive Director did not provide documentation that demonstrated the curriculum was approved by industry partners, or would provide a level of mastery and competence in the nanotechnology field. Therefore, the finding remains unchanged.

Online Distance Learning Program Not Developed

For training purposes, IANANO incorporated a web portal to facilitate homework submissions and some instructors used an online meeting application to conduct some presentations. However, an online distance learning program (E-learning) was not developed and implemented to link participants to prospective employers in nanotechnology and provide access to the course work 24/7.

The SOW states:

CINT will develop a web portal serving as an on-line communication network to link job seekers and prospective employers in nanotechnology. In supplement to the classroom setting training, CINT will develop an on-line distance learning program to enable students and trainees access to the course work 24/7.

The Executive Director responded he did not agree with this finding. The Executive Director indicated that IANANO developed and implemented an online distance-learning program for CNCP and that the system was used to broadcast training programs and the general sessions of the International Congress of Nano Bio Clean Tech in 2008. The Executive Director stated online participants from many states and overseas were not allowed to participate as they were outside the scope of work of the DOL grant. In addition, IANANO stated it submitted costs of the online distance learning for reimbursement to DOL in September 2009, but it was rejected by ETA. Finally, IANANO claimed that ETA representatives viewed the online learning program in October 2009 but told IANANO that DOL did not expect to pay the high costs of implementing the online program and that it was beyond the scope of the program deliverables.

We disagree with the Executive Director's analysis and conclusions; therefore, our finding remains unchanged. We note that the classroom training courses were held from June 2007 to April 2009. However, in a July 2009 submission to ETA, well after the last training class was held, IANANO states "IANANO will soon submit a request to purchase an e-learning computer and video camera system including hardware and software to enable the e-learning program." Additionally, in an October 21, 2009, letter to ETA, 10 days before the grant expiration, IANANO states "we have developed and [are] now implementing the state of the art web-based webinar with video conference live in real time to enable the e-learning . . ." These statements contradict the Executive Director's assertion that the online distance learning program was being used in the CNCP program. Finally, broadcasting sessions of the International Congress and Nano Bio Clean Tech events, which were not part of the DOL grant, are more of a marketing activity for the organization, rather than a training program for participants.

Objective 2 — Was information the grantee reported to ETA accurate?

Reported information to ETA was incomplete and misleading.

Finding 3 — Reported Information to ETA Was Not Accurate

IANANO submitted the final financial and programmatic reports to ETA outlining grant expenditures and outcomes. However, IANANO did not accurately report the information to ETA. Specifically, IANANO did not 1) report \$938,685 of program income; 2) establish an apprenticeship program; or 3) support \$2.6 million of proposed leveraged resources. This occurred because IANANO did not believe it had to report income collected by CINT and misrepresented its partnerships. As a result, IANANO cannot support it provided additional allowable grant activities or assisted in the training of participants totaling \$938,685. Furthermore, apprenticeship participants did not gain training opportunities with nanotechnology companies to increase their employability in the nanotechnology field.

Unreported Program Income of \$938,685

IANANO did not report program income of \$938,685. Program income included \$425,394 for two training contracts, \$292,252 for event management activities, and \$221,039 for CNCP training courses. This occurred because IANANO did not believe it had to report income collected by CINT for the training of IANANO's participants. A total of \$1.5 million of Federal funds was reported as expended, without performing \$938,685 in additional services.

29 CFR Part 95 Subsection 24(a) states:

Program income earned during the project period shall be retained by the recipient and added to funds committed to the project by DOL and recipient, and used to further eligible project or program objectives. The awardee is allowed to deduct costs incidental to generating program income to arrive at net program income.

CINT also had contracts with two institutions to train Business Re-engineering and Train-the-Trainers (BE/TT) participants. The participants trained under these two contracts were included as participants of the grant program reported to ETA. CINT recorded, but did not report program income of \$425,394 for these two contracts.

In addition, IANANO held various conferences, lunches and other events for those in the nanotechnology and clean technology fields and received \$292,252 in income related to these events. A significant portion of IANANO's time and resources were spent on these events. IANANO allocated employee wages for time spent on event management activities to the DOL grant.

Furthermore, review of financial records provided by IANANO officials revealed additional income generated from its HGJTI grant. For example, IANANO's training arm, CINT, charged each participant \$3,995 to take the CNCP training course. Participants had to sign a promissory note and make monthly payments with interest. CINT's general ledger shows a total of \$221,039 of CNCP income received; however, this was not reported on the final report submitted to ETA. Charging CNCP student fees also was not part of the final approved grant SOW or budget.

ETA noted IANANO did not track, report, and spend program income on allowable grant activities in its March 31, 2009, Onsite Monitoring Report, and issued four specific corrective actions needed for the grantee to comply with program income requirements. The grantee had not implemented any of the four corrective actions as of the date of our fieldwork.

The Executive Director disagreed with the finding and responded that program income is zero because \$954,158 of costs were required to generate the \$938,685 of program income, and therefore there was no net income. However, we disagree with the amount of the offsetting costs claimed by the Executive Director based on the following:

- The general ledgers of the two organizations only have a total of \$865,740 of costs recorded to these three activities, including \$274,990 for BE/TT, \$302,690 for CNCP, and \$288,060 for Event Management. This is \$88,418 less than the amount of costs claimed by the Executive Director.
- CINT's general ledger shows that even when the costs are taken into account, the net income for the BE/TT program totaled \$149,604.
- Review of CINT's general ledger revealed costs indicated by the Executive Director as offsetting the program income, including costs that were not allowable, reasonable, or allocable to the grant. For example, the following costs were included in the costs claimed by the Executive Director as offsetting program income:
 - As noted previously (Finding 1), the Executive Director and his wife earned \$177,500 from CINT while at the same time collecting salaries from IANANO, which were charged to the DOL grant. The Executive Director signed an employment agreement with IANANO stating that IANANO employs the Executive Director "to render exclusive and full-time service in an executive capacity." Therefore, the Executive Director's compensation working for the for-profit organization, CINT, while also working full time and exclusively for IANANO is not reasonable and violates the terms of his own employment agreement.

- Legal fees of \$24,520 were charged to the CNCP program. Included in these legal fees were fees paid to a law firm, which were not an allowable cost to the program, involved in litigation against CNCP participants.
- Approximately \$62,000 of costs charged to the CNCP training program, including shared costs with IANANO, that are outside the period of the actual trainings held (June 2008 to April 2009); and therefore, do not appear to be in furtherance of the CNCP training.

As a result, our finding remains unchanged.

Pre-Apprenticeship Program Not Established

IANANO reported to ETA that it trained 15 apprentices in the nanotechnology and clean tech industry. However, IANANO did not establish an approved apprenticeship program with nanotechnology companies. This occurred because IANANO misrepresented its ability to gain business partners willing to employ participants. As a result, participants did not gain exposure to nanotechnology companies, which were to increase their employability in the nanotechnology field.

The grant SOW stated “IANANO plans to register this program as an approved Pre-Apprenticeship model with the U.S. Department of Labor, Office of Apprenticeship, with a subsequent application to the State of California for corresponding approvals.” The grant also stated “the Pre-Apprentice program will include up to 144 hours of classroom course work and 1,000 to 2,000 hours apprentice work at the employer workplace...” for 15 participants.

There were no records indicating IANANO registered this program as an approved Pre-Apprenticeship model with the U.S. Department of Labor, Office of Apprenticeship or the State of California. In support of its grant application, the Executive Director provided six signed letters of support in which individuals agreed to provide apprenticeship and/or internship opportunities. However, IANANO did not provide documentation that these partnerships were satisfied. The Executive Director responded that prospective employers indicated they would require funding from DOL to cover the extra work that would be required to participate in an apprentice program and DOL would not provide the funding. However, no support for this claim was provided and it contradicts the information submitted in the grant application, where several employers indicated they would provide apprenticeships as part of IANANO's leveraged resources.

IANANO reported on its final program report (ETA 9134), dated December 31, 2009, it “trained 15 apprentices who have an opportunity to work on the job training in the emerging field of nanotechnology and clean tech industry. This has met the goal of training 15 apprentices.” However, 13 of the apprentices were placed in two start-up companies owned or controlled by the IANANO's Executive Director. The job functions of the participants did not provide job training in the emerging field of nanotechnology

and clean tech industry. Instead, participants worked on grant writing activities to gain additional funds for the Executive Director's start-up companies.

Five of the apprentices we contacted stated that the apprenticeships were performed primarily off-site, rather than at the employer workplace. The apprentices were offered the opportunity to have any balances remaining on their promissory notes reduced or eliminated if they worked in the apprenticeship program.

During our audit fieldwork, the Executive Director stated that they encountered great difficulties in convincing employers to hire the apprentices due to the economy and some CNCP graduates wanted to set up their own consulting firms. He indicated that while he started an enterprise and several CNCP graduates got involved, he did not control or manage it. However, five of the apprentices we interviewed believed that the Executive Director, his wife, and/or his related company, CINT, owned or controlled the two consulting firms. Additionally, a domain name search of one of the companies revealed the Executive Director controls the domain, which provides further evidence he exerts control over the company. The domain of the second firm was registered using a proxy service designed to hide the identity of the domain owner.

In his response, the Executive Director stated two CNCP graduates started consulting firms and agreed to accept apprentices as a trial to test the concept of having a start-up company involved in the apprentice program; and the Executive Director does not own these companies, but provided guidance and support. However, the Executive Director did not provide any evidence that the two CNCP graduates own and control the consulting start-up companies, rather than the Executive Director of IANANO. In fact, the Executive Director of IANANO represents himself as a Director of one of the consulting firms in question on a presentation he gave in the name of the consulting firm, and represents himself as the Chairman of the second consulting firm on a presentation he gave in the name of the second firm.

Unsupported Leveraged Resources of \$2.6 Million

IANANO reported in their final programmatic narrative report dated December 31, 2009, total leveraged resources of \$2,606,170 including \$765,486 from Federal sources, \$1,644,165 from non-Federal sources and \$196,519 contribution from employees. However, IANANO could not demonstrate that leveraged resources were obtained. This occurred because IANANO did not have an adequate system of tracking the leveraged resources. As a result, IANANO did not provide the full services intended, which in turn, compromised the \$1.5 million that was spent by ETA because it did not benefit from the full amount of leveraged resources and partnerships, reducing the impact of this \$4.1 million initiative.

2 CFR 95.23 requires in-kind contributions to be verifiable from the recipient's records. Also, 2 CFR 230 Appendix B 8.(m)(4) states that salaries and wages of employees used in meeting cost sharing or matching requirements on awards must be supported in the

same manner as salaries and wages claimed for reimbursement from awarding agencies.

The total \$2,606,170 of leveraged resources was classified as in-kind contributions from IANANO employees and third-parties. For \$697,787 of this amount, IANANO management provided a listing of the names, providers, and amounts. However, management explained the amounts were based on estimated number of hours and an hourly rate. The hourly rate used was an unsupported estimate developed by the grantee for different categories of services. For example, a Legal Advisor was assigned a rate of \$400/hour. For \$780,000 of this amount, IANANO provided only the name of an event, the number of speakers, and a total dollar amount. For one item totaling \$471,200, the support consisted of estimates of donated office space (\$392,000) and estimates of time spent for shared landlord employees. For one item totaling \$460,665, no support was provided.

In addition, IANANO claimed \$196,519 in leveraged resources related to its employees. IANANO Executive Director explained this is the difference between what employees were actually being paid and what they should be paid if they weren't working for a non-profit organization. IANANO's Executive Director claimed ETA told them this cost could be claimed, but IANANO could not identify the ETA official.

ETA noted in its March 31, 2009, Onsite Monitoring Report that IANANO does not have in place a system to calculate, document, and track accurately leveraged resources; and that corrective actions be taken to include developing a tracking system to account for and support leveraged resources; and appropriate supporting documentation should be retained. However, IANANO did not implement these recommendations.

The Executive Director disagreed with this finding and provided a response with several statements about how its calculations for leveraged resources are valid. However, the Executive Director did not provide sufficient documentation that supported his claims, and we disagreed with the Executive Director's analysis and methodology in his response. Therefore, the finding remains unchanged.

Objective 3 — Were grant terms for expenditures and deliverables clearly defined?

ETA encountered difficulties in monitoring grant performance because of the grant lack of clarity in certain aspects.

Finding 4 — Grant terms for expenditures and deliverables were not always clearly defined.

Generally, the grant terms for expenditures and deliverables were clearly defined. However, the grant lacked clarity regarding the relationship between IANANO and CINT and between the budget and program activities. This occurred because ETA accepted

the proposed SOW and budget information without ensuring it was clear. As a result, ETA encountered difficulties in monitoring grant performance.

Relationship between IANANO and CINT Was Not Clearly Disclosed

The grant agreement outlined the activities that were expected from the grantee. However, the relationship between IANANO and CINT was not clearly disclosed. The SOW described the relationship in the following four ways:

1. “Under the proposed grant, IANANO will implement . . . **by establishing** the California Institute of Nanotechnology (CINT) . . .;”
2. “IANANO **has established** the California Institute of Nanotechnology in June 2006,”
3. “**(IANANO)** – as the fiscal agent in the nanotechnology training consortium created within this proposal – **will serve as the training provider** and coordinating entity . . .;” and
4. “(IANANO) is a non-profit organization” and “IANANO **has 3 divisions:** Event Management (Nanotech Congress), Education and Training (**California Institute of Nanotechnology**), and the Publication Division (NanoHerald).” [emphasis added]

It is unclear whether CINT was a product of the grant, a preexisting organization, or a division of IANANO. Review of documents provided by IANANO’s Executive Director indicated that IANANO and CINT are legally, separate organizations owned and/or controlled by the IANANO Executive Director and his wife. The Executive Director stated that CINT was established before the grant was awarded. In addition, review of the training activities revealed IANANO’s Executive Director charged training cost to the grant in addition to also getting paid by CINT and charging CINT consulting fees, while CINT conducted all the training and recorded all the training revenues.

In October 2008, ETA conducted an onsite review. IANANO initially did not allow ETA access to the CINT records. ETA noted that it was unable to determine the accuracy of the financial results of the grant without access to CINT records. If ETA had been able to clarify this relationship prior to the award, ETA may have been in a better position to provide technical assistance from the outset of the award. Although this may not have ultimately prevented the problems ETA experienced on this award, ETA may have been able to take action sooner.

Relationship between Budget and Grant Activities Was Not Clearly Identified

The grant provided budgeted cost for each of the required cost categories. The grant terms included a budget, which provided detail as to how the grantee would spend the \$1.5 million of the award. The grant budget was modified twice, and the original and final budgets are as follows:

Table 1: Grant Budget			
Cost Category	Original Budget		Final Budget
Personnel	\$	97,500	\$ 680,293
Fringe Benefits		9,750	123,701
Travel		10,800	11,438
Equipment		26,400	16,329
Supplies		5,550	73,391
Contractual		1,350,000	163,567
Other			216,657
Indirect			214,624
Total		1,500,000	\$ 1,500,000
Program Income	\$	108,500	

The grant did not describe how the budgeted cost would be used to provide key products and services. For example, the original budget narrative did not specify how the \$1,350,000 of contractual funding would be spent to produce key services and products required by the grant, such as classroom training and curriculum development. Review of the ETA grant selection process revealed that two of the three panelists who reviewed IANANO's application identified the same weakness. In addition, IANANO's final request for budget modification reflected a significant shift in use of the grant funds without providing how reallocation was used for grant purposes.

ETA officials stated they require grantees to use the Federal Standard Form (SF) 424A for budgets. They explained the SF 424A does not allow for breakouts by project, rather by standard budget categories used for all grants. ETA said it would need to obtain Office of Management and Budget (OMB) approval for use of a non-standard grant form to request grantees to breakout costs by project. However, grantees are required to provide a budget narrative describing how cost categories were derived. If ETA would have requested the grantee to provide additional explanation for the budget, ETA may not have encountered the amount of difficulties in monitoring grant performance. In addition, ETA may have been able to provide better technical assistance to the grantee.

Recommendations

We recommend the Assistant Secretary for Employment and Training:

1. Recover questioned costs of \$1.5 million;

2. Ensure first time grantees have systems in place to provide grant products and services; and
3. Ensure grants are clear in regard to which entities provide services and cost categories associated with deliverables.

We appreciate the cooperation and courtesies that ETA and IANANO personnel, former personnel, and program participants extended to WithumSmith+Brown during this audit.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC". The signature is written in a cursive, flowing style.

WithumSmith+Brown P.C.

Appendices

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Appendix A

Background

HGJTI was a strategic effort to prepare workers to take advantage of new and increasing job opportunities in high growth, high demand, and economically vital sectors of the American economy. One of the sectors is Advanced Manufacturing, in which innovative strategies are needed to compete in the global marketplace. The Employment and Training Administration awarded HGJTI Grant No. HG-15852-07-60-A-6 to IANANO for a project titled “High Growth Job Training Initiative Grants for the Advanced Manufacturing Industry” for \$1.5 million. The period of performance was from November 1, 2006, to October 31, 2009.

The purpose of the grant was to address the challenges posed by the manufacturing revolution driven by nanotechnology, including the lack of acceptable standards for developing nanotechnology curricula, and the lack of a talent pipeline and defined career pathways. The grant was intended to support IANANO’s four solutions, including:

- an Executive and Mid-Level Manager Business Re-engineering training course to provide insight on fundamental applications of nanoscience and nanotechnology;
- a Train the Trainers session for those who need advanced levels of technical training in nano-fabrication and nano-manufacturing, who will then in turn train additional workers in their companies;
- a 13-week CNCP program targeted to dislocated, unemployed, and underemployed workers; and
- the development of a Pre-Apprenticeship Program that will assist workers to work at nanotech companies while completing their training.

ETA requested the audit because on-site monitoring reviews identified 15 findings of non-compliance with grant terms and conditions, and a disproportionate number of complaints of wrong-doing from former employees and others that worked with IANANO. These issues included:

- Continued denial of access to the financial records of CINT, a for-profit arm of the grant recipient under which the training of program participants was conducted;
- Failure of the grantee to recognize, account for, and report program income, despite the fact that it charged participants tuition of approximately \$4,000 each for training under the grant;
- Failure to obtain an audit under the Single Audit Act for the period ending in March 2009;
- Absence of a comprehensive cost allocation plan to ensure proper allocation of costs among the grant and the grantee’s other non-grant activities, and possibly inappropriate application of its approved indirect cost rate; and
- Inadequate internal controls and financial accounting system.

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Appendix B

Objectives, Scope, Methodology, and Criteria

Objectives

The objectives of our audit were to determine:

1. Were financial transactions and program activities in accordance with the grant agreement and Federal cost principles?
2. Was information the grantee reported to ETA accurate?
3. Were grant terms for expenditures and deliverables clearly defined?

Scope

Our performance audit covered the period of the award from November 1, 2006, to October 31, 2009. Because this was a performance audit, our audit was not designed to provide an opinion on the internal controls of IANANO or to provide an opinion on the fair presentation of a schedule of award expenditures provided by the awardee. Accordingly, we provide no such opinions. We did not verify the total number of participants served.

We conducted onsite visits to IANANO headquarters, the San Francisco ETA Regional Office, and the ETA National Office.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

To accomplish our audit objectives, we obtained an understanding of the grant's objectives by reviewing the grant agreements, solicitation for grant applications, grant modifications, progress reports, and financial reports, ETA monitoring reports, and other correspondence and related documents. We identified criteria key to the administration of the grant in the grant agreements and reviewed applicable IANANO policies and procedures. We conducted procedural walkthroughs with IANANO managers to obtain an understanding of administration and financial procedures for reporting performance data and charging costs to the DOL Grant. We reviewed documentation supporting the participant data reported to DOL and documentation supporting expenses charged to the grant.

In performing the audit, we evaluated internal controls used by IANANO for reasonable assurance that the DOL grant was administrated in accordance with Federal and internal requirements. Our consideration of IANANO's internal controls for administering the DOL grant would not necessarily disclose all matters that might be reportable conditions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

We assessed the reliability of performance and financial data. For the performance data, we obtained an understanding of the systems and methods used to collect and report participant outcome data. We concluded that data reported to ETA was not complete and not sufficiently reliable. For the financial data, we assessed the reliability of the general ledger and the timekeeping system, and determined that this data was not sufficiently reliable.

We analyzed participant data to determine if there was evidence that participants actually completed the training reported by IANANO. We also conducted interviews with 15 participants regarding certain aspects of the training programs.

To audit labor costs, we reviewed 100 percent of the timesheets provided to us and also interviewed two IANANO managers and one former employee. We determined that the timekeeping system supporting the labor costs charged to the grant was not reliable. Our audit of indirect costs consisted of obtaining and reviewing IANANO's approved indirect cost rate agreement and determining if the approved rates were properly applied to the correct base.

Our audit did not include transaction testing of individual charges to the grant award.

Criteria

We used the following criteria to accomplish our audit:

- OMB Circular A-122, dated May 10, 2004
- OMB Circular A-110, dated September 30, 1999
- Uniform Administrative Requirements 29 CFR Part 95
- American Competitiveness and Workforce Improvement Act, dated October 21, 1998
- HGJTI Grant No. HG-15852-07-60-A-6 terms and conditions, dated November 30, 2006, as amended

Appendix C

Acronyms

BE/TT	Business Re-engineering and Train-the-Trainers
CD	Compact Disc
CFR	Code of Federal Regulations
CINT	California Institute of Nanotechnology
CNCP	Certified Nanotech and Cleantech Professional
DOL	Department of Labor
ETA	Employment and Training Administration
HGJTI	High Growth Job Training Initiative
IANANO	International Association of Nanotechnology
OIG	Office of Inspector General
OMB	Office of Management and Budget
SF	Standard Form
SGA	Solicitation for Grant Applications
SOW	Statement of Work
WS+B	WithumSmith+Brown

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Appendix D

IANANO Response



International Association of Nanotechnology

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May 5, 2011

Mr. Mark L. Schwartz
Audit Director
US Department of Labor
Office of Inspector General
200 Constitution Avenue, N.W.
Washington, DC 20210

Dear Mr. Schwartz,

On behalf of the International Association of Nanotechnology I would like to thank you and to each of the OIG auditors who were involved in performing audit of IANANO.

After reviewing the draft report, I appreciate an opportunity to provide our responses to each of the findings with supporting documents in the attached exhibits.

I would like express our appreciation to the US DOL for the funding support that enabled us to develop and implement the extensive training programs in the emerging field of nanotechnology.

While we have completed the training by end of 2010, we are pleased to say that IANANO has continued working with our partners in providing the nanotechnology training programs to meet the needs of the industry.

Once again, thank you for the input and the advice in the audit project.

Sincerely,

Lloyd Tran
President

Enclosure: 13 page text document and 20 exhibits

Response from the International Association of Nanotechnology to Draft of Audit Findings

COMMENTS FROM IANANO TO DRAFT OF AUDIT FINDINGS

International Association of Nanotechnology ("IANANO") would like to take this opportunity to acknowledge the support of the grant in the amount of \$1.5 million over 3 years under the President High Growth Job Training Initiative (HG-15852-07-60-A-6).

A copy of the award letter from the DOL outlining the deliverables is given in the **Exhibit 1**.

Projected outcomes proposed in the grant application dated as of July 31, 2006 includes the following:

- Train 205 clients, including 70 managers
- 120 clients will receive the 13 week technical training
- 15 clients will enter the one-year nanotechnology technical pre-apprenticeship training program
- Establish a California Institute of Nanotechnology Training Center

Thanks to the support of the DOL grant, the California Institute of Nanotechnology Training Center has been established as collaboration between IANANO and California Institute of Nanotechnology. IANANO have successfully trained a total of 327 participants, including 193 managers, 120 graduated with the Certified Nanotech & Clean Tech Professional and 14 clients completed the apprenticeship program. This has exceeded the projected outcomes with an additional of 92 clients having completed the training. However due to severe recession in 2008 and 2009 the number of our graduates found jobs were less than what we anticipated.

The California Institute of Nanotechnology Training Center has been established and is co-located with the Clean Tech Institute located at 49000 Milmont Drive, Fremont, CA 94538. The facility consists of offices, classrooms, conference rooms, auditorium, computer laboratory, Scanning Electron Microscope Laboratory, Electronic Workshop, and Electric Vehicle Workshops.

The record has demonstrated that the financial transactions and program activities were in compliance with the grant agreement and Federal costs principles.

Objective 1 – Were financial transactions and program activities in compliance with the grant agreement and Federal costs principles?

FINDINGS 1: Unsupported Costs of \$896,066

IANANO disagrees with this finding.

The figure \$896,066 was a sum of personnel costs consisting of \$680,293 for salaries and wages, \$123,703 for fringe benefits and \$92,070 for salaries and wages that were charged as an indirect cost for the grant project from November 1, 2006 to October 31, 2009.

In fact, the costs of \$896,066 were allowed and approved in the budget modification by the Grant Officer, Donna Kelly, on August 14, 2009 (**Exhibit 2**).

Response from the International Association of Nanotechnology to Draft of Audit Findings

These personnel costs were for a period of 3 years for a small team of 7 full time employees, with an average salary of \$42,669 per person per year, which is in the low range of the market value for the same position in the industry.

Exhibit 3 summarizes the DOL Program Salary Budget and Actual Expenses over the three year period of the grant project. The actual salary expenses for the DOL Program salary were \$685,240.82 as compared with the budget amount of \$680,291.56. The total fringe benefits were \$113,951.96 as compared with the budget amount of \$123,701.47. The total personnel expenses were \$799,192.78 as compared with the total budget personnel expenses of \$803,993.03. The actual personnel expenses for the DOL Program activities were \$4,800.25 or 0.5% less than the budget.

The draft findings suggested that there were unsupported costs of \$896,066 based on the preliminary observation from the auditors that there were 33 errors on a sample of 220 inspected time sheets.

On April 20, 2011, the DOL auditor sent IANANO a list of summary of the time sheets which might contain errors. The following date, IANANO replied submitted the 11 missing time sheets and was able to refute the errors on 19 time sheets. There were only 3 time sheets amongst 220 time sheets having some technical and human errors. This represent only 1.3% of the errors could be found in the sample of 220 time sheets. This is less than a threshold of 10% of acceptable errors. The detailed explanation on these time sheets is given in the **Exhibit 4**.

The OIG suggested that there was a potential issue of conflict of interest, which IANANO would like to refute this perception by presenting the facts given below.

Exhibit 5 is a copy of the Independent Auditor's Report on Statement of revenues and expenditures of IANANO's contract with the US DOL grant for the year ending March 31, 2008 was audited by Vargas & Company. The Report confirmed that in all material respects, the revenues and expenditures of IANANO's contract with the US DOL in conformity with accounting principles generally accepted in the USA.

During the grant activities, IANANO has submitted a budget modification to reflect the state of the business in a changing economy. The first budget modification was approved by the Grant Officer on January 09, 2009 and the second budget modification was approved the Grant Officer on August 14, 2009.

In addition, from the period of February 2009 to October 2009, IANANO was required to submit all the grant expenses to be reviewed and reimbursed on a monthly basis. The reimbursement procedure was in fact, a monthly audit by itself.

As a result of the monthly audit process, all the financial transactions and program activities were undergoing vigorous reviewing and approved by DOL ETA.

As soon as IANANO received a draft of audit report from WithumSmith+Brown PC on February 25, 2011 and a draft of finding from the OIG DOL on March 25, 2011, IANANO requested Ms. Nancy Davis, a partner at WSB and Mr. Mark L. Schwartz, the audit director of the OIG to provide IANANO with detailed information and to substantiate the evidence of conflict of interests. As of May 4, 2011, IANANO has not received any reply with any proof to substantiate the claims, or detailed description of any inconsistencies.

Response from the International Association of Nanotechnology to Draft of Audit Findings

IANANO respectfully disagree with the OIG allegation using the perception of conflict of interest to challenge the costs of \$896,066.

Conflict of interest implies a conflict between of the interest of the organization and the people involved in organization. There was no evidence that such conflict existed within the International Association of Nanotechnology. As a small organization of 7 full time employees (at any given time during the grant project), the IANANO team worked very hard to accomplish the DOL grant objectives in a very tough economic environment on the years 2007 to 2009. We would like to take this opportunity to explain and prove that there was no conflict of interest within IANANO.

A). Fern Vu and Brian Tran were qualified and experience with proven track record working for the Association since 2003.

In the draft findings Mr. Schwartz wrote that because the personnel files does not contain a resume of the Fern Vu or Brian Tran. That was the reason why the auditors might have raised an issue about potential conflict of interest.

Fern Vu and Brian worked for IANANO dated back in 2003. Their personnel files of the early IANANO employees and old record keeping were archived within 7 years in 2010. Their resumes were not in the DOL project files which started in 2007-2009. That was the reason the auditor did not find their resume files in 2011. The fact that the resumes of Fern Vu and Brian Tran and other former employees and consultants in 2003 were not in the new files of 2011 should not imply any conflict of interest.

B). The salaries compensation of each of IANANO full time employees were within approved budget.

As given in the Exhibit 3, the approved budget specifically allowed the salaries compensation for the Executive Director (Lloyd Tran, Operations Director (Fern Vu), Outreach Director (Ken Heiman), Case Manager/Job Developer (Kim Le), Program Assistant/IT Specialist (Brian Tran), Training Assistant (Alisha White) and a part-time book-keeper and a part-time office assistant.

Within IANANO, as a small group of team members, there was no conflict of interest because everyone has an approved salary, a job description and a drive to work hard to achieve the goals of the organization.

The perception that there was a conflict of interest involved with Lloyd Tran, Fern Vu and Brian Tran were false and unfounded. In fact, this was the prejudice and racial discrimination that Mr. Lloyd Tran and Ms. Fern Vu have been treated during the grant period from 2007- 2009.

Exhibit 6 is the letter from IANANO attorney to Mr. Richard C. Trigg, Regional Director of the US DOL ETA in San Francisco, concerning possible racially discriminatory and retaliatory behavior of two DOL ETA program managers towards IANANO staff and especially Fern Vu.

Exhibit 7 is the reply letter from Mr. Trigg acknowledging the issues and the corrective actions taken toward the two DOL ETA program representatives.

Response from the International Association of Nanotechnology to Draft of Audit Findings

Ms. Fern Vu is more than qualified to do the job as the Operations Director since 2004, well before the grant was awarded to the IANANO in November 2006. Fern graduated with a BA in Mathematics from North Central College in Naperville, Illinois in 1980. She worked for Bell Labs, AT&T for several years as Technical Associate and worked in various technical and operational management capacities a number of high tech start-up companies over the past 25 years.

Mr. Brian Tran graduated with BS from Sacramento State University with Honors in June 2006. He has 5 years of experience in computer technology and network administrative systems. Brian worked for IANANO from January 2004 December 2008 as an IT specialist and a program assistant. He was the instrument to set up the entire computer lab and networking system and to develop an online learning system for IANANO. Brian assisted the Program Director in putting together abstracts and proceedings for more than 1,000 research papers submitted to the conferences organized by IANANO since 2004.

His work at the International Congress of Nanobiotechnology and Nanomedicine 2006 and in 2007 has inspired him to pursue his career in medicine. He is now a 3rd year medical student at a New York University.

Even though they have family related, Fern Vu and Brian Tran were involved and helped the non-profit organization since its inception in 2003, well before IANANO was awarded the DOL grant in November 2006.

The fact that IANANO has successfully organized the International Congress of Nanotechnology, 2004, 2005, 2006 and International Congress of Nanobio and Nanomedicine in 2006, before we got the DOL, are proof that Fern and Brian were capable to manage the operations of the Association, such that they continue their working for the Association under the grant funding.

Exhibits 8, 9, 10, 11, are copy of the program agenda of the International Congress of Nanotechnology, 2004, 2005, International Congress of Nanobio and Nanomedicine and International Congress of Nanotechnology in 2006, respectively.

Fern and Brian were the key employees to organize the International Congress of Nanotechnology 2007, NanoBio 2007, International Congress of Nano Bio Clean Tech 2008 and NanoBio 2009 and numerous monthly outreach seminars and workshops and many training programs over the 3-year period of the DOL grant from 11/2006 to 10/2009.

Exhibit 12, 13, 14, 15 and 16 are copy of the program agenda of the International Congress of Nanotechnology 2007, NanoBio 2007, Nanoscale Materials Stewardship Seminar 2008, International Congress of Nano Bio Clean Tech 2008 and NanoBio 2009, respectively.

Thanks to the Operations Director and the Program Assistant, IANANO successfully organized numerous outreach events and have trained 327 participants, exceeding the quota of the DOL, considering we were a small non-profit organization with only 6 employees and with an annual budget of less than \$500,000.

Response from the International Association of Nanotechnology to Draft of Audit Findings

C). Their salary compensation was modest and approved by the Grant Officer.

Fern and Brian played an essential role to manage the business affairs and IT components of the business. If they had not been employed at the Association, the Association would have had to employ someone else at higher costs. Fern's salary was an average of \$57,547 a year, which was in a lower range of comparable salary range in Silicon Valley, where an operations manager earns \$75,000 to \$120,000 a year. Brian's salary was an average of \$42,346 a year, which was low as compared to a comparable IT specialist (\$60,000 to \$95,000) with a BS degree and 7 years of IT experience.

Furthermore, the salaries of Fern Vu and Brian Tran were described by the Modified Budget and approved by the Grant Officer.

D). The DOL is not needed to get involved with the internal management and human resources of the grantee.

In the grant agreements with IANANO, the US DOL is not required to get involved in the day to day operational level of business in terms of hiring or firing an employee. This decision is for the management team and the Board of Director to decide.

IANANO would like to refute the finding that the Executive Director of IANANO operates other 6 companies. During the grant project from November 1, 2006 to October 31, 2009, As an incubator and a hub of nanotech and clean tech outreach network, IANANO help other entrepreneurs to start their own companies that apply what they learned in the Business Re-engineering and CNCP training programs. Mr. Tran was asked to serve as a board member of these newly start-up companies which are still under development.

E). The Board of Directors approved the employment of Ms. Fern Vu and Mr. Brian Tran

The Board of Directors of the Association was fully aware of the fact that Ms. Fern Vu and Mr. Brian Tran are related to Mr. Lloyd Tran. The Board approved their employment in 2003 and the recognized that Fern and Brian were excellent and indispensable employees since the conception of the Association. The Board appreciated that they worked hard and devoted our time more than a typical employee, who normally is hired to do the work but rarely devoted his or her time for the best interest of the Association. During many events, Fern and Brian worked extremely hard, putting at least 10-12 hours a day to make sure the events were successful. They normally stayed late to finish the job, while typical employees left the office at 5:30 PM.

In addition, Fern Vu and Brian Tran were employed in accord to an approved budget, signed by the Grant Officer.

F). As a disabled person, Mr. Lloyd Tran needs physical help from a trusted employee to function in a workplace

Not only Ms. Vu was a highly qualified employee with more than 7 years of successful track record with the Association, she was needed to help Mr. Tran with transportation and administering medical treatment to him at the office on a regular basis. Without her

Response from the International Association of Nanotechnology to Draft of Audit Findings

help, Mr. Tran was not able to come to work and IANANO was not able to achieve the training performance under the DOL grant. The outcome was that IANANO has trained 327 people, exceeding the number of 235 as required in the grant application.

Under the ADA regulations, the Association have been mandated to provide all disabled workers all needed resources and assistance to function in the workplace.

During three year grant activities, the DOL ETA staff had several opportunity to come and visited IANANO and they were fully aware of the physical disability of IANANO's Executive Director.

For the US DOL OIG to questions the IANANO's accommodation for the physical disabled in the workplace would be in violation of the Federal ADA and constitutional and civil right of the disabled employee in the United States.

G). There is no conflict of interest between the California Institute of Nanotechnology and International Association of Nanotechnology

California Institute of Nanotechnology, Inc. (CINT) is a separate entity from the International Association of Nanotechnology (IANANO). CINT has it own set of Board of Directors and it was founded on April 2006, well before IANANO was awarded a DOL grant.

CINT has generated its own revenue and it did not receive any funding from IANANO. In fact, CINT provided an important leverage resources by paying cash for training materials, and instructors and all travel expenses and other expenses in a total of more that \$445,000 to help IANANO to exceed the training goal.

Finding 2: Reported results and outcome measures were misleading, and required grant deliverables were not produced

IANANO does not agree with this finding.

We have provided accurate results and outcome performance, which well exceed the projected outcome. The auditor was in agreement with us that we have trained a total of 327 participants, which is well above the projected outcome of 235 participants. This level of performance is rather exceptional considering the state of the economy in the middle of the Great Recession of 2007-2009.

The outcome performance measures of IANANO can be summarized as follows:

Training Programs	Projected Outcome	Actual Performance
Nanotechnology Business Re-engineering	70	111
Nanotechnology Train the Trainer	30	80
Certified Nanotech & Clean Tech (CNCP)	120	122
Pre-Apprentice	15	14

It was a prerequisite that the pre-apprentice participants had to complete the CNCP training program, which provided a strong foundation for pre-apprentice to get on the job training.

Response from the International Association of Nanotechnology to Draft of Audit Findings

The employment rates for the Business Re-engineering participants exceeded 80% and more than 85% of Train-the-Trainer participants retained or found new employment within training program. In the middle of the Great Recession that hit California economy with unemployment rates changed from 5% in 2007 to 12% in 2009 where many high tech companies in California were laying off their workers in 2009, most of the participants in these IANANO training programs could retain or found new employment within the scope of the training.

The employment rates for CNCP graduates were lower than what we hoped for in the grant application dated back in 2006. Like any other training organizations, our CNCP graduates face challenges in seeking jobs during the recession when more than 100,000 professional managers and engineers lost their jobs in the Bay Area. However, the prospect is brighter in 2011, when many of CNCP graduates have indicated to us that they have now got more interview interest from employers starting early in 2011.

Online Distance Learning Program

IANANO has developed and implemented an online distance-learning program in addition to the classroom method for the CNCP. IANANO invested more than \$9,000 in October 2008 in purchasing a professional quality video camera, software and computer system, which enabled us to video and broadcasting the streaming video live in real time. The system was used to broadcast the nanotechnology training programs and the general sessions of the International Congress of Nano Bio Clean Tech on October 27-30, 2008 at the San Francisco Airport Marriott Hotel.

The online distance learning was a success and well accepted by audience around in the USA and around the world. However, one major challenge facing with the online broadcasting system is that it would require a very large bandwidth to support a large number of viewers at the same time.

In practice, online participants from many states with the US and overseas were not allowed to participants as recipients of the IANANO DOL grant as they were outside the Scope of Works under the requirements of DOL. Participants are required to undergoing through an authentication process by providing a proof of identification (Driver's License and Social Security Card) and permanent residence/ citizenship status before being admitted into the program.

IANANO submitted the costs of the online distance learning for reimbursement on September 2009, but it was declined by the grant officer, Mr. John Humphrey citing the reason that the on-line training program is not a deliverables expected in the Grant funding.

IANANO showcase our online distance learning live in real time at the meeting on October 13, 2009 at IANANO office with DOL ETA representative including Mr. Todd Yamamoto, Regional Director, Office of Special Initiatives & Demonstration, Mr. Steve Malliaras and Elina Mnatsakanova, the Federal Project Officer. Mr. Yamamoto acknowledged the success of IANANO online training, but he confirmed that DOL did not expect to pay for the high costs of implementing the online program, which was beyond the scope of the program deliverables.

Response from the International Association of Nanotechnology to Draft of Audit Findings

Recognition of the IANANO Nanotechnology Training Programs

If one wish to develop a certificate program in nanotechnology, one would come to a non-profit organization in the nanotechnology (so that it is independently managed for public benefits), that have experience in bring together experts around the US and around the world to develop the curriculum.

International Association of Nanotechnology, a 501(3) non-profit organization founded in 2003 has been selected and was awarded by the DOL to develop and implement the nanotechnology training programs. As the leading industry association in the emerging nanotechnology field, International Association of Nanotechnology has been organizing numerous international conferences and provided advanced nanotech training workshops in nanotech and clean energy over the past 7 years. Every year over the past 7 years, IANANO organize international conferences, bringing experts around the world to discuss and exchange the latest development in nano-electronics, nanomaterials, nanomedicine and nano-energy products. In addition, IANANO asked more than 300 experts around the world to review and provide input to improve the curriculum, which serve as the first of its kind ever developed, thanks to the support of the DOL. The IANANO training programs have been developed and tested over the past 4 years and been used to train a total of 327 participants in the industry over the period of three years from 2007- 2009.

IANANO and its partners, California Institute of Nanotechnology and the Clean Tech Institute, are the leading organizations and the pioneers in workforce training in this emerging industry. There are no other organizations with the skills and the track records that are capable of integrating the knowledge with practical applications in nanotech and clean tech to bring forth an enriched certificate-training program like what we offer in the CNCP program.

The Certified Nanotech and Clean Tech Professional was the first of its kind in the US. The curriculum was developed with the consultation with industry experts in nanotechnology and clean tech industry.

The curricula have been developed and reviewed by members of Advisory Board that consists of leading experts in nanotechnology.

Exhibit 17 is a list of Advisory Board of International Association of Nanotechnology.

In addition, the curricula were presented to a larger audience for their review and input, consisting of more than three hundred of nanotechnologists around the world, who participated as speakers and presenters during the International Congress of Nanotechnology in 2006, 2007, 2008 and 2009.

There is no other similar certificate in nanotech and clean tech in the market place. As the US economy begins to recover from a severe recessions, more and more nanotechnology companies will begin to hire new employees. No one has provided workforces training like IANANO and our certificate programs have equipped our graduates for job opportunities in the nanotech and clean tech industry.

The CNCP Training Programs were approved by the California Community Colleges Chancellor's Office

Response from the International Association of Nanotechnology to Draft of Audit Findings

The Office of the Chancellor of 109 California Community Colleges in the State of California recognized the IANANO curricula in June 2007. The Chancellor's Office reviewed and approved the curricula and provided funding for San Jose City College and San Bernardino Community Colleges District to use the nanotechnology training developed by IANANO and CINANO in 2007 and 2008.

The IANANO Nanosafety Training Programs have been approved and California Department of Toxic Substance Control, the California EPA

Unlike other nanotech organizations that are mainly marketing promoter, International Association of Nanotechnology has been actively involved in the development of international standards and framework of safety for the workforce in nanotechnology. IANANO has been a partner with the Department of Toxic Substance Control, the CA EPA and has sponsored a number of seminars and conferences to highlight the importance of NanoSafety. The Chief Scientist of CA-EPA, Dr. Jeff Wong has been an instructor of NanoSafety course for IANANO since 2005 to 2009.

Advanced Nanotechnology Curricula

IANANO submitted a collection of its grant products consisting of more than 80 complete PowerPoint Presentations from its faculty members from leading universities and major companies in nanotechnology: University of California, Berkeley, UC Davis, UCLA, UC Riverside, UC Irvine, Stanford University, Lawrence Berkeley National Laboratory, and major companies in nanotechnology such as Nanomix, Nanogram, NanoMEMS Research, Bright Sources, Department of Toxic Substances Control, US Environmental Protection Agency and the California Environmental Protection Agency and others.

Exhibit 18 provides the list of 37 IANANO's faculty members and instructors and guest lectures for all of our nanotechnology training program under the DOL grant project.

The DOL recognized that it was difficult to replicate such a comprehensive and advanced training programs, which require the support of local universities and industries in nanotechnology.

It was noted that San Bernardino Community College District, located in an underserved community, was able to follow and replicate the training programs conducted by California Institute of Nanotechnology and International Association of Nanotechnology. Thanks to the IANANO Train the Trainer program, more than 20 professors and instructors of San Bernardino Community Colleges District have obtained a \$2 million grant from the US DOL in early 2009 to develop and implement the nanotechnology program originated from the IANANO grant project.

Objective 2: Were information reported to ETA by the grantee accurate?

Finding 3: Report Information to the ETA was not accurate

IANANO disagrees with this finding. We believed that we have provided to the DOL ETA on our monthly, quarterly and annual report accurately to the best of our understanding and ability.

Response from the International Association of Nanotechnology to Draft of Audit Findings

The draft finding suggested that there was a program income of \$938,685. IANANO wishes to refute this amount because it was not an income, but it was in deed, the revenue, which must subtract the costs involved to calculate the program income. IANANO requested that the auditors on April 2, 2011 to explain how they could take this figure as a program income without deducting the costs involved generating the revenue. As of May 4, 2011, IANANO has not received any explanations from the auditors about the program income.

By basic accounting principle, income is NOT a revenue, but it is equal revenue minus operating expenses. The section 29 CFR 95.24 states clearly that "*Costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.*"

Our record showed that the total costs to generate the above "program revenue" were \$954,158. This would bring the *program income* to a negative number (-\$15,473). That is the reason why program income was reported as zero.

We have consulted with our FPO and she agreed that we should report zero program income.

In addition, we have used the extra revenue to train 92 more participants than a total of 235 participants required in the DOL grant.

IANANO has used a leverage resources of \$445,883 in cash contribution from California Institute of Nanotechnology to expand the training programs, bringing the total number of training participants to 327, which is 39% more than the number required in the Scope of Works.

Based on the Accounting Principles and the lack of support information from the draft of audit findings, IANANO requests to correct the program income to zero in your final report.

Apprenticeship Program

IANANO was working with Patricia Garcia of the DOL Office of Apprenticeship Program over the grant period to develop, testing and fine tune the apprenticeship training program. IANANO organized several outreach meeting where the representatives of the DOL Office of Apprenticeship were invited to present the proposed Nanotech Apprentice program to the nanotech companies. It was found out that the 1,000 to 2,000 hours of apprenticeship work at the employer was too long and not necessary from the point of view of employers and prospective apprentice. It was later reduced to 480 hours, which would of mutual benefits for both employers and apprentice.

During several outreach meetings, many prospective employers indicated to IANANO and Ms. Garcia that the apprentice program would require employers to do extra work i.e. administrative support and to supervise apprentice in accordance to the DOL Apprentice program. As a result employers requested that DOL must provide funding to employers so that to help employers to hire and train apprentice. Without any source of funding, it was difficult to recruit employers to participate in the apprenticeship-training program.

Response from the International Association of Nanotechnology to Draft of Audit Findings

While we were actively promoting the apprenticeship program we did not receive many interest from the industry, because of lack of financial support from the DOL to subsidize wages to apprentice.

During that time, two of our CNCP former graduate, Michael Takamoto and his colleagues have started a consulting firm, known as 10-9 Nanosafety Consulting (<http://www.10-9consulting.com>) and Mr. Julian Nguyen and his colleagues have started and managed the American Energy Choice. (<http://americanenergychoice.net/>)

These companies agreed to accept our apprentice as a trial to test the concept of having a start-up company to use the service of apprentice while apprentice would have an opportunity to learn real life industry experience. There is nothing in the grant SOW that discourage apprentice to work for start-up companies. In fact, working in start-up companies, apprentice would learn to do many aspects of the business from technology development to marketing and sales support.

While the IANANO's Executive Director does not own these companies, he provided his guidance and support the apprenticeship programs at these two companies.

IANANO has submitted a copy of the "Standards Of Apprenticeship Developed By The International Association Of Nanotechnology In Partnership With The California Institute Of Nanotechnology For The Occupation Of Nanotechnology Technician" to the Office of the Apprentice, US DOL on October 16, 2009. The O*NET CODE: 1-4021.00 and RAIS CODE: 1103CB have been proposed to the new Nanotechnology Technician. (Exhibit 19)

Unfortunately, the apprenticeship program was not continued after the DOL grant ended on October 31, 2009.

LEVERAGE RESOURCES

It is noted that while the grant project anticipated a total of \$2.4 million in leverage resources, no matching grant were required.

IANANO believed that we have an adequate system to keep track with leverage resources. IANANO has asked the ETA staff to provide specific guidance about how to calculate leverage resources, it was advised that there was no specific standard to calculate leverage resources and it was up to each grantee to develop its own set of method. There is no set rule to measure the value of in-kind contribution because each grantee might value its in-kind contribution differently within the framework of market value.

IANANO has developed its own method and policy, which is based on fair market value and of mutual agreement and acceptance by the contributors and IANANO as the beneficiary of the in-kind donation.

We have taken the recommendation of the ETA representatives in developing our own system of keeping track of leverage resources and to estimate the value of the contribution based on market value.

Response from the International Association of Nanotechnology to Draft of Audit Findings

On January 19, 2011, IANANO has provided the auditors a binder containing more than 100 pages describing each of the leverage resource, nature of the contribution and how we calculated each of the contribution.

Exhibit 20 is a summary of the leverage resources of which the total exceeds the initial estimate of \$2.4 million contribution from all of our partners and contributors to the grant training and outreach programs. This also includes more than \$445,000 in cash contribution from California Institute of Nanotechnology and in-kind services rendered by a large number of organizations and individuals who have donated their time and resources to help IANANO to accomplish our grant objectives.

Example 1: IANANO recognized the leverage resources we received from our partner, Work2Future, where we rented only 3,000 sf, but we were provided an additional 5,000 sf of shared meeting space free of charge. Since we paid rent a \$2.25 psf, a 5,000 sf of space would cost us \$11,250/month or \$135,000/year or \$405,000 over a period of 3 years.

Example 2: IANANO also recognized the contribution of our employees who were willing to take less than the market value in compensation to be a part of the team. An Outreach Director normally earns \$68,000 a year, would provide us an leverage resource contribution of \$20,000 if he agrees to work for a salary of \$48,000 a year.

Example 3: In the emerging nanotechnology industry, IANANO appreciated the in-kind contribution of many speakers who travel from out of town to our meeting to give a lecture or a talk that would be a great value to us and also to our students.

IANANO would estimate the in-kind contribution to be equivalent to the cost of hiring this individual on speaking engagement including all travel expenses and hour rates that are of market value.

The market value for consulting and speaking engagement fees are \$250/hour for a nanotechnologist or \$400/hour for an attorney in California. Each speaker of the following conferences and meetings provided a value of at least \$2,500 in-kind contribution which is based on a 8 hour consulting services plus travel expenses.

Details of the major scientific conferences were given in the Exhibits 8- 15.

- a) 40 Speakers participated at the International Congress of Nanotechnology- October 30-November 2, 2006 at the San Francisco Airport Marriott Hotel
- b) 44 speakers participated at the International Congress of NanoBio and Nanomedicine, June 18-21, 2007 at the in San Francisco Airport Crowne Plaza Hotel
- c) 45 speakers participated at the International Congress of Nanotechnology, November 5-8, 2007 at the San Francisco Airport Hyatt Regency Hotel
- d) 11 speakers participated in the Emerging Tech Forum, January 23-25, 2008 at IANANO Headquarters in San Jose
- d) 38 speakers participated in the Clean Tech Innovation & Growth, March 3-4, 2009 at IANANO Headquarters in San Jose

Response from the International Association of Nanotechnology to Draft of Audit Findings

e) 45 speakers participated in the International Congress of Nano Bio Clean Tech ,
October 27-30, 2008 at the San Francisco Airport Marriott Hotel

f) 24 speakers participated in a number of NanoLunch meetings in 2008-2009 at IANANO
Headquarters in San Jose

g) 36 speakers participated in Nano Bio Cleantech (NBC) Forum organized monthly in
2008-2009 at IANANO Headquarters in San Jose

h) 20 speakers participated in Clean Tech Innovation & Growth, March 3-4, 2009 at
IANANO Headquarters in San Jose

i) 39 speakers participated in the International Congress of NanoBio & Nanomedicine,
June 22-24, 2009 at the San Francisco Airport Crowne Plaza

There were a total of 342 speakers who have provided in-kind services to IANANO
training and outreach program to the scientific community in California. These speakers
including distinguished scientists, researchers and industry leaders who had an
opportunity to review the training programs of the IANANO and had agreed to participate
as speakers in our events.

Appendix E

ETA Response

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210



MAR 29 2011

MEMORANDUM FOR: ELLIOT P. LEWIS
Assistant Inspector General for Audit

FROM: JANE OATES *me only*
Assistant Secretary

SUBJECT: Response to Draft Audit Report No. 02-11-203-03-390
"Audit of High Growth Job Training Initiative Grant
Awarded to the International Association of
Nanotechnology."

Thank you for the opportunity to respond to the draft report cited above. Our oversight of this grant entailed the provision of extensive technical assistance over the life of the grant which was designed to assist the grantee in complying with Federal grant requirements and achieving the agreed upon performance goals. ETA requested the subject audit based on our concerns with the performance of the grantee and as a result of our on-site monitoring of the grantee which revealed multiple problems with the financial management of the grant. I also want to thank you for responding to our request and to tell you we appreciate the time and effort your staff spent in meeting with my staff during this project. Per your memo, we offer the following response to the cited recommendations.

Recommendation 1: Recover Costs of \$1.5 million

ETA Response: ETA appreciates the work done by the auditors to clearly identify the questioned costs and unreported program income related to this grant. We will follow our standard audit resolution procedures, including the issuances of an Initial and Final Determination to disallow and recover the costs.

Recommendation 2: Ensure first time grantees have systems in place to provide services and grant products.

ETA Response: ETA seeks to continually improve the management of the grant award and performance processes. We will review our initial technical assistance and training efforts with new grantees and adjust them as appropriate to provide guidance on both Federal grant requirements and ETA performance expectations. Given that Solicitations for Grant Applications (SGA) are the standard mechanisms that are used to award competitive grants and applicants have a limited amount of pages in which to provide information on proposed projects and ETA receives many applications for each SGA, it is not feasible for ETA to determine that all grants have all the systems they need prior

to grant award. In addition, timing and limited travel dollars do not allow for a pre-award site visit to take place prior to award. However, ETA does provide assistance to grantees once grants are awarded. We also wish to observe that this grantee was provided with extensive technical assistance throughout the life of the grant and did not choose to implement recommendations made by ETA both through technical assistance and in a formal monitoring report during the three year life of the grant.

Recommendation 3: Ensure grants are clear in regards to entities providing services and cost categories association to deliverables.

ETA Response: As stated above, ETA will review the current grant award and performance processes, including the need for clear budget justification documents. As appropriate, we will look to enhance our current guidance and provide additional training and technical assistance. We wish to note that grants are awarded based on their application in response to the Solicitation for Grant Applications. As such, ETA may not request substantial changes to the proposed Statement(s) of Work after this competitive process. Again, we provide extensive technical assistance to all grantees once the grants are awarded, including technical assistance related to any needed budget adjustments that do not conflict with the basis for award.

We also have two technical edits:

- page 2, first paragraph, please change Region 10 to Region 6, and
- page 11, it should be noted that in addition to the fact that IANANO “believed grant deliverables were satisfactory”, the facts are that IANANO did not provide all the deliverables in its grant agreement, which it had initially agreed to produce.

If you have any questions, please contact the ETA Audit Liaison, John Dutton.

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