
**National Highway Traffic Safety Administration
Region 1
Management Review
of the**

**Vermont
Department of Public Safety
Governor's Highway Safety Program**

Fiscal Years 2009, 2010, 2011 and 2012

October 3, 2012

Final

SPECIAL ACKNOWLEDGEMENTS

The Review Team extends our thanks and appreciation to Keith Flynn, Commissioner of the Vermont Department of Public Safety (VDPS) and the Governor's Representative for Highway Safety, for taking time to discuss the progress of the management review and for his interest in the Final Report.

Also, we thank other key management officials within the State who took part in discussions during the review, specifically Ted Minall, Chief of the Governor's Highway Safety Program (GHSP) and Joanne Chadwick, Director of Administrative Services, VDPS.

Finally, we thank Ms. Sue Aikman, Highway Safety Program Coordinator, and all the dedicated staff in the GHSP as listed in Section IV who provided the necessary documents, information and facilities that enabled the team to complete the management review on time.

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Fiscal Years 2009, 2010, 2011 and 2012

EXECUTIVE SUMMARY

This report details the results of a Management Review (MR) of the Vermont Governor's Highway Safety Program (GHSP) covering Federal Fiscal Years 2009, 2010, 2011, and 2012. The MR attempted to review FY 2009 projects because that fiscal year was not included in the previous MR; however, only a small sampling of FY 2009 were covered in this report, as many were destroyed in the August 2011 hurricane (explained in Section III). The National Highway Traffic Safety Administration (NHTSA) Region 1 conducted the review, which included an on-site visit to the GHSP in Waterbury, Vermont, during the period May 21 - 25, 2012. Additionally, NHTSA staff conducted project file reviews on April 11, 2012 at GHSP, and continued to review project files and monitor state activities through July 2012.

A MR is a review of a State Highway Safety Office's (SHSO's) systems and programs and processes to improve and strengthen highway safety practices. The goal is to ensure efficient administration and effective planning, programming, implementation and evaluation of programs that have potential for saving lives.

The MR assessed the adequacy of Governor's Highway Safety Program's organization and staffing, program management and financial management systems, programs, policies and procedures as they relate to its Federally-funded highway safety program.

The review team identified 13 required action and 13 recommended action items during the MR. Section VI of this report discusses details of each item and the actions NHTSA requires the State's highway safety program take to improve their safety program.

SUMMARY OF COMMENDATIONS, MANAGEMENT CONSIDERATIONS AND FINDINGS

The following summarizes the commendations, management considerations and findings identified during the MR. Section VI of this report gives details of each item and any associated action.

Organization and Staffing

Program Management

- B-1 Use of Logic Models - *Commendation*
- B-2 Expanding Partnerships – *Commendation*
- B-3 Project (Grant) Agreements – *Finding*
- B-4 Missing Subgrant Certifications – *Finding*
- B-5 Lack of Policies and Procedures - *Management consideration*

Financial Management

- C-1 State Match – *Finding*
- C-2 Employee Personnel Activity Reports (PARs) and Certifications – *Finding*
- C-3 Incorrect Charging and Coding of GHSP Staff Expenses - *Finding*
- C-4 Equipment - *Finding*
- C-5 Indirect Cost Documentation - *Finding*
- C-6 Questioned Expenditures - Child Passenger Safety Funds – *Finding*
- C-7 Better Planning and Implementation Can Expedite Expenditure of Funds - *Management consideration*
- C-8 Electronic Technology - *Management consideration*

CONCLUSIONS

Except for the compliance items (findings) identified above, and discussed in more detail in Section VI, NHTSA has determined that Vermont is satisfactorily performing the functions and activities listed in Section III of this report.

The NHTSA review team noted two areas for commendation, showing strong efforts to produce positive performance. NHTSA reviewers identified eight management areas that do not comply with State or Federal regulations or guidelines. Vermont is required to take the corrective action identified in this report to address noncompliance. Also, NHTSA identified three management areas (management considerations) that do not involve noncompliance, but have the potential of reducing the effectiveness and efficiency of the highway safety management process. The recommended actions are not mandatory, but are possible measures that can be taken to improve internal controls. NHTSA looks forward to working with the Vermont Governor's Highway Safety Program to carry out those recommended actions which the State accepts and all of the required actions.

**National Highway Traffic Safety Administration
Region 1
Management Review
of the
State of Vermont
Department of Public Safety
Governor's Highway Safety Program**

Fiscal Years 2009, 2010, 2011 and 2012

I. PURPOSE

This MR was conducted to improve and strengthen the State of Vermont's highway safety program. The goal is to ensure efficient administration and effective planning, programming, implementation and evaluation of programs that have potential for saving lives. Also, the review documents the Governor's Highway Safety Program's administration and management of the Federally-funded highway safety program, including best practices.

The three programmatic areas which traditionally fall within the scope and confines of an MR include organization and staffing, program management and financial management. These three components are the foundation for this review report.

II. AUTHORITY

The Highway Safety Act of 1978, which amended Section 402(b) (1) (a) of Title 23, United States Code, provides that the Secretary of Transportation does not approve any highway safety program which does not:

“. . .provide that the Governor of any State shall be responsible for the administration of the program through a State Highway Safety Agency which shall have adequate powers, and be suitably equipped and organized to carry out, to the satisfaction of the Secretary such program.”

The Secretary of Transportation has delegated the National Highway Traffic Safety Administration the authority and responsibility for ensuring compliance with this provision.

As stated in 49 CFR § 18.42 (e) (1)

“The awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and sub-grantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.”

Section 1200.25 of Title 23, CFR provides that:

“If a review of the Annual Report required under § 1200.33 of this part or if other relevant information indicates little or no progress toward meeting the State goal, the approving Official and State officials will jointly develop an improvement plan. This plan will detail strategies, program activities, and funding targets to meet the defined goals.”

The NHTSA Associate Administrator of Injury Control Operations and Resources (now referred to as Regional Operations and Program Delivery—ROPD) issued “Guidance and Oversight for State Highway Safety Programs” dated April 23, 2004, to NHTSA Regional Administrators requiring them to conduct Management Reviews in each state once every three years. NHTSA issued Management Review Guidelines to direct regions on the uniform implementation of management reviews. The Management Review Guidelines were revised effective May 14, 2009.

Section 2008 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU, P.L. 109-59), states:

“At least once every 3 years the Secretary shall conduct a review of each State highway safety program. The review shall include a management evaluation of all grant programs funded under this chapter. The Secretary shall provide review-based recommendations on how each State could improve the management and oversight of its grant activities and may provide a management and oversight plan for such grant programs.” (23 USC § 412 (a) Triennial State Management Reviews)

III. SCOPE

This report reflects the results of an MR of the State of Vermont covering Federal Fiscal Years 2009, 2010, 2011, and 2012. The National Highway Traffic Safety Administration (NHTSA) Region conducted the review.

As part of this MR effort NHTSA conducted a formal examination on-site at Governor’s Highway Safety Program in Waterbury, Vermont, during the period May 21-25, 2012. Also, NHTSA staff conducted project file reviews in Vermont on April 11, 2012, and continued to work with the GHSP to review projects and resolve preliminary issues over an extended post-review period through July 2012. The NHTSA review team included R. Gary Taylor, Deputy Regional Administrator, Region 6, who at the time of the MR on-site served as the Acting Region 1 Administrator (team leader) and Regional Program Managers, Angie Byrne and Charlene Oakley. The Federal Highway Administration Division Office was invited to participate, but was unable to attend the on-site review. However Roger Thompson, FHWA Safety Engineer, met briefly with NHTSA staff on May 30 to discuss the Section 154 Hazard Elimination Program.

The MR was initiated on May 21, 2012 with a briefing by the NHTSA review team for Mr. Ted Minall, Chief of GHSP, and the GHSP staff. This briefing addressed the purpose of and authority for the MR, the review process, and the timetable for completing the review report.

On May 22, at the request of the GHSP Chief, the Team provided a similar briefing for Ms. Joanne Chadwick, Director of Administrative Services, Vermont Department of Public Services (VDPS) and staff of the Grants Management Section. This briefing led to a discussion of several issues including documentation of State match and project agreements that are addressed in Section VI.

As part of the review, the team documented the use of grant funds awarded to the State under SAFETEA-LU. Also, the team made a determination about the eligibility of the funded activities and projects reviewed, based upon the implementing regulations for each grant program. The team attempted to review documents from fiscal years 2009 through 2012. However there were few documents available for review for FY 2009, FY 2010, and a portion of FY 2011 due to floor-related damages to the GHSP building and records caused by Hurricane Irene in August 2011. The State was successful in salvaging and/or reconstructing some of the grant documents and transferring them to electronic files (PDF documents).

At the conclusion of the MR on-site visit, on May 25, 2012, the NHTSA review team briefed Mr. Minall, Ms. Chadwick, and the GHSP and VDPS staffs. This briefing discussed the preliminary findings, management considerations, and commendations identified during the on-site review. The team addressed definitions of key terms and the timeline for the MR report development as well.

Following NHTSA guidance, the team selected the following areas specifically for review:

A. Organization and Staffing

- Enabling Legislation and Functions
- Organizational Structure and Placement in Overall State Organization
- Staffing
- Delegations of Authority
- Personnel Development and Training

B. Program Management

- Planning and Programming
- Implementation
- Monitoring and Review
- Program Strengths

C. Financial Management

- Financial Management Systems
- Grant Payments – Vouchers
- Audits
- Matching Funds

- 40 Percent Local Benefit
- Planning and Administration
- Program Management Costs
- Time and Attendance
- Project Equipment
- Indirect Costs

D. Project File Reviews

The Team examined files for FY 2010, FY 2011 and FY 2012 based on several factors including project, dollar value of grants, relative risk of a project based on previous monitoring results, and programmatic/geographical representation. The Team was unable to review any FY 2009 projects due to the lack of documents caused by Hurricane Irene and the flood. The projects that were reviewed are identified in Appendix A.

For the FY 2010, the Team reviewed one project out of a total of 208 representing a dollar value of \$200,000 out of \$5,672,294 or four percent of highway safety funds expended that fiscal year. The Team was able to review only one FY 2010 project file due to the lack of documents caused by Hurricane Irene and the flood.

For the FY 2011, the Team reviewed ten projects out of a total of 176 representing a dollar value of \$525,881 out of \$5,590,420 or nine percent of highway safety funds expended that fiscal year.

For the FY 2012, the Team reviewed 26 projects out of a total of 207 representing a dollar value of \$510,178 out of \$1,015,378 or 50 percent of highway safety funds expended that fiscal year as of Voucher 7, dated May 18, 2012.

IV. REVIEW PARTICIPANTS

The Region thanks all those who took part in the review, in particular:

- Keith W. Flynn, VDPS Commissioner and Governor's Highway Safety Representative
- Ted Minall, Chief, GHSP
- Sue Aikman, Highway Safety Program Coordinator, GHSP
- Anne Liske, Highway Safety Program Coordinator, GHSP
- Betsy Ross, Public Information Officer, GHSP
- Corinne Stridesberg, Administrative Assistant, GHSP
- Tom Fields, Law Enforcement Liaison, GHSP
- Joanne Chadwick, Director of Administrative Services, VDPS
- Tracy O'Connell, Director of Grants Management, VDPS
- Flora Lamson, Grant Management Specialist, VDPS
- Allison LaFlamme, Grant Management Specialist, VDPS
- Marie Haywood, Account Audit Analyst, VDPS
- Lt. John Flannigan, Commander, Traffic Safety Unit, Vermont State Police (VSP)
- Gary Nowak, Traffic Records Improvement Support Technician, VSP
- Sgt. Allen Forten, Shelburne Police Department

V. STATUS OF OPEN REQUIRED ACTIONS FROM PREVIOUS REVIEW

The findings and required actions from the NHTSA Management Review of FY 2009 and the Corrective Action Plan dated, June 7, 2010, have been addressed and completed, as of May 2012 except for the following item:

“Required Action C-6b – That the GHSP work with NHTSA to review its FY 2009 and prior year SAFETEA-LU incentive grant programs and carry forward TEA-21 funds to identify specific program match sources. That the GHSP work with the DPS Accounting Office to develop documentation to support match amounts currently being entered into GTS for this fiscal year.”

See Finding *C-2 State Match*.

VI. COMMENDATIONS, MANAGEMENT CONSIDERATIONS, RECOMMENDED ACTIONS, FINDINGS AND REQUIRED ACTIONS

Glossary of Terms

For purposes of this report, the following terms apply:

Management Review (MR)

A review of a State Highway Safety Office’s (SHSO’s) systems and programs and processes for the purpose of improving and strengthening highway safety practices to ensure efficient administration and effective planning, implementation and evaluation of programs that have potential for saving lives.

Finding

A determination that one area of review (or more) is not in compliance with Federal or State laws, regulations, rules, or Federal written policy or guidelines.

Required Action

A specific corrective action based on Federal and/or State laws, regulations, rules, and/or Federal written policy and/or guidelines which the State must implement to resolve a non-compliance issue (finding). The Corrective Action Plan will document the status of the open Required Actions.

Corrective Action Plan (CAP)

A document developed jointly between NHTSA and the SHSO that identifies actions to address findings set forth in the Management Review Final Report, tasks to complete the actions, target dates for completion of each task, and a status element for demonstrating progress of each required action based upon periodic reporting by the State. This includes a signed letter of understanding, also.

Management Consideration

A determination that one or more areas of review may be in need of more progress or improvement and, if improved, have the potential to improve the State highway safety program's overall efficiency and effectiveness.

Recommended Action

A recommended approach based on a management consideration which has the potential to improve program efficiency and effectiveness. Since recommendations *do not* concern non-compliance issues, but rather fall into the good business practice realm, the State is not obligated to carry out proposed remedies.

Recommended Action Tracking Form (RATF)

A document developed by NHTSA with input from the SHSO that identifies:

- actions to address management considerations set forth in the Management Review Final Report;
- tasks (by the SHSO and the NHTSA) to complete the actions;
- target dates for finishing each task, and;
- progress of each recommended action based on semi-annual follow-up with the SHSO by NHTSA.

The Regional Office *will* track all recommended actions listed in the MR Final Report.

Commendation

A recognition of strong effort(s), best practices or exemplary performance.

High Risk Grantee

A grantee or sub-grantee determined by the awarding agency to:

- have a history of unsatisfactory performance;
- be financially unstable;
- have a management system which does not meet the management standards set forth in 49CFR §18:12;
- not conform to terms and conditions of previous awards, or;
- be otherwise not responsible.

A. ORGANIZATION AND STAFFING

None

B. PROGRAM MANAGEMENT

Commendation B-1. Use of Logic Models

A logic model is a tool that represents how an activity is to produce results. Logic models can be used for all stages of an activity including planning, implementation and evaluation. The model summarizes key program serves as a communication tool, and monitors outcomes over time. The GHSP is commended for teaching subgrantees to utilize this valuable tool when they are developing their programs, and for requiring the subgrantees' analysis prior to award of funds. Although only recently adopted by the GHSP, the improved quality of some of the project proposals shows that many of the subgrantees are strategically planning their projects and programs.

Commendation B-2. Expanding Partnerships

The Team commends the GHSP for seeking out new partnership opportunities. Specific effort has been made to research potential educational partners, both in traditional and non-traditional areas, and subsequently make contacts with those individuals and organizations. A grant workshop was created to educate potential future partners about the funding opportunities, grant application process, and GHSP requirements.

Recently the GHSP took steps to create a statewide highway safety coalition, modeled after the Maine Transportation Safety Coalition. This is another step forward in utilizing partnerships to create a statewide network to support highway safety efforts and meet GHSP performance measures. In addition to seeking potential partners, the GHSP created a panel of law enforcement leaders to assist in the peer review and approval of all law enforcement grants. This has led to an increased level of transparency where representatives from various law enforcement agencies decide who will be receiving grants.

Finding B-3. Project (Grant) Agreements

23 CFR 1200.23 provides that:

“Copies of the project agreement(s) and supporting documentation for the vouchers, and any amendments thereto, shall be made available for review by the Approving Official upon request.”

Discussions with VDPS and GHSP staff confirmed that there are several projects that GHSP has with VDPS and State Police that have no formal written contracts or interagency agreements.

The following projects fund personnel and equipment costs:

FY 2012 Department of Public Safety DRE Regional Training, Project #1112-2010: \$36,956.31 of Section 410 funds has been expended to date;

FY 2012 Vermont State Police AL DUI Troopers, Project #1112-9260: \$20,513.32 of Section 164AL funds have been expended to date; and

FY 2012 Vermont Department of Motor Vehicles Crash Data Analyst, Project # 1112-2014: \$23,655 of Section 402TR funds have been expended to date.

Also, the Team identified over \$275,000 in equipment purchases with Federal highway safety funds for VDPS and State Police, during FYs 2009 – 2012 without grant or interagency agreements.

For those awards that do have project agreements (referred to as “grant agreement” by GHSP), many do not define project deliverables, performance measures, data-driven timelines for implementation, specific eligible costs, or requirements for vouchering and/or standardized reporting requirements. Requiring these project management elements in each grant agreement would create a higher level of accountability subgrantees and increase protections for the state.

Required Action B-3

The GHSP must develop and execute a written grant agreement with each entity that is expending Federal highway safety funds provided by the GHSP, or the GHSP may be responsible for reimbursing the NHTSA. Grant agreements should include problem identification/justification, measurable goals/objectives, scope of work, tasks, specific budget and eligible costs, reporting requirements and deliverables, and all required certifications and assurances.

Finding B-4. Missing Subgrant Certifications

49 CFR Section 18.37 Sub-grants states:

“(a) States. States shall follow state law and procedures when awarding and administering sub-grants (whether on a cost reimbursement or fixed amount basis) of financial assistance to local and Indian tribal governments. States shall:

- (1) Ensure that every sub-grant includes any clauses required by Federal statute or executive orders and there implementing regulations;*
- (2) Ensure that sub-grantees are aware of requirements imposed upon them by Federal statute and regulation;*
- (3) Ensure that a provision for compliance with Section 18.42 is placed in every cost reimbursement sub-grant;”*

In September 2010, NHTSA identified specific certifications that the States must include in their subgrant agreements. These include certifications related to: equipment, civil rights, Buy America Act, Political Activity/Hatch Act, Federal lobbying, State lobbying, and debarment and suspension for lower tier participants.

In the Team's review of GHSP grant agreements, the documents included only the Federal Lobbying and Debarment for Lower Tier certs; however the Debarment certification did not contain the appropriate language required by Federal regulations.

Also, some of the references in the grant agreements are outdated. Examples include: OMB Circular A-21 should be 2 CFR Part 220; OMB Circular A-87 should be 2 CFR Part 225; OMB Circular A-122 should be 2 CFR Part 230; and the Highway Safety Grant Funding Policy should be cited from July 2007, not July 1995.

Additionally, as noted in Finding B-4, most grant agreements with VDPS and Vermont State Police did not exist at the time of the Review; therefore there were no certifications to ensure these agencies were in compliance with federal rules and regulations.

Required Action B-4

By the beginning of FY 2013, GHSP must include all current and required certifications in each grant agreement.

Management Consideration B-5. Lack of Policies and Procedures

It is necessary for each highway safety office to establish program and project management procedures to govern subgrants and contracts in support of the state's federally funded highway safety program. At a minimum policies and procedures should cover: planning, project development, project administration, monitoring, evaluation, financial management, and the organization and maintenance of records (project file documentation).

Currently, the GHSP does not have internal policies and procedures that clearly govern the day-to-day operations of the office. It appears that many of the GHSP practices are understood by staff, but they have not been formally documented. Policies and procedures not only set the basic standards for management and administration of the State's multi-million dollar highway safety program, but they aid in maintaining compliance with state and federal regulations, facilitate uniformity in program implementation, and provide direction during management and staffing transitions which GHSP has experienced recently.

Without policies and procedures, the GHSA lacks standardized monitoring guidance, a cornerstone of program management. The GHSP conducts sporadic on-site monitoring visits without a system to determine priority and frequency. Moreover, each staff member has their own mechanism for identifying which grants need to be monitored, how they will be monitored, and if the monitoring results will be recorded and/or resolved. Occasionally the Vermont Law Enforcement Liaison (LEL) assists in monitoring visits with local law enforcement projects. There is little consistency among or documentation of these individual monitoring actions.

Without a policy and procedures guide, there is no subgrantee reporting requirement defining frequency or substance for inclusion in project agreements. As a result, subgrantee reporting has been inconsistent (some subgrantees submit detailed reports on a quarterly or monthly basis, while similar types of grants present only brief activity synopses). The team found no

documentation in the files to account for these discrepancies in reporting, or documented efforts by program staff to attain missing reports. Because of these inconsistencies in reporting, it is difficult to determine if a subgrantee is demonstrating progress and/or meeting the requirements outlined in their grant agreements. Finally, no trip reports following project-related travel were completed and included with project documentation.

A well laid out policy and procedures manual has a number of potential benefits. It can be used to:

- a. orient new staff members as well as set job standards and expectations for those staff members;
- b. provide continuity and consistency in decision making processes;
- c. provide a method to assess projects/programs to ensure needs are met; and,
- d. avoid conflict and the potential for misunderstanding with subgrantees.

The Governors' Highway Safety Association (GHSA) has developed comprehensive model policies and procedures for use by State highway safety offices when developing or revising their procedural handbooks. Also, the Region is able to provide several examples of other states' procedural guides to the GHSP for emulation.

Recommended Action B-5a

The GHSP should immediately begin developing written policies and procedures for the federally-funded highway safety program, using the GHSA model as a reference.

Recommended Action B-5b

When developing the policies and procedures, subgrantee monitoring should be adequately defined, striving for uniformity in the application of the procedures for State and local subgrantees. The procedures should define selection criteria (based on relative risk of financial and programmatic project factors) as well as frequency, type (desk, phone, onsite, etc.), documentation, and follow-up (including corrective actions). The State may want to consider extensive use of the LEL by tasking him with also monitoring of State Police and local enforcement agencies.

Recommended Action B-5c

When developing the policies and procedures subgrantee reporting should be well-defined to specify expectations for frequency, detailed content, and quality. These reporting expectations should be included in each grant agreement and reviewed with subgrantees.

Recommended Action B-5d

Following the development of the procedures, the GHSP should train and familiarize GHSP staff (and any others tasked with monitoring activities such as the LEL) with the procedures to ensure they are uniformly applied and adhered to by all staff. The new procedures should be used to brief subgrantees during the GHSP's annual subgrantee training.

C. FINANCIAL MANAGEMENT

Finding C-1. State Match

NHTSA Order 462-6C 4:

“Matching Rates for State and Community Highway Safety Program, BASIC RATE. Section 120(b), as amended, states that the “Federal share payable shall not exceed 80 percent for obligations incurred on or after December 18, 1991, except for those States that elect to participate in the sliding scale rates discussed in Section 5, below. The Federal share payable shall be computed on the basis of total program costs reported on the Highway Safety Program Cost Summary (HS-217), with the exception of Planning and Administration (P&A) obligations which shall be matched 50 percent Federal/50 percent State or Local funds for costs attributable to the P&A functions.”

NHTSA’s Grant Funding Policy, based upon the respective regulations, defines match requirements:

Section 408

- Federal share is not to exceed 80 percent.

State match of Section 408 funds must be traffic records/information systems related expenditures.

Sections 405 & 410

- Federal share is not to exceed 75 percent the first and second years.
- Federal share is not to exceed 50 percent the third and fourth years.
- Federal share is not to exceed 25 percent the fifth year and beyond (where applicable).

State match of Section 405 grant funds must be eligible occupant protection related expenditures.

State match of Section 410 funds must be eligible impaired driving related expenditures.

Section 2011

- Federal share is not to exceed 75 percent the first, second, and third years.
- Federal share is not to exceed 50 percent the fourth year.

State match of Section 2011 funds must be eligible child passenger safety related expenditures.

This finding is carried over from the FY 2009 MR. During the on-site visit VDPS Administrative Services personnel and GHSP staff confirmed that they did not have documentation at that time to demonstrate compliance with the match requirements for Sections

402, 405, 408, 410, and 2011 for FY 2009, FY 2010, and FY 2011, although final vouchers were submitted by the State to NHTSA each fiscal year with minimum match claimed. During our meeting with VDPS and GHSP officials, we suggested possible sources to demonstrate eligible and sufficient match. During the exit briefing, State officials presented the Team with lists that indicated the State has identified adequate match for Sections 402 and 410 for Fiscal Years 2009, 2010, and 2011. Also, the State identified some match amounts for the remaining grant programs, but were not able to reach the minimum required amounts claimed in the State's GTS final vouchers for each of the referenced fiscal years.

Currently the State does not require that subgrantees contribute or document matching funds for federal awards. VDPS makes GTS entries at the program area level, which does not identify projects that can provide match. Documenting/collecting matching funds at the project level would enable VDPS and GHSP personnel to track expenditures throughout the fiscal year by project, and may lessen the state's responsibility to substantiate program match.

Required Action C-1a

By December 31, 2012, the State must present documentation of compliance with applicable match requirements for Sections 405, 408, and 2011 for fiscal years Fiscal Years 2009, 2010, 2011, and 2012.

Required Action C-1b

The State must collect and maintain documentation to comply with match requirements for FY 2012 and future fiscal years.

Recommended Action C-1c

The VDPS and GHSP should develop a plan to ensure compliance in future years. This plan would include identifying all available match sources including those from subgrantees, to ensure the state is compliant with applicable regulations and that the match sources are auditable.

Recommended Action C-1d

In FY 2013 the VDPS should consider making GTS entries at the project level to enhance subgrantee accountability and to assist GHSP in managing and reconciling match to projects in GTS.

Finding C-2. Employee Personnel Activity Reports (PARs) and Certifications

2 CFR Part 225, Appendix B, 8.h. states:

“(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be

signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,

(b) A Federal award and a non-Federal award,

(c) An indirect cost activity and a direct cost activity,

(d) Two or more indirect activities which are allocated using different allocation bases, or

(e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.”

Based upon a review of the time allocations proposed in HSPs, completed Vermont Time Report Forms (similar to PARs), and discussions with VDPS and GHSP staff, it appears that the hours shown on the Time Report Forms are not based upon actual time worked in the program areas and grant programs, but upon what was predetermined on the form. The percentage worked in a program area or grant program was predetermined and the staff members noted any exceptions to actual work, such as leave or overtime.

The proportions on the form appear to be arbitrary and are not based on an analysis of actual time, on the number of projects, or on the amount of funding assigned to each program area/grant program that the staff member manages (see Finding C-4, also). Since the proportion of time coded and charged to each program area and grant program is reported in the Grants Tracking System, entries should be as accurate as possible.

For employees who work multiple program areas within Section 402 or multiple grant programs but bill their time to Section 402, the GHSP may follow the procedure noted in NHTSA/GHSA Discussion of time keeping requirement in support of salaries wages, and related costs, revised 8/5/2010, “In these cases, cost data assigned to the different priorities may be based on an informed, logical proportion derived from a representative sample of time spent on each or on the number of projects managed or proportion of total funds in each program area.” This would include a semi-annual certification and before-the-fact charge distribution based on proportional work, number of projects, and/or funds managed for each employee. However for those

employees who work and time is billed to multiple grant programs, the State must continue to use PARs or equivalent documentation.”

Required Action C-2a

The State must immediately comply with 2 CFR Part 225, Appendix B, 8.h by completing certifications, PARs or equivalent documentation for all federally-funded positions, and ensure that all timekeeping documents are auditable and accurate.

Recommended Action C-2b

Since this regulation applies to subgrantee also, the GHSP must review all subgrantee files to determine their compliance with timekeeping and take corrective action as appropriate.

Finding C-3. Incorrect Charging and Coding of GHSP Staff Expenses

23 CFR §1252.2 (d) states:

“Planning and administration (P&A) costs are those direct and indirect costs that are attributable to the overall development and management of the Highway Safety Plan. Such costs could include salaries, related personnel benefits, travel expenses, and rental costs. (e) Program management costs are those costs attributable to a program area...” NHTSA’s Grants Funding Policy also states, *“As outlined in 23 CFR 1252, Costs include salaries and related personnel benefits for the Governors’ Representatives for Highway Safety and for other technical, administrative, and clerical staff for the States’ Highway Safety Offices. P&A costs also include other office costs, such as travel, equipment, supplies, rent and utility expenses necessary to carry out the functions of the States’ Highway Safety Offices.”*

During our review of payroll files and time and attendance records of federally-funded VDPS and GHSP employees, we found that several employees are being charged to what appear to be inappropriate accounting codes. Examples are listed below:

- The Grant Management Specialist in the Administrative Services Division of VDPS is being vouchered to Section 402CP (Community Traffic Safety Project). Based on a review of the position description and current duties, the position primarily requires financial/accounting type work and would be most appropriate charged to P&A. The individual is not supervised by/or reports to GHSP personnel.
- Two Vermont State Police personnel, one coded as Section 402TR and one as 408K9, are being billed to NHTSA as GHSP employees but are actually working under a grant with State Police. Moreover, one of the positions is not authorized under a written agreement (see Finding B-4).
- The GHSP Chief’s salary is being charged 50 percent to 402PA and 50 percent to 410K8. Due to the inaccuracy of the Time Reports noted in the previous finding, documentation is insufficient to support 50 percent of the Chief’s time to the Section 410 Impaired Driving Program. Based upon his job duties, the Chief should be charged 100% to 402PA.

- The GHSP administrative assistant position is being charged to Section 402TR, though her duties are not Traffic Records-related.
- The GHSP public information education officer's time is being charged to 402CP with no evidence of working or monitoring community traffic safety projects.
- 100% of a GHSP Program Manager's time is being charged to 402TR, but most of this staff member's time is devoted to child passenger safety and public information.

Required Action C-3a

The State must make immediate corrections to the Time Report forms (PARs and certifications), and to all payroll documents to ensure that GHSP staff and its subgrantees are appropriately coded and charged to the correct accounting code, program area, and grant funding source.

Required Action C-3b

For those positions where time was allowable but was incorrectly charged to grant programs, the State must make changes in GTS dating back to the beginning of FY 2012 to ensure all costs are appropriately charged to the programs commensurate with their job descriptions, and demonstrate associated match for S.402 P&A.

Required Action C-3c

State Police time will only be reimbursable with a fully-executed grant agreement, and charged to the appropriate program area. Without a fully executed agreement, the GHSP will reimburse the NHTSA for time charged.

Finding C-4. Equipment

23 CFR §1200.21 states,

“(b) Use. All equipment shall be used for the originally authorized grant purposes for as long as needed for those purposes, as determined by the Approving Official, and neither the State nor any of its subgrantees or contractors shall encumber the title or interest while such need exists.

(c) Management and disposition. Subject to the requirement of paragraphs (b), (d), (e) and (f) of this section, States and their subgrantees and contractors shall manage and dispose of equipment acquired under the Section 402 program in accordance with State laws and procedures.

(d) Major Purchases and dispositions. All purchases and dispositions of equipment with a useful life of more than one year and an acquisition cost of \$5,000 or more must receive prior written approval from the Approving Official.”

Vermont's Asset Management Procedures of the Agency of Administration states,

“The State of Vermont defines a capital asset as a physical resource that costs at least \$5,000 and provides future economic benefit of a minimum of two years...Departments are required to track in the Asset Management Module all computer equipment regardless of cost...Each asset will be assigned a useful life based on depreciation guidelines...All departments are required to conduct and complete an annual physical

inventory between May 1 and June 1. A physical inventory must be taken of all capital assets and computer equipment additions and disposals are recorded properly in VISION. Upon completion of the department's physical inventories...must be submitted to Financial Operations annually by June 20th."

NHTSA's HSP approval letters for FY 2009-2012 stated, "No equipment purchases with costs in excess of \$5,000 are included in this approval. Should there be a need to discuss any such purchases, we will require specific justification in writing for any purchase per the NHTSA Funding Policy..."

At the time of the on-site review, the Team found the GHSP to be in non-compliance with 23 CFR §1200.21, as more than \$500,000 in equipment and related accessories that were purchased by GHSP with Federal highway safety funds in without prior NHTSA approval, including:

<u>Invoice Date</u>	<u>Quantity</u>	<u>Equipment Item</u>	<u>\$ Amount</u>	<u>Fund Source</u>
9/9/09	1	License Plate Reader	\$ 25,574	164AL
10/16/09	1	Digital Video System	\$ 5,110	406
1/4/10	10	Variable Message Boards	\$ 81,316	164AL
4/29/10	4	License Plate Readers	\$ 73,388	164AL
4/30/10	2	License Plate Readers	\$ 40,750	406
3/23/10	4	DataMaster Machines	\$ 24,600	410
3/25/10	3	DataMaster Machines	\$ 18,450	410
3/30/10	3	DataMaster Machines	\$ 18,450	410
3/30/10	24	Data Master Machines	\$147,600	410
4/28/10	3	DataMaster Machines	\$ 18,450	410
4/29/10	6	DataMaster Machines	\$ 36,800	410
4/30/10	1	DataMaster Machine	\$ 6,150	410
		TOTAL	\$496,638	

The \$270,500 in DataMaster machines (evidentiary breath test machines) were purchased through a FY 2010 grant agreement between GHSP and the Vermont Department of Health. A project entitled "DataMaster Replacement Plan" in the FY 2010 Vermont Highway Safety Plan budgeted \$313,000 in Section 410 funds for a project with the following description, "The Department of Public Health Laboratory is working to replace older units to minimize breakdown and repair costs. The work is progressing in phases, based on manufacturer and technician schedules." However, as noted previously, NHTSA's FY 2010 approval letter did not approve this equipment and required a separate request/justification and approval which was never completed.

Moreover, other equipment was purchased by the GHSP and its subgrantees over the four-year period ("Hardware-Other Info Technology", "Other Equipment", "Other General Supplies", and "Safety Supplies & Equipment."), but was unauthorized, unidentifiable, or untracked. This is demonstrated by two license plate readers and accessories for the Vermont State Police purchased in April 2010 for \$40,750 with Section 406 funds. While the Team found the invoice and GTS voucher where the GHSP sought reimbursements, we were unable to locate a GHSP equipment purchase request, NHTSA approval, or a record of the equipment on the VDPS

inventory. After research by VDPS staff, we were informed that “Our query did not pick up this equipment because it was erroneously paid under the Personal Services account code.”

Our attempts to reconcile GHSP requests, invoices, and inventories were difficult and in many cases unfeasible. Compounding this is the fact that major equipment by DPS and State Police were not sanctioned by a project agreement, nor were they traced and accounted for after purchase.

Due to the serious nature of the major equipment purchase and control violation and the inability to reconcile all the purchases, NHTSA took immediate action and ceased equipment purchases. On May 24, after discussing with the Chief of VHSP, the Acting NHTSA Region 1 Administrator issued the following email to the staff.

“Due to the lack of documentation of a GHSP request and NHTSA approval of purchase of 6 automated license plate readers for total of \$98,000 with Sections 164AL and 406 funds in FY 2010 and the lack of adequate GHSP equipment inventory and management controls I am at least temporarily rescinding NHTSA's approval of Feb 10, 2012 for the GHSP to purchase 3 additional ALPRs for the VT State Police in FY 2012. Also until the GHSP has adequate equipment inventory and management controls NHTSA will be unable to consider requests for equipment purchases of \$5000 and above. I will provide formal correspondence at a later date. I appreciate your understanding and cooperation as we work with you and your staff to resolve this issue. Thank you.”

This email communication was followed up with a confirmation letter from the Acting RA on May 31, 2012 to the GR and VDPS Commissioner to alert them of the situation and the potential liability to the State. On July 16, 2012 the NHTSA received the GHSP's letter requesting NHTSA's review and post-purchase approval of capital equipment items identified during the Management Review that were not submitted by the Vermont Department of Public Safety's (DPS) Governor's Highway Safety Program (GHSP) for prior written approval per 23 CFR §1200.21 (d). Based on the Inventory Control Program that the GHSP developed and implemented in July 2012 to manage and track equipment purchased with federal funds, the embargo on major equipment purchases was rescinded, provided that the GHSP record equipment in its property records system that *must* include: a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. The GHSP was advised that its Inventory Control Program would be monitored closely, and future prohibitions on equipment may be reinstated if management controls are not maintained.

Regarding post-purchase approvals, 38 pieces of capital equipment were approved including: 20 Data Master DMTs; 1 Flashback 2 Digital Video System; 7 License Plate Readers; and 10 Variable Message Boards. These post-purchase approvals were rendered by exception. The post-purchase approval did not extend to the equipment purchased for DPS and the State Police that was not covered by a grant agreement. Items should be authorized in a grant agreement and directly relate to the achievement of project outcomes, and that a written GHSP request and

NHTSA approval be contained in the project file. Until these control procedures are practiced, and reviewed by NHTSA as satisfactory, NHTSA will not approve or provide reimbursement for any equipment.

Required Action C-4a

In FY 2012 and beyond, the GHSP must: 1) request approvals prior to purchase for equipment with an acquisition cost of \$5,000 or more; 2) use equipment for the originally-authorized grant purposes; and, 3) manage and dispose of equipment acquired under the Section 402 program in accordance with State laws and procedures.

Required Action C-4b

Without a grant agreement for the State Patrol that defines and authorizes eligible costs (such as major equipment), and makes known requirements imposed upon subgrantees by Federal statute and regulation, the GHSP is not in compliance with 49 CFR 18.20(b)(3) that requires effective (internal) control and accountability (through contracts such as grant agreements) for all grant and subgrant cash, real and personal property, and other assets. The GHSP must resolve this by September 30, 2012, or reimburse NHTSA for any unapproved equipment purchased with Federal highway safety funds.

Recommended Action C-4c

The GHSP and VDPS should develop internal policies and procedures to ensure all Federally-funded equipment is procured and disposed of in accordance with Federal and State regulations. These procedures should include internal controls to ensure all appropriate approvals are obtained prior to purchase and that all approved purchases are accounted for by correct GTS and State accounting codes and reconcile with inventory records.

Finding C- 5. Indirect Cost Documentation

2 CFR Part 225, Appendix E, Section D 1 b states,

“A governmental unit for which a cognizant agency assignment has been specifically designated must submit its indirect cost rate proposal to its cognizant agency. The Office of Management and Budget (OMB) will periodically publish lists of governmental units identifying the appropriate Federal cognizant agencies. The cognizant agency for all governmental units or agencies not identified by OMB will be determined based on the Federal agency providing the largest amount of Federal funds. In these cases, a governmental unit must develop an indirect cost proposal in accordance with the requirements of 2 CFR 225 and maintain the proposal and related supporting documentation for audit. These governmental units are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency. Where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating and/or monitoring the sub-recipient's plan.”

Non-profit sub-grantees would normally be governed by 2 CFR 230 (OMB Circular A-122), but for indirect cost rate plans, the US Department of Health and Human Services has determined that 2 CFR 225 will apply as noted below:

“While the regulations do not address your common problem directly, state agencies subgranting to a nonprofit, 2 CFR 225 does prescribe the solution we give nonprofits which subgrant to nonprofits. It says “Where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating and/or monitoring the sub-recipient’s plan. Because the non-profit sub-grantee clearly does not qualify for obtaining a Federal indirect cost rate agreement, if the SHSO wishes to reimburse it or any other subgrantee, governmental or nonprofit, which otherwise cannot obtain a federal indirect cost rate agreement, it would have to negotiate and/or monitor the sub-recipient’s plan.” 2 CFR 225, Appendix E, Sections C and D ... provide guidance on allocation of indirect costs and determination of indirect cost rates, and submission and documentation of proposals.”

2 CFR Part 225, Appendix E, Section E 1 states,

“Indirect cost rates will be reviewed, negotiated, and approved by the cognizant Federal agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute. Where a Federal funding agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates, the funding agency will, prior to the time the rates are negotiated, notify the cognizant Federal agency.”

The Team located two projects in which GHSP is reimbursing the subgrantee for indirect costs:

- Non-profit Local Motion (Project 1112-1068, Safe Streets Collaborative): this project budgeted \$11,147 for indirect costs out of a \$45,000 grant which represents a 32 percent indirect cost rate. A cost allocation plan was not reviewed/monitored by the GHSP.
- Vermont Department of Labor (Project 1112-1063): \$7,857 is budgeted for indirect costs out of a \$47,500 grant, representing 19.8 percent. Although there are documents in the file related to indirect costs, we were unable to locate the indirect cost rate approval letter.

The Team requested the documentation from VDPS; the VDPS Grant Management personnel is attempting to locate/collect documentation.

Required Action C-5a

The State must provide documentation to demonstrate compliance with 2 CFR Part 225, Appendix E related to indirect costs for each respective party (non-profit/state agency), or Federal highway safety funds reimbursed to the subgrantees for indirect costs will be subject to cost recovery by NHTSA.

Recommended Action C-5b

The State should develop procedures and a checklist to ensure that all appropriate documentation validating indirect cost rates is contained in the project file or quickly accessible by VDPS prior to reimbursing a subgrantee for indirect costs.

Finding C-6. Questioned Expenditures - Child Passenger Safety Program

According to 49 CFR 18.20 (a), (2), (1)(2)(5),

(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

In the review of the FY 2011 and FY 2012 project files for the CPS program with FAHC, the Team found several questionable practices and expenditures by the subgrantee, exacerbated by a grant agreement, and lack of State monitoring. Based on concerns about the FAHC management of federal funds and the lack of oversight by the GHSP, Region 1 staff conducted a detailed review of the Section 402 and Section 2011 project expenditures (02140-1011-6219, 02140-1012-6219, 02140-1112-6000). Below are some of the questioned reimbursements that were made to FAHC in FY 2011 and FY 2012.

FY 2011

Project #: 02140-1011-6219 (grant amount: \$95,000)

- Professional services/salaries paid with insufficient description of activities to justify hours claimed: \$16,524.02
 - Jan 2011: \$4,529.44
 - Feb 2011: \$3,067.74
 - April 2011: \$4,571.80
 - May 2011: \$4,355.04
- Unexplained Travel: \$6,815.48
 - Jan 2011: \$500.00
 - March 2011: \$4,112.15
 - May 2011: \$1,858.53
 - August 2011: \$344.80

Note: Nearly \$7,000 in travel costs sent six people to four out-of-state conferences. There were no descriptions in the project file that outlined the purpose of the conferences or demonstration that the travel was related to CPS. Moreover, there was an event that took place at a hotel located in Burlington, Vermont on April 26, 2011 that included \$506 for lodging for FAHC employees. FAHC is also located in Burlington. Although the FAHC staff are not State of Vermont employees, the State of Vermont Agency of Administration, Bulletin No. 3.4, Reimbursement for Travel-Related Expenses, does state, “If an employee is required to be away from his/her official duty station and is also required to work at least five (5) hours, including travel, beyond his/her normal work day, lodging expense will be allowed provided the work place is at least forty (40) miles from the employee’s home”. The file did not contain an agenda or information as to purpose event nor justification to provide lodging to staff whose duty station is in same city.

- Unexplained Food: \$5,478.43
 - March 2011: \$205.71
 - April 2011: \$155.95
 - May 2011: \$5,116.77
- Gifts for CPS Technicians: \$3,489.31 (Feb 2011)
- Items that were not approved in the grant agreement:
 - School bus: \$101.91 (April 2011)
 - Awards: \$939.53 (April 2011)
 - Individual contractors: \$8,492.47

Note: According to the Grant Agreement, 15. *Sub-agreements* the subgrantee “shall not assign, subcontract, or subgrant the performance of his Agreement or any portion thereof to any other Party without the prior written approval of the State. Party also agrees to include all subcontract or subgrant agreements and a tax certification in accordance with paragraph 11 above.” GHSA pre-approvals of contracted services and executed sub-contracts were not included in the project files. Moreover, the following sub-granted services were unaccompanied by requisite receipts, products, or activity descriptions.

- Jan 2011: \$5,222.21
- Feb 2011: \$1,829.26
- April 2011: \$1,441.00
- Costs claimed with no receipts or description of activity: \$48.00 (April 2011)

GRAND TOTAL for FY 2011: \$41,889.15

FY 2012

Project #: 02140-1112-6000 (grant amount: \$189,974)

Project #: 02140-1012-6219 (grant amount: \$110,026)

- Professional services/salaries paid with insufficient description of activities to justify hours claimed: \$30,328.00 (402)

Note: This includes a lack of documentation to justify hours claimed by full-time and part-time/contracted employees, questionable activities performed by the subgrantee, and/or the appearance that GHSP reimbursed the subgrantee for the same activities billed to the S.2011 grant

(cross reference all FY12 S.402 and S.2011 invoices and subgrantee reports)

- Oct 2011: \$7,581.84
- Nov 2011: \$15,622.85
- Dec 2011: \$4,446.88
- Jan 2012: \$2,676.43
- Mileage claimed when SUV was available: \$457.23 (402)
 - Nov 2011: \$172.05
 - Dec 2011: \$176.70
 - Jan 2012: \$108.48
- In-state lodging expenses: \$86.90 (402-Nov. 2011)+\$457.90 (2011-Jan. 2012)
- Costs claimed with no receipts or description of activity: \$39.10 (2011-Dec. 2011)

GRAND TOTAL: \$31,369.13**

**These questioned costs appear on invoices submitted between October 2012- January 2012.

On July 12, 2012 following several conversations with the GHSP, a letter was sent to Commissioner Flynn Flynn requesting that the GHSP cease grant-funded activities managed by Fletcher Allen Health Care (FAHC) until NHTSA and the GHSP jointly determine the eligibility of personnel, travel, and other costs listed above that were reimbursed during FY 2011 and FY 2012.

On July 24, the following terms were issued to the GHSP, and reviewed with both the GHSP and VDPS Financial Services team on July 25, 2012:

Regarding FAHC requests for reimbursement for any expenditures from January 2012 through July 2012 (time period from the last invoice submitted at the time of the MR to the date of the 7/12/12 letter), the GHSP, with assistance from the DPS audit services division, will be responsible for reviewing the FAHC claimed costs to establish that funds have not been used in violation of the restrictions and prohibitions of federal or state statutes. Once the state review is completed, the FAHC invoices will be subject to monitoring by the Regional Office prior to payment. If costs are eligible and documented thoroughly to justify personnel, travel, and other costs claimed, Region 1 will proceed with voucher approvals.

Regarding continuity of grant activities from July 2012 through September 2012, the GHSP should impose the following terms on grant activity:

Personnel Services: The GHSP should only reimburse personnel costs for those individuals approved the grant agreement and deemed critical to completing the terms of the contract. All other subcontracted services should cease. Ample activity descriptions must justify in detail all hours/time claimed for grant-approved employees. Thorough reporting for all activities

performed/services provided must accompany requests for reimbursement monthly, consistent with the terms of the grant agreement. Examples of all products developed (training updates, presentations, database updates, PI&E products, etc.) should be submitted with the reports.

Travel: Only in-state travel will be considered. All in-state travel expenses must be itemized in writing (including air or vehicle mileage requests) and pre-approved by the GHSP prior to travel commencement. The GHSP-funded SUV should be utilized as much as possible to reduce personal vehicle mileage claims.

Other/Supplies (e.g. car seats): Purchases must be accompanied by receipts. No other equipment, office supplies, food, or miscellaneous purchases will be allowed without pre-approvals or direct relationships to the accomplishment of project objectives.

Due to the complexity of examining all FAHC costs incurred during the FY 2011 and FY 2012 Federal Fiscal Years, Region 1 requested that the GHSP enlist state audit services (Account Audit Analyst) to ensure all funds reimbursed to FAHC under 02140-1011-6219, 02140-1012-6219, 02140-1112-6000 were allowable and in compliance with Federal and State regulations. This is consistent with a state audit recommendation from Regional Administrator Weiser to Commissioner Flynn in an email on August 17, 2011:

“I again encourage you to have a financial and program audit of the GHSP completed preferably before NHTSA conducts the required triennial management review during FY 2012. Such an audit would benefit you and your staff by providing recommendations for strengthening the program and identifying any issues of noncompliance with Federal and state laws and regulations. This audit would also benefit the triennial management review by allowing the NHTSA team to focus on those recommendations and issues of noncompliance contained in the audit report. As previously stated, if the triennial management review is completed prior to an audit, it is likely that an audit would be requested to confirm the scope and exact amount of any potentially identified unallowable costs, and NHTSA would be required to follow up on any additional audit findings that may be reported. NHTSA Region 1 staff will continue to conduct detailed project reviews to determine and document issues of noncompliance, and will work with GHSP staff to resolve any identified issues prior to the triennial management review and the requested audit.”

Many of these unchecked or unauthorized subgrantee expenditures stem from a weak grant agreement that lacks specificity in eligible expenditures, expectations, reporting requirements, and deliverables. There was no justification to support the budget or the associated cost categories in personnel/contractors, travel, supplies or “other” costs. Salaries for staff positions ranged from \$26.60 per hour to \$75.13 per hour with no accompanying justification. The grant agreement did require a monthly report, but reports were submitted sporadically and with insufficient documentation of time and activity (subgrantee activity reports for claims of full-time work were summarized with “oversee program” and “financial reporting”). There was no evidence in the files that GHSP followed up with the contractor regarding grant agreement requirements.

During the MR exit briefing the Team specifically cited the FAHC project as an example of unchecked use of Federal funds for salary and resort travel/conferences, the lack of State monitoring, and the lack of grant agreement controls to curb excessive spending. The Team

Leader emphasized that Federal, State, and local governments all need to be cognizant of personnel and travel costs and ensure the necessity and accountability of such costs.

Directives issued on July 12, 2012 and July 24, 2012 to the GHSP to cease excessive grant-funded activities managed by Fletcher Allen Health Care (FAHC) until NHTSA and the GHSP jointly determine the eligibility of personnel, travel, and other costs reimbursed during FY 2011 and FY 2012 remain. Regarding FY 2013, the GHSP should consider various options to provide CPS services next fiscal year, as activities with FAHC will be conditionally approved until the State audit results are reviewed.

Required action C-6a

At a minimum, the VDPS must conduct a desk audit by the Account Audit Analyst of FY 2011 and FY 2012 projects subcontracted to Fletcher Allen Health Care to ensure all funds expended by and reimbursed to FAHC are allowable and in compliance with Federal and State regulations. State audit findings shall be reported to the NHTSA.

Required action C-6b

All FACH costs incurred from January 2012 to September 30, 2012 shall follow the terms for state and federal review and approval outlined above (and in the July 24, 2012 correspondence) prior to reimbursement in GTS.

Recommended action C-6c

The VDPS and GHSP should immediately increase their (desk, phone and onsite) monitoring of this grantee and grant-related activities. Monitoring should confirm that all expenditures are allowable and specifically related to Section 402 and S.2011 grant program requirements.

Recommended action C-6d

We recommend that GHSP develop a travel policy and include pre and post-travel requirements in the subgrant agreement. All travel requests and projected costs associated with conferences, conventions (both in and out-of-state) should be pre-approved. Also, the GHSP should require trip reports and agendas be submitted with requests for reimbursement of travel expenses.

Management Consideration C-7. Better Planning and Implementation Can Expedite Expenditure of Funds

Federal highway safety funds are provided to the State with the expectation that they will be expended in an effective and timely manner. The team reviewed GTS documents to determine the liquidation rate and amount of carry-forward funds (CF) (unexpended funds from the previous FY's obligation) from one fiscal year to the next (See Appendix B.) Since FY 2009, the GHSP has had difficulty in planning, obligating, and expending project funds in a timely

manner. From 2009-2012, Vermont has experienced a significant increase in the percentage of funds carried forward from year to year for Sections 402, 405, 408, and 410, noted below:

	FY 2009 - 2010	FY 2010 - 2011	FY 2011 - 2012
402	56%	69%	88%
405	64%	41%	110%

	FY 2008 - 2010	FY 2009 - 2011	FY 2010 - 2012
408	206%	215%	247%
410	57%	61%	110%

The principle causes of the increasing carry-forward funds include the lack of State planning using the best estimate of new and remaining funds based on expenditure rates from the previous years, and the overfunding of many projects (at least 24 projects sampled were significantly overfunded/padded, when compared with the contractual documents that did not reflect increases to the subgrantee project budgets). This is compounded by a “reserve fund” mentioned in the Vermont’s FY 2012 HSP; the GHSP explains this reserve stating, “In addition, GHSP must keep carry-forward funds in reserve so that, on October 1st of any given year, GHSP is able to continue paying staff, to honor contracts to grant funds to our sub-grantees, and to being projects as planned.” States are concerned about program continuity over fiscal year end and during periods of suspense when Congress debates extending authority of funding. However, Vermont has accumulated sufficient funds to run the program for more than a year, not the few days that a furlough or authority lapse might require.

Recommended Action C-7

The GHSP, in partnership with VDPS fiscal personnel, should:

- 1) perform a detailed analysis of the estimated CF and new year funds to plan a program robust enough to expend available funds;
- 2) commit funds to those projects having maximum impact on highway safety problems;
- 3) ensure the amounts awarded to each project are realistic for the tasks assigned to minimize unexpended balances;
- 4) monitor available and unexpended project balances throughout the year;
- 5) reallocate funds from projects that do not begin on time or slow-spending projects to productive subgrantees; and,
- 6) practice financial management oversight to guarantee that funds are used in an expedient manner for allowable purposes.

Management Consideration C-8. Electronic Technology

Currently GHSP subgrantees submit paper performance reports and claim reimbursements to GHSP via the U.S. mail. VDPS Grants Management Section estimates that it receives an average of 105 project vouchers and source documents from subgrantees each month, which is staggering over the course of a fiscal year. The VDPS and GHSP do not utilize electronic grant management tools, forms, or filing systems. Technology is available for the electronic completion and submission of programmatic and financial documents, thus reducing paper, processing times, and errors.

Several State highway safety offices have implemented electronic reporting, and electronic grant management systems to improve efficiency and record-keeping. We understand that VDPS is considering an electronic grants management system and the procurement process may begin soon, which is highly encouraged.

Recommended Action B-8

As a means to improve efficiency and record-keeping, and reduce workload, we recommend the State continue to secure electronic grant management tools/systems.

Voucher Reviews

The team reviewed FY 2010 Voucher 9 covering the period 6/1/2010 - 6/17/2010, for \$475,565. The total reimbursement for all grant programs in FY 2010 was \$5,672,294.

The team reviewed FY 2011 Voucher 15 covering the period 9/1/2011 - 9/30/2011, for \$733,324. The total reimbursement for all grant programs in FY 2011 was \$5,590,420.

The team also verified costs from FY 2012 Voucher 3 covering the period 12/1/2011-12/31/2011, for \$113,709. The total reimbursement in FY 2012 was \$1,015,378 as of Voucher 7 posted May 18, 2012.

All vouchers reconciled with the source documentation. (We did not conduct a FY 2009 voucher review due to the lack of complete documentation that resulted from the 2011 hurricane and flood.)

Appendix B

Appendix B represents the financial status of for Fiscal Years 2010, 2011 and 2012. The report provides obligation limitations, carry forward funds and expenditures for each of the years reviewed.

APPENDIX A. PROJECTS SELECTED FOR DETAILED EXAMINATION

FY 2012 Projects

1112-1069	402	\$ 14,592	Youth Safety Council of VT - Anti-Texting Campaign
1112-1150	405	\$ 74,979	HMC2 - Advertising Thanksgiving Media Buy
20864	408	\$ 15,150	Norwich Studies and Analysis Institute - Seatbelt Survey Redesign
1112-2125	402	\$ 5,581	Orelans County Sheriff's Office - 2012 Highway Safety Anytime Enforcement
1112-9229	164 AL	\$ 13,471	Rutland County Sheriff's Office - 2012 DUI Anytime
1112-9231	164 AL	\$ 6,025	Shelburne Police Dept - 2012 DUI Anytime
1112-1045	402	\$ 20,234	VT DMV - Driver Education Assessment
0912-3545	406	\$ 1,770	Stowe Police Dept - Equipment Incentives
1112-2005	410	\$ 18,478	VT State's Attorney - Traffic Safety Resource Prosecutor
1112-2023	410	\$ 72,479	HMC2 Advertising - Alcohol Paid Media
1112-2010	410	\$ 36,956	VT Dept of Public Safety - DRE Regional Training
20622	402 & 410	\$ 57,548	GHSP - LEL Contract for Tom Fields
112-9260	164 AL	\$ 20,513	VT State Police - Alcohol DUI Troopers
1012-1038	408	\$ 33,449	VT DPS - State Traffic Safety Information System Improvement
1112-2014	402	\$ 23,655	VT DMV - Crash Data analyst
1112-2129	402	\$ 30,490	Shelburne Police Dept - Highway Safety Anytime
1112-2130	402	\$ 3,109	Shelburne Police Dept - DUI Anytime
1112-2136	402	\$ 24,406	VT State Police - Highway Safety Anytime
TOTAL	26	\$ 510,178	

APPENDIX B. EXPENDITURES AND CARRY FORWARD

Grant Program	FY 2010				FY 2011				FY 2012			
	Carry Forward	Limitation	Total Available	Expended	Carry Forward	Limitation	Total Available	Expended	Carry Forward	Limitation	Total Available	Expended
402	\$ 988,251	\$ 1,761,525	\$ 2,749,776	\$ 1,528,800	\$ 1,220,976	\$ 1,761,525	\$ 2,982,501	\$ 1,437,609	\$ 1,544,892	\$ 1,321,144	\$ 2,866,036	\$ 418,302
405	\$ 100,460	\$ 150,827	\$ 251,287	\$ 188,799	\$ 62,487	\$ 149,675	\$ 212,162	\$ 48,151	\$ 164,012	\$ 110,453	\$ 274,465	\$ 74,979
408	\$ 1,517,698	\$ 500,000	\$ 2,017,698	\$ 437,781	\$ 1,579,918	\$ 500,000	\$ 2,079,918	\$ 344,349	\$ 1,735,569	\$ -	\$ 1,735,569	\$ 46,331
410	\$ 1,595,720	\$ 972,388	\$ 2,568,108	\$ 989,932	\$ 1,578,176	\$ 964,139	\$ 2,542,315	\$ 507,502	\$ 2,034,813	\$ -	\$ 2,034,813	\$ 276,496
2010	\$ 116,428	\$ 100,000	\$ 216,428	\$ 66,616	\$ 149,812	\$ 100,000	\$ 249,812	\$ 114,884	\$ 134,927	\$ -	\$ 134,927	\$ -
2011	\$ 155,848	\$ 81,337	\$ 237,185	\$ 63,496	\$ 173,689	\$ 78,399	\$ 252,088	\$ 129,674	\$ 122,414	\$ -	\$ 122,414	\$ -
406	\$ 939,267	\$ -	\$ 939,267	\$ 256,252	\$ 683,015	\$ -	\$ 683,015	\$ 397,656	\$ 285,359	\$ -	\$ 285,359	\$ 33,247
164 AL	\$ 441,008	\$ -	\$ 441,008	\$ 242,874	\$ 198,134	\$ 2,478,623	\$ 2,676,757	\$ 73,762	\$ 2,602,995	\$ -	\$ 2,602,995	\$ 166,023
164 HE	\$ 5,045,410	\$ 3,191,516	\$ 8,236,926	\$ 1,897,744	\$ 6,339,181	\$ 1,062,268	\$ 7,401,449	\$ 2,536,834	\$ 4,864,616	\$ -	\$ 4,864,616	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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Total	\$ 10,900,089	\$ 6,757,593	\$ 17,657,682	\$ 5,672,294	\$ 11,985,388	\$ 7,094,629	\$ 19,080,017	\$ 5,590,420	\$ 13,489,596	\$ 1,431,597	\$ 14,921,193	\$ 1,015,378

FY 2012 Expended is of Voucher 7, dated 5/18/2012

NOTE: This spreadsheet provides a macro picture of liquidation performance by grant program. If relevant, the review will identify major unexpended balances for specific grant programs.

There are many reasons for large unspent and carry forward amounts. A major reason is the receipt of certain grant program funds late in the award fiscal year. This effect is neutralized by the time the next fiscal year ends. Another common cause is the delayed commitment of obligated funds to projects or sub-grantees. For a comprehensive discussion of impediments and opportunities for the timely expenditure of highway safety funds, refer to the body of the report.

APPENDIX C. STATE RESPONSE

VT GHSP Response to 2012 Management Review

Finding B-3 Project (Grant Agreements)

Discussion with VDPS and GHSP staff confirmed that there are several projects that GHSP has with VDPS and State police that have no formal written contracts of interagency agreements. The following projects fund personnel and equipment costs:

- (1) FY2012 Department of Public Safety DRE Regional Training Project #112-2010:
\$36,956.31 of Section 410 Funds has been expended to date.

Response:

The appropriate documents have been completed, are on file and are available for inspection upon request.

- (2) FY2012 Vermont State Police AL DUI Troopers Project #1112-9260:
\$20,513.32 of Section 164AL funds have been expended to date.

Response:

The appropriate documents have been completed, are on file and are available for inspection upon request.

- (3) FY 2012 Vermont State Police, Department of Public Safety, Crash Data Analyst, Project # 1112-2014: \$23,655 of Section 40-2TR funds have been expended to Date.

Response:

The appropriate documents have been completed, are on file and are available for inspection upon request.

Also the Team identified over \$275,000. in equipment purchases with Federal highway safety funds for VDPS and State Police during FYs 2009 – 2012 without grant or interagency agreements.

For those awards that do have project agreements (referred to as “grant agreement” by GHSP) many do not define project deliverables, performance measures, data-driven timelines for implementation, specific eligible costs, or requirements for vouchering, and/or standardized reporting requirements. Requiring these project management elements in each grant agreement would create a higher level of accountability for subgrantees and increase protections for the State.

Required Action B-3

The GHSP must develop and execute a written grant agreement with each entity that is expending federal highway safety funds provided by the GHSP, or the DHSP may be responsible for reimbursing the NHTSA. Grant agreements should include problem

identification/justification, measurable goals/objectives, scope of work, tasks, specific budget and eligible costs, reporting requirements and deliverable, and all required certifications and assurances.

Response:

Agreed. See above. This situation has been rectified for FFY2013. Also note, that since FFY2011, GHSP has issued grand agreements and/or MOUs for all equipment purchases, including the Vermont State Police.

Management Finding B-4 (Missing Subgrant Certifications)

Required Action B-4: By the beginning of FY2013, GHSP must include all current and required certifications in each grant agreement.

Response:

This has been completed for FY13 Subgrant agreements.

Management Consideration B-5. Lack of Policies and Procedures.

Recommended Action B-5a

The GHSP should immediately begin developing written policies and procedures for the federally-funded highway safety program, using the GHSA model as a reference

Response:

Agreed. The GHSP staff has prepared and submitted a "Request for Proposal" to contract with an entity for the preparation of a "Policies and Procedures" manual, based on the model created by the Governor's Highways Safety Association (GHSA). VT GHSP will use the GHSA model as a guide and integrate all pertinent Vermont Department of Public Safety rules, regulations, policies, procedures and requirements into the GHSP Policies and Procedure manual. The selected vendor will provide training to all staff members and other appropriate members of DPS to insure the development of a working knowledge of and compliance with all requirements.

The MR Team was provided with the Grants Management Unit (GMU) Manual during the course of their review. This manual outlines the consistent manner in which Federal awards and Subawards are to be managed within DPS. The new GHSP manual will incorporate policies and procedures already established in the GMU manual.

Recommended Action B-5b

When developing the policies and procedures, subgrantee monitoring should be adequately defined, striving for uniformity in the application of the procedures for State and local subgrantees. The procedures should define selection criteria (based on relative risk of financial and programmatic project factors) as well as frequency, type (desk, phone, onsite, etc.), documentation and follow-up (including corrective actions). The State may want to consider extensive use of the LEL by tasking jim with also monitoring of State Police and local enforcement agencies.

Response:

Agreed. Beginning immediately, all GHSP staff will utilize recommended format and monitoring documentation as described in the GHSA manual. As previously stated, the selected vendor (for the GHSP policy manual) will provide GHSP staff with training related to the manual and specific emphasis on monitoring of grantees to achieve uniformity and standardization. It is projected that the policy manual and training will be completed by the end of this calendar year.

Recommended Action B-5c

When developing the policies and procedures, subgrantee reporting should be well-defined to specify expectations for frequency, detailed content and quality. These reporting expectations should be included in each grant agreement and reviewed with sub grantees.

Response:

Agreed. All GHSP grants issued for FFY2013 will contain such specific language.

Recommended Action B-5d

Following the development of the procedures, the GHSP should train and familiarize GHSP staff (and others tasked with monitoring activities such as the LEL) with the procedures to ensure they are uniformly applied and adhered to by all staff. The new procedures should be used to brief sub grantees during the GHSPs annual subgrantee training.

Response:

Agreed. Upon completion and receipt of the GHSP policies and procedures manual all GHSP members will be formally trained relating to the contents of the manual and the accepted procedures for conducting and documenting monitoring. The LEL(s) will continue to monitor activities related to enforcement and law enforcement partners.

Finding C-1. State Match

Required Action C-1a

By December 31, 2012, the State must present documentation of compliance with applicable match requirements for Sections 405, 408, and 2011 for Fiscal Years 2009, 2010, 2011 and 2012.

Response:

We are confident that there is in-kind Match for Sections 405, 408, and 2011 for Fiscal Years 2009, 2010, 2011. However, the means to document this Match will be difficult as we will need to gather this information from outside sources. We have been able to document Match that exceeds the required percentage for Sections 402 and 410 for Fiscal Years 2009, 2010, 2011 (see spreadsheets). In light of this, we are seeking permission to use the "over-Match" of Section 402 and 410 to satisfy the Match requirements of Sections 405, 408, and 2011 for Fiscal Years 2009, 2010, 2011.

Required Action C-1b

The State must collect and maintain documentation to comply with match requirements for FY 2012 and future fiscal years.

Response:

Agreed. GHSP and DPS Admin-Finance have already put measures in place to collect and maintain Match documentation for FY12 and beyond for all Sections.

Required Action C-1c

The VDPS and GHSP should develop a plan to ensure compliance in future years. this plan would include identifying all available match sources including those from subgrantee, to ensure the state is compliant with applicable regulations and that the match sources are auditable .

Response:

Agreed. GHSP and DPS Admin-Finance have already put measures in place to collect and maintain Match documentation for FY12 and beyond for all Sections.

Required Action C-1d

In FY 2013 the VDPS should consider making GTS entries at the project level to enhance subgrantee accountability and to assist GHSP in managing and reconciling match to projects in GTS.

Response:

We already track each individual project in VISION, the State of Vermont's accounting system. We feel that recreating projects in GTS would be a duplication of effort. We would like to continue to summarize the projects in GTS at the high level of Section and Program area.

Finding C-2. Employees Personnel Activity Reports and Certifications. Based upon a review of the time allocations proposed in HSPs, completed Vermont Time Report Forms (similar to PARs) and discussion with VDPS and GHSP staff, it appears that the hours shown on Time Report Forms are not based upon actual time worked in the program areas and grant programs, but based upon what was predetermined on the form. The percentage worked in program areas or grant program was predetermined and the staff members noted any exceptions to actual work, such as leave or overtime.

The proportions on the form appear to be arbitrary and are not based on an analysis of actual time, on the number of projects, or on the amount of funding assigned to each program area/grant program that the staff member manages (see Finding C-4, also). Since the proportion of time coded and charged to each program area and grant program is reported in the Grants Tracking System, entries should be as accurate as possible.

For employees who work multiple program areas within Section 402 or multiple grant programs but bill their time to Section 402, the GHSP may follow the procedure noted in

NHTSA?GHSA Discussion of time keeping requirement in support of salaries, wages and related costs, revised 8/5/2010. "In these cases, cost data assigned to the different priorities may be based on an informed, logical proportion derived from a representative sample of time spend on each or on the number of projects managed or proportion of total funds in each program area." This would include semi-annual certification and before-the-fact charge distribution based on proportional work, number of projects, and/or funds managed for each employee. However for those employees who work and time is billed to multiple grant programs, the State must continue to use PARs or equivalent documentation."

Required Action C-2a

The State must immediately comply with 2 CFR Par 225, Appendix B, 8.h by completing certifications, PARS or equivalent documentation for all federally-funded positions, and ensure that all timekeeping documents are auditable and accurate.

Response:

Agreed. Certifications have been completed for all GHSP employees. Certifications will continue to be renewed during September and March of each ensuing FFY. Beginning October 1, 2012, Personnel Activity Reports are being prepared by the Project Coordinator assigned to the educational grants (402CP – 50% and 402TF – 50%) and the Administrative Assistant (402P – 66.6% and 402PS 33.3%). The GHSP Chief is funded from one source, 402A. The Project Coordinator assigned to law enforcement grants is funded from one source, 402PT and the Public Information Officer is also funded from one source, 402CP.

Recommended Action C-2b Since this regulation applies to sub grantees also, the GHSP must review all subgrantee files to determine their compliance with timekeeping and take corrective action as appropriate.

Response:

Agreed. Review of current grantees and all grantees for FFY 2013 will be in compliance.

Finding C-3. Incorrect Charging and Coding of GHSP Staff Expenses During our review of payroll files and time and attendance records of federally-funded and GHSP employees, we found that several employees are being charged to what appear to be inappropriate accounting codes. Examples are listed below:

- The Grant Management Specialist in the Administrative Services Division of VDPS is being vouchered to Section 402CP (Community Traffic Safety Project). Based on a review of the position description and current duties, the position primarily requires financial/accounting type work and would be most appropriate charged to P&A. The individual is not supervised by/or reports to GHSP personnel.

- Two Vermont State Police personnel, one coded as Section 402TR and one as 408K(are being billed to NHTSA as GHSP employees but are

actually working under a grant with State Police. Moreover, one of the positions is not authorized under a written agreement (see Finding B-4).

- The GHSP Chief's salary is being charged 50 percent to 402PA and 50 percent to 410K8. Due to the inaccuracy of the Time Reports noted in the previous finding, documentation is insufficient to support 50 percent of the Chief's time to Section 410 Impaired Driving Program. Based upon his job duties, the Chief should be charged 100% to 402PA.
- The GHSP administrative assistant position is being charged to Section 402TR, though her duties are not Traffic Records-related.
- The GHSP public information education officer's time is being charged to 402CP with no evidence of working or monitoring community traffic safety projects.
 - 100% of GHSP Program Manager's time is being charged to 402TR, but most of this staff member's time is devoted to child passenger safety and public information.

Required Action C-3a The State must make immediate corrections to the Time Report forms (PARs and certifications) and to all payroll documents to ensure GHSP staff and its sub grantees are appropriately coded and charged to the correct accounting code, program area and grant funding source.

Response:

Agreed. Beginning October 1, 2012 Personnel Activity Reports are being prepared by the Project Coordinator assigned to the educational grants (402CP – 50% and 402TF – 50%) and the Administrative Assistant (402P – 66.6% and 402PS 33.3%). The GHSP Chief is funded from once source, 402A. The Project Coordinator assigned to law enforcement grants is funded from one source, 402PT and the Public Information Officer is also funded from one source, 402CP.

Required Action C-3b

For those positions where time was allowable but incorrectly charged to grant programs, the State must make changes in GTS dating back to the beginning of FY2012 to ensure all costs are appropriately charged to the programs commensurate with their job descriptions, and demonstrate associated match for S.402 P&A.

Response:

The required adjustments will be made in GTS dating back to the beginning of FY2012 prior to closeout. Refer to the response to Required Action C-3a for in use funding sources.

Required Action C-3c

State Police time will only be reimbursable with a fully-executed agreement, and charged to the appropriate program area. Without a fully executed agreement, the GHSP will reimburse the NHTSA for time charged.

Response:

Agreement is in place now dating back to October 2011.

Finding C-4. Equipment

Please refer to the Management Review for a complete list of all equipment in question.

Response:

On July 17, 2012 a post-purchase approval of capital equipment items was issued by the Acting Regional Administrator. This letter related to 38 items of capital equipment identified in the Management Review.

Finding C-5 Indirect Cost Documentation

The Team located two projects in which GHSP is reimbursing the subgrantee for indirect costs:

- Non-profit Local Motion (Project 1112-1068), Safe Street Collaborative): This project budgeted \$11,147 for indirect costs out of a \$45,000 grant which represents a 32 percent indirect cost rate. A cost allocation plan was not reviewed/monitored by the GHSP.
- Vermont Department of Labor (Project 113-1063): \$7,857 is budgeted for indirect costs out of a \$47,500 grant, representing 19.8 percent. Although there are documents in the file related to indirect costs, we were unable to locate the indirect cost rate approval letter.

The team requested the documentation form VDPS; the VDPS Grant Management personnel is attempting to locate/collect documentation.

Required Action C-5a

The State must provide documentation to demonstrate compliance with 2 CFR Part 225, Appendix E related to indirect costs for each respective party (non-profit/state agency), or Federal highway safety funds reimbursed to the sub grantees for indirect costs will be subject to cost recovery by NHTSA.

Response:

For Local Motion, the approved budget for indirect rate is 24.77% ($\$11,147/\$45,000 = 24.77\%$). We are still trying to determine which State agency is the cognizant agency that can approve their indirect rate for FY12 (AOT or DPS). Local Motion has submitted their proposal to both agencies and we should have a resolution very shortly. Their indirect rate proposal is 101%; however the GHSP has capped the amount that can be claimed to 25% on their award.

For VT Dept. of Labor, we provided the MR Team with their federally approved Cost Allocation Plan letter for FY11. The MR Team found this to be unsatisfactory since it did not include an actual rate. With the Cost Allocation Plan methodology, the rate can vary from month to month based on total expenditures for their entire Department. Regardless, GHSP caps the maximum to be claimed at 25% for their award. The updated copy of their federally-approved Cost Allocation Plan for FY12 is on file and available for inspection upon request.

Finding C-6. Questioned Expenditures – Child Passenger Safety Program

Required action C-6a

At a minimum the VDPS must conduct a desk audit by the Account Audit Analyst of FY 2011 and FY 2012 projects subcontracted to Fletcher Allen Health Care to ensure all funds expended by and reimbursed to FAHC are allowable and in compliance with Federal and State regulations. State audit finding shall be reported to the NHTSA.

Response:

DPS, GHSP and Region 1 staff is working cooperatively with FAHC to insure compliance with Federal and State regulations. The state audit process, conducted by DPS is in progress and will continue until completion.

Required action C-6b

All FAHC costs incurred from January 2012 to September 30, 2012 shall follow the terms for state and federal review and approval outlined above (and in the July 24, 2012 correspondence) prior to reimbursement in GTS.

Response:

The GHSP staff has been working with the Administrative Services Division of DPS to effectively manage the current FFY2012 Fletcher Allen Health Care, Child Passenger Safety grant.

Recommended action C-6c

The VDPS and GHSP should immediately increase their (desk, phone and onsite) monitoring of this grantee and grant-related activities. Monitoring should confirm that all expenditures are allowable and specifically related to Section 402 and S.2011 grant program requirements.

Response:

The Administrative Services Division of DPS is currently in the process of conducting an in depth audit of the FAHC CPS program.

Recommended action C-6d

We recommend that GHSP develop a travel policy and include pre and post-travel requirements in the subgrantee agreement. All travel requests and projected costs associated with conferences, conventions (both in and out-of-state) should be pre-

approved. Also, the GHSP should require trip reports and agendas be submitted with requests for reimbursement of travel expenses.

Response:

Effective immediately GHSP will create a travel policy requiring pre travel approval and post travel requirements for both in and out-of-state travel. Such travel will require trip reports as well as copies of agendas and other meeting/conference related documentation.

Management Consideration C-7. Better Planning and Implementation Can Expedite Expenditure of Funds

Federal Highway safety funds are provided to the State with the expectation that they will be expended in an effective and timely manner. The team reviewed GTS documents to determine the liquidation rate and amount of carry-forward funds (CF) (unexpended funds from the previous FY's obligation) from one fiscal year to the next (See Appendix B.) Since FY 2009, the GHSP has had difficulty in planning, obligating, and expending project funds in a timely manner. From 2009-2012, Vermont has experienced a significant increase in the percentage of funds carried forwarded form year to year for Sections 402, 405, 408 and 410, as noted below:

	FY 2009-2010	FY 2010-2011	FY 2011-2012
402	56%	69%	88%
405	64%	41%	110%
	FY 2009-2010	FY 2010-2011	FY 2011-2012
408	206%	215%	247%
410	57%	61%	110%

The principle causes of the increasing carry-forward funds include the lack of State planning using the best estimate of new and remaining funds based on expenditure rates from the previous years, and the overfunding of many projects (at least 24 projects sampled were significantly overfunded/padded, when compared with the contractual documents that did not reflect increases to the subgrantee project budgets). This is compounded by a "reserve fund" mentioned in the Vermont's FY 2012 HSP; the HSP explains this reserve stating, "In addition, GHSP must keep carry-forward funds in reserve so that, on October 1st of any given year, GHSP is able to continue paying staff, to honor contracts to grant funds to our sub-grantees, and to begin projects as planned." States are concerned about continuity over fiscal year end and during periods of suspense when Congress debates extending authority of funding. However, Vermont has accumulated sufficient funds to run the program for more tha a year, not the few days that a furlough or authority lapse might require.

Recommended Action C-7

The GHSP, in partnership with VDPS fiscal personnel, should:

- 1) Perform a detailed analysis of the estimated CF and new year funds to plan a program robust enough to expend available funds;
- 2) commit funds to those projects having maximum impact on highway safety problems;
- 3) ensure the amounts awarded to each project are realistic for the tasks assigned to minimize unexpended balances;
- 4) monitor available and unexpended project balances throughout the year;
- 5) reallocate funds from projects that do not begin on time or slow-spending projects to productive subgrantees; and,
- 6) practice financial management oversight to guarantee that funds are used in an expedient manner for allowable purposes.

Response:

GHSP does not agree with the use of subjective language such as "overfunding/padding" and annually endeavors to design efforts to effectively and efficiently establish data driven strategies promoting traffic safety.

A number of unexpected and unprecedented circumstances contributed to the increase in carry-forward funds, including:

- vacancy savings due to two GHSP employees being placed on administrative leave for an extended period of time;
- vacancy savings due to the retirement of a key employee;
- significant lapse of time before the above employees could be replaced;
- lack of consistent and permanent leadership for over two years;
- Tropical Storm Irene which disrupted activities for many months.

The above events are now behind us, and GHSP is now addressing the carry-forward situation.

- 1) This analysis was performed and the estimated CF funds from FFY 2012 are entered into the 2013 HSP. Please see, also, the 2013 HSP for program planning.
- 2) In our planning we are always guided by the Critical Emphasis Areas identified in our HSP.
- 3) Agreed. We are keeping this in mind for planning purposes.
- 4) GHSP already does this whenever possible. For example, law enforcement grants are monitored constantly, and funds are reassigned when possible. This is more difficult to do when the use of funds is extremely restricted, as with \$408 Traffic Records funds. However, in FFY 2013 the Traffic Records Strategic Plan will be completely revised which will help with the redirecting of funds if necessary.
- 5) Agreed. See above.

6) Agreed. We believe that we have the systems in place to allow for best practices in financial management.

Management Consideration C-8. Electronic Technology

Currently GHSP subgrantees submit paper performance reports and claim reimbursements to GHSP via the U.S. mail. VDPS Grants Management Section estimates that it receives an average of 105 project vouchers and source documents from subgrantees each month, which is staggering over the course of a fiscal year. The VDPS and GHSP do not utilize electronic grant management tools, forms or filing systems. Technology is available for the electronic completion and submission of programmatic and financial documents, thus reducing paper, processing time, and errors.

Several State highway safety office have implemented electronic reporting, and electronic grant management systems to improve efficiency and record-keeping. We understand that VDPS is considering an electronic management system and the procurement process may begin soon, which is highly recommended.

Recommended Action C-8

As a means to improve efficiency and record-keeping, and reduce workload, we recommend the State continue to secure electronic grant management tools/systems

Response:

We are in the middle of the contracting process with our selected vendor, Agate. We are projected to go live with the electronic Grants Management System in Spring of 2013 for the solicitation of FY14 GHSP projects.

