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Department of Public Safety

September 24, 2012

Michael Geraci
Regional Administrator, NHTSA, Region 1
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Administrator Geraci,

Thank you so much for your help in recent weeks. Everyone I come into contact with (in Vermont) is quite impressed by your straight forward attitude, accessibility and positive approach to all issues. The Governor's Highway Safety Program (GHSP) will greatly benefit from this productive partnership between the (GHSP) and the Region 1 leadership and staff.

Attached are GHSP's responses to the recently conducted Management Review (MR). As you know, we appreciate the efforts of the MR team, and welcome any assistance in the efficient development of better highway safety programs. The MR will provide the GHSP staff with a clear understanding of the issues in need of resolution.

The entire staff looks forward to working, together, with you and your staff to reduce Vermont's crashes and save lives. Please come visit and work with us as often as possible.

In partnership,

A handwritten signature in black ink that reads "Ted Minall".

Ted Minall
Chief, VT GHSP

The logo for the State of Vermont, featuring a stylized silhouette of a mountain range with a sun or moon rising over it, followed by the word "VERMONT" in a serif font.

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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

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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.

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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.

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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

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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 numbe 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 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.

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 duries, 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

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- 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.

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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

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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.

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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 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;

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- 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.

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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.