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# *Office of Inspector General*

# *Audit Report*

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## **NHTSA'S OVERSIGHT OF MISSISSIPPI'S MANAGEMENT OF FEDERAL HIGHWAY SAFETY GRANTS NEEDS STRENGTHENING**

*National Highway Traffic Safety Administration*

*Report Number: MH-2013-040*

*Date Issued: February 6, 2013*






# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** Final Report: NHTSA's Oversight of  
Mississippi's Management of Federal Highway  
Safety Grants Needs Strengthening  
National Highway Traffic Safety Administration  
Report No. MH-2013-040

Date: February 6, 2013

From: Joseph W. Comé   
Assistant Inspector General for  
Highway and Transit Audits

Reply to  
Attn. of: JA-40

To: National Highway Traffic Safety Administrator

The National Highway Traffic Safety Administration (NHTSA) awards safety grants to States for programs to reduce fatalities, injuries, and economic losses resulting from motor vehicle crashes. According to NHTSA, Mississippi has the highest rate of vehicle fatalities in the Nation and the third highest rate of alcohol-related fatalities.<sup>1</sup> For fiscal years 2007 through 2010, NHTSA provided \$20.8 million in highway safety grant funds to the Mississippi Office of Highway Safety (MOHS).<sup>2</sup> In addition to this amount, Mississippi transferred \$36.3 million from its Federal-aid highway construction funds to the highway safety program under Section 154 of Title 23 United States Code (U.S.C.) to be used for alcohol-impaired driving programs.<sup>3</sup> In January 2011, NHTSA designated Mississippi's highway safety program as "high risk" because of deficiencies in its management of Federal funds and lack of conformance with Federal grant terms and conditions. Mississippi is the only State in the nation with a high-risk designation.

At NHTSA's request, we initiated an audit of Mississippi's management of Federal highway safety grants. Specifically, our objectives were to (1) determine whether MOHS sufficiently administered the highway safety grant program to

<sup>1</sup> These statistics are based on a 3-year moving average, for fiscal years 2008-2010, of fatalities per 100,000 people.

<sup>2</sup> Pub. L. 109-59, "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" (SAFETEA-LU), authorized grant and transfer funds during the fiscal years covered by our audit. On July 6, 2012, Pub. L. 112-141, "Moving Ahead for Progress in the 21st Century (MAP-21) replaced SAFETEA-LU.

<sup>3</sup> Mississippi does not have an open container law that complies with Federal requirements. Therefore, under 23 U.S.C. § 154, it is subject to transferring 3 percent of its Federal-aid highway construction funds to its highway safety program for alcohol-impaired driving countermeasures, enforcement of laws prohibiting impaired driving, or hazard elimination. MAP-21 replaced the 3 percent transfer provision with a 2.5 percent provision.

ensure compliance with Federal grant requirements and (2) assess NHTSA's oversight of MOHS's compliance with Federal grant requirements.

We conducted this review between June 2011 and November 2012 in accordance with Government auditing standards prescribed by the Comptroller General of the United States. As part of this audit, we interviewed NHTSA, State of Mississippi, and MOHS officials; reviewed MOHS's financial management controls for administering Federal safety grants; and evaluated NHTSA's actions for providing oversight of MOHS and enforcing its recommendations. In conducting our work, we selected a statistical sample of \$10.4 million from a universe of \$45.3 million in payment vouchers which allowed us to project the total amount of improper payments made by MOHS. Exhibit A provides more details on our scope and methodology.

## **RESULTS IN BRIEF**

MOHS did not administer Section 154 alcohol-impaired driving transfer funds in accordance with Federal requirements. MOHS inappropriately entered into grant agreements with State and local law enforcement agencies, allowing them to conduct ineligible general law enforcement activities instead of focusing on alcohol-impaired driving enforcement, as required by Section 154. As a result, ineligible enforcement activities occurred and MOHS made improper payments to its sub-grantees. MOHS subsequently made claims for reimbursement from NHTSA for these activities that were not directly related to alcohol-impaired driving.<sup>4</sup> We analyzed a statistical sample of \$10.4 million in grant fund disbursements and identified improper payments totaling \$102,218. Based on a statistical projection, we estimated that MOHS made approximately \$7.1 million in improper payments to its sub-grantees for ineligible transactions for fiscal years 2007 through 2010.<sup>5</sup> MOHS's misuse of Section 154 funds and its inadequate financial management controls<sup>6</sup> were likely contributing factors to these improper payments. Specifically, we found that MOHS had (1) inadequate accounting controls and processes to prepare Federal reimbursement vouchers, (2) inadequate documentation of financial transactions, and (3) improper segregation of duties and lack of supervisory review.

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<sup>4</sup> Office of Management and Budget Circular A-123, Appendix C (August 2006) classifies improper payments as a duplicate payment, a payment in an incorrect amount, a payment for an ineligible recipient or services, services not received, or a payment with insufficient documentation.

<sup>5</sup> Our projection was based on the results of a statistical sample of \$10.4 million, or 23 percent of \$45.3 million, in grant fund disbursements for fiscal years 2007 through 2010. Our projection of \$7.1 million in improper payments has 90 percent confidence limits ranging from \$4.7 million to \$9.5 million.

<sup>6</sup> 49 Code of Federal Regulations (CFR) § 18.20 provides standards for State grantee financial management systems. State fiscal controls and processes must be sufficient to prepare reports and adequately track funds to determine proper use.

Through its oversight process, NHTSA documented significant deficiencies in MOHS's administration of highway safety grants as far back as 2006, but has made limited progress in getting MOHS to address its weak financial management controls and poor conformance with grant requirements. NHTSA's longstanding, though largely unsuccessful, efforts to obtain timely corrective actions culminated in its January 2011 designation of Mississippi as a high-risk grantee.<sup>7</sup> The high-risk designation allows NHTSA to require that MOHS conduct additional monitoring and reporting on sub-grantees, and to seek NHTSA's approval for certain expenditures. However, unlike other Operating Administrations, NHTSA does not have specific agency guidance on how and when to invoke the high-risk designation, or when to use remedies and sanctions against States for lack of compliance with Federal grant regulations. The lack of guidance may have delayed NHTSA's decision to designate Mississippi's highway safety program as high risk. Without agency guidance or criteria, NHTSA lacks a useful tool for determining when enforcement action is warranted and for clearly communicating to the States the consequences for noncompliance with critical oversight requirements.

We are making a series of recommendations to improve NHTSA's oversight of MOHS and its efforts to obtain MOHS's correction of weaknesses in the management of Federal funds.

## **BACKGROUND**

NHTSA awards highway safety grants to States for programs to reduce fatalities, injuries, and economic losses resulting from motor vehicle crashes. These safety programs promote safety belt use and discourage alcohol-impaired driving, among other activities. States allocate Federal grant funds to other State agencies, local agencies including law enforcement agencies, and nonprofit organizations.

At the time of our review, Mississippi was 1 of 11 States that had not passed an open container statute that conforms to Federal requirements; therefore, during the time period covered by our audit, the State was subject to Federal statutes that required it to transfer 3 percent of its Federal-aid highway construction funds to its highway safety program.<sup>8</sup> These transfer funds must be used for alcohol-impaired driving countermeasures, enforcement of drinking and driving laws, or hazard elimination activities.<sup>9</sup>

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<sup>7</sup> NHTSA can designate States as high-risk grantees under Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (49 CFR § 18.12), also known as the Grant Common Rule.

<sup>8</sup> MAP-21 replaced the 3 percent transfer provision with a 2.5 percent provision.

<sup>9</sup> Under MAP-21, hazard elimination activities have been replaced by the highway safety improvement program.

The Improper Payments Information Act (IPIA)<sup>10</sup> provides a framework for agencies to use to test for improper payments, identify their causes, and implement solutions to reduce them. The Office of Management and Budget (OMB) established detailed requirements<sup>11</sup> to comply with IPIA. Executive Order 13520 (November 2009) underscores the importance of reducing improper payments and eliminating fraud, waste, and abuse in Federal programs. OMB is working to hold agencies accountable for misusing taxpayer dollars and is creating stronger incentives for reporting, reducing, and recovering these erroneous payments. Accordingly, NHTSA and MOHS are responsible for taking steps to reduce improper payments from Federal funds, such as payments for ineligible services, duplicate and incorrect payment amounts, and payments based on insufficient supporting documentation.

## **MOHS DID NOT COMPLY WITH FEDERAL REQUIREMENTS FOR ADMINISTERING HIGHWAY SAFETY GRANTS**

MOHS did not administer Section 154 alcohol-impaired driving transfer funds in accordance with Federal requirements, resulting in improper payments using Federal grant funds. Moreover, MOHS did not have sufficient financial management controls to ensure proper management of highway safety grant funds and to mitigate the risks of improper payments and fraud, waste, and abuse.

### **MOHS Did Not Comply With Requirements for Administering Alcohol-Impaired Driving Transfer Funds**

MOHS's noncompliance with Federal requirements for administering Section 154 transfer funds resulted in improper payments<sup>12</sup> to sub-grantees for ineligible general traffic law enforcement activities. Specifically, Mississippi did not exclusively use Section 154 funds for alcohol-impaired driving countermeasures or enforcement of drinking and driving laws—such as concentrating on the enforcement of violations of the State's driving under the influence (DUI) statute. Instead, MOHS inappropriately entered into grant agreements with State and local law enforcement agencies that permitted them to use Section 154 funds to conduct general law enforcement activities, such as issuing citations for speeding and seat belt violations. Because of these inappropriate agreements and the ineligible general traffic enforcement, MOHS made improper payments to the law enforcement agencies and subsequently requested reimbursement for these payments from NHTSA.

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<sup>10</sup> Pub. L. No. 107-300 (2002).

<sup>11</sup> OMB Circular A-123, Appendix C (August 2006).

<sup>12</sup> For the purposes of this audit, we defined an improper payment as a duplicate payment, a payment in an incorrect amount, a payment for ineligible service, or a payment with insufficient documentation.

Specifically, our statistical sample of \$10.4 million in grant fund disbursements for fiscal years 2007 through 2010 identified improper payments totaling \$102,218. Based on our sample findings, we project that MOHS made improper claims to NHTSA for reimbursement of approximately \$7.1 million for ineligible costs.<sup>13</sup>

The improper payments we identified resulted from MOHS making reimbursement claims for State and local law enforcement officers' wages paid to the officers for conducting activities that did not meet Section 154 eligibility requirements. Most notably, 93 of the 127<sup>14</sup> State and local police officers in our statistical sample, or 73 percent, did not issue any DUI citations during the time periods we analyzed. We found that only 147, or 5 percent, of the 2,926 citations that the 127 officers issued were for DUI violations (see table 1). The 127 officers issued DUI citations at a collective rate of 1 per 28.6 enforcement hours. Based on the grant agreement provisions, the low percentage of DUI citations issued, and the high percentage of law enforcement officers who did not issue any DUI citations, we concluded that Mississippi was not complying with Section 154 requirements. Exhibit B provides more detail on our analysis.

**Table 1. Types of Citations State and Local Law Enforcement Officers Issued Under Section 154 Projects**

Law Enforcement Agencies	Number Officers	Hours Worked	Total Citations Issued	Seatbelt & Child Restraint Citations	Speeding Citations	Other Citations	DUI Citations	Percent of DUI Citations
State	68	992	1,791	157	870	749	15	0.8
Local	59	3,213	1,135	132	159	714	132	11.6
<b>Total</b>	<b>127</b>	<b>4,205</b>	<b>2,926</b>	<b>289</b>	<b>1,029</b>	<b>1,463</b>	<b>147</b>	<b>5.0</b>

Source: OIG analysis of a sample of 127 law enforcement officers

According to NHTSA, varying conditions can impact the citation average in different jurisdictions; but it has not and does not plan to establish a standard or performance target for the number or rate of DUI citations that should be issued within a given time frame. Lacking an established NHTSA standard or target, we used a reasonable baseline of one citation per 16 hours of duty time to test Section 154 compliance. We judgmentally developed our baseline using 16 hours as the equivalent of two full-time 8-hour shifts during which alcohol-impaired driving is targeted. NHTSA officials agreed that our baseline is reasonable as a calculation tool for our audit. However, NHTSA did not want the baseline to be construed as a performance standard or target for States. Based on our analysis, only 21 of the 127 officers met the baseline. As a result, there were significant variations in the

<sup>13</sup> Our projection was based on the results of a statistical sample of \$10.4 million, or 23 percent of \$45.3 million, in grant fund disbursements for fiscal years 2007 through 2010. Our projection of \$7.1 million in improper payments has 90 percent confidence limits ranging from \$4.7 million to \$9.5 million.

<sup>14</sup> The 127 officers were located in 22 jurisdictions.

number of DUI citations issued by officers. For example, 1 officer issued 26 DUI citations during a 4-week period, but another officer issued no DUI citations during a similar 4-week period.

Although some local law enforcement agencies designated full-time DUI officers, these officers did not always concentrate on DUI-related activities—indicating that Federal grant funds were used to supplant the costs of general law enforcement.<sup>15</sup> Federal regulations prohibit the use of Federal funds for general expenses required to carry out other responsibilities of a State or its sub-grantees. Our analysis found that 14 designated full-time DUI officers worked general law enforcement activities under Section 154 grant agreements. The use of Section 154 funds in these cases calls for the State and NHTSA to provide more consistent oversight to ensure full compliance with Federal requirements.

### **MOHS Did Not Have Sufficient Financial Management Controls To Manage Federal Highway Safety Grants**

MOHS did not have sufficient controls<sup>16</sup> to effectively manage Federal highway safety grants, including Section 154 transfer funds. We identified financial control weaknesses at MOHS that increase the risk of improper payments, including (1) lack of accounting controls and processes to prepare Federal reimbursement vouchers, (2) inadequate documentation of financial transactions, and (3) improper segregation of duties and lack of supervisory review. MOHS's deficiencies in managing Federal funds violate the control requirements set forth in the Grant Common Rule<sup>17</sup> and the elements of internal control in the Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government. Although we did not identify any specific instances of fraud, internal controls serve as the first line of defense in safeguarding assets and preventing and detecting fraud, abuse, and improper payments.

MOHS did not have adequate accounting controls and processes to prepare Federal reimbursement vouchers and lacked an automated grants processing system. We identified mathematical errors, and omissions and duplications in the manual system MOHS used to accumulate accounting data to prepare its requests for reimbursement from NHTSA. MOHS also lacked documentation to support some payments and could not reconcile grant fund balances in the State accounting system with grant fund balances in NHTSA's grant tracking system. Further, outside our sample, we identified \$232,981 in improper

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<sup>15</sup> Supplanting is the replacement of existing State or local expenditures with the use of Federal grant funds and/or using Federal grant funds for costs of activities that constitute general expenses required to carry out the overall responsibilities of State, local, or federally recognized Indian tribal governments.

<sup>16</sup> Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1)

<sup>17</sup> 49 CFR § 18.20. This section of the Grant Common Rule requires that grantees maintain fiscal controls and accounting procedures that permit sufficient tracking of grant funds to related expenditures to establish that funds have not been used in violation of restrictions and prohibitions of applicable statutes.

payments—duplicate Section 154 reimbursement amounts of \$99,127 in wages of local law enforcement officials, \$88,946 in payments of Section 154 contracts to a local State university, \$30,148 in an erroneous adjusting entry, and \$14,760 in unsupported costs.<sup>18</sup>

MOHS did not sufficiently document financial grant transactions, leaving an inadequate audit trail. MOHS staff made adjusting entries to financial records without an explanation or audit trail, and offset these adjustments against valid transactions. Moreover, MOHS did not sufficiently record grant-funded equipment with a cost of \$1,000 or more to its equipment inventory.<sup>19</sup> We identified nearly \$100,000 in equipment that was not included in the inventory.

MOHS did not properly segregate and supervise duties required to process grant claims from those required to reimburse vouchers. For example, one MOHS accountant was the final level of review for all sub-grantee claims for reimbursement, paid the claims, and prepared Federal reimbursement vouchers—functions that should be separated to reduce the risk of fraud, waste, and abuse. These functions were performed with little or no supervision. Not only was the accountant the only MOHS official with detailed knowledge of the highway safety grant payments and accounting transactions, but MOHS did not have a designated official, such as an internal auditor, to conduct periodic assessments of the MOHS internal controls. Periodic assessments would provide NHTSA and MOHS assurance that proper grant management financial controls are in place and working effectively.

After we completed our audit work, NHTSA informed us that MOHS took action to correct internal control weaknesses in its financial management of the highway safety program. For example, MOHS hired a new finance manager and agreed to add a full-time auditor to its staff in fiscal year 2013; separated the review and approval of sub-grantee claims; began a process to reconcile State payment records to reimbursement claims to NHTSA; and included written procedures for inventory control and management in its revised policy and procedures manual. However, NHTSA faces an ongoing challenge to ensure that MOHS effectively and fully implements these corrective actions in a timely manner.

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<sup>18</sup> The improper payments of \$232,981 are included in our overall estimate of \$7.1 million in improper payments.

<sup>19</sup> The Grant Common Rule requires a State to account for grant funds in compliance with State laws and procedures for expending and accounting for its own funds. State regulations require an inventory of equipment costing \$1,000 or more.



## **NHTSA IDENTIFIED NEEDED CORRECTIVE ACTIONS BUT MADE LIMITED PROGRESS IN OBTAINING TIMELY COMPLIANCE**

NHTSA documented significant deficiencies in MOHS's administration of highway safety grants as far back as 2006, but had limited success in obtaining MOHS's correction of weak financial management controls, poor conformance with grant requirements, and overall unsatisfactory performance. NHTSA's longstanding efforts to obtain corrective actions culminated in its January 2011 designation of Mississippi as a high-risk grantee. However, NHTSA does not have specific agency guidance on how and when to invoke the high-risk designation, or when to use remedies and sanctions on States with significant compliance issues.

### **NHTSA Identified Management and Compliance Deficiencies With MOHS's Administration of Safety Grants That Remain Unresolved**

NHTSA has longstanding issues associated with MOHS's highway safety grant program deficiencies that have not been corrected. From 2006 through 2009, NHTSA conducted formal reviews of MOHS's alcohol-impaired driving program and its highway safety grant program, resulting in both required and recommended corrective actions.<sup>20</sup> For example, based on its 2006 review, NHTSA identified deficiencies with and made recommendations designed to improve MOHS's impaired driving program. Additionally, NHTSA's 2009 review resulted in recommendations for best practices and required financial management actions—such as implementation of internal and budget controls and processes to comply with the Grant Common Rule; procedures to ensure that sub-grantees are timely reimbursed for valid claims; and reviews to ensure that grant activity reports and certifications are timely, complete, and accurate.

In 2008, NHTSA informed MOHS of its noncompliance with Federal grant requirements, specifically MOHS's inappropriate use and inadequate oversight of Section 154 transfer funds. In May 2010, NHTSA informed MOHS of the potential that the State's highway safety grant program could receive a high-risk designation. However, NHTSA's unsuccessful efforts to obtain corrective actions from MOHS culminated in its January 2011 designation of Mississippi as a high-risk grantee. This designation allows NHTSA to require that MOHS provide more detailed financial reports and additional project monitoring, obtain technical or management assistance, and obtain prior NHTSA approval of grant expenditures.

According to NHTSA, MOHS has made progress in addressing the longstanding required and recommended actions from its 2009 review. At the time of our

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<sup>20</sup> NHTSA differentiates between "required actions" that relate to States' noncompliance with Federal and/or State statutes, regulations, rules, policies, and guidelines, and "recommended actions" that improve the State's highway safety program by implementing best practices that do not specifically relate to statutes, regulations, rules, policies, or guidelines. According to NHTSA, it cannot mandate the State to act on recommended actions.

review, three financial management actions, required by the Grant Common Rule, and eight recommended best practices remained open. Accordingly, NHTSA faces a key challenge to ensure that MOHS sustains its efforts to address these actions.

### **NHTSA Does Not Have Adequate Guidance for Using Remedies and Sanctions Against High-Risk Grantees**

NHTSA has not developed specific agency guidance or criteria on how and when to use its enforcement authority or how its regional offices should use remedies and sanctions against grantees that have been designated as high risk. NHTSA officials stated that they were reluctant to develop any criteria because of concerns that specific guidance would limit NHTSA's flexibility to take unique enforcement actions against any particular grantee. Instead of developing agency criteria, NHTSA relies on the guidelines in the Common Grant Rule for designating a State as high risk and for using remedies and sanctions for high-risk grantees. This rule provides remedies and sanctions for failure to comply with grant regulations, including withholding funds pending correction of deficiencies, disallowing all or part of the cost of noncompliance, suspending or terminating all or part of the State's highway safety program, or withholding future funding.

We recognize that NHTSA may rely on the Common Grant Rule to provide guidance on the range of available sanctions and remedies. However, in our opinion, without specific agency guidance or criteria, NHTSA lacks a useful tool for determining when enforcement action is warranted and for clearly communicating to the States the consequences for noncompliance with critical oversight requirements. Such guidance could permit flexibility in NHTSA's implementation of specific enforcement actions while still providing NHTSA Regional Offices with a useful means to emphasize timely compliance when discussing grant oversight problems with their respective States. After documenting problems with MOHS's administration of Section 154 alcohol transfer funds in 2008 and its noncompliance with the Grant Common Rule in 2009, NHTSA took 2 more years to designate Mississippi's highway safety program as high risk. More specific guidance establishing a timeline for such actions might have accelerated the process.

NHTSA could benefit from the experience of other Operating Administrations in developing guidance for using remedies and sanctions against high-risk grantees. For example, the Federal Transit Administration (FTA) has guidance on using remedies and sanctions to reduce the risk of noncompliance. FTA's guidance generally describes actions that regions can take and requires the designation of a grantee as high risk 1 year after notice of noncompliance. After 2 years, FTA places restrictions on the grantee's future grant approvals involving noncompliance and restricts funds in existing grants until the grantee takes corrective measures. FTA plans to revise its guidance as part of a comprehensive

review of its oversight program, in response to recommendations in our recent report on FTA grant oversight.<sup>21</sup>

## **CONCLUSION**

NHTSA's infusion of millions of Federal grant dollars into State highway safety programs is intended to reduce fatalities, injuries, and economic losses resulting from motor vehicle crashes. Robust policies, guidance, and grant oversight is critical for NHTSA and State highway safety agencies as they implement important programs. Our work has demonstrated that NHTSA will need validated assurance from MOHS that it will comply with Federal grant requirements, implement satisfactory systems of grant financial management controls, and take actions to correct deficiencies. Without such assurances, NHTSA cannot ensure that MOHS's claims for reimbursement are free from improper payments or that the risks of fraud, waste, abuse, and mismanagement of funds are mitigated.

## **RECOMMENDATIONS**

We recommend that the National Highway Traffic Safety Administrator:

1. Work with MOHS to develop an action plan, with milestones, to:
  - a. Obtain technical assistance to identify and implement financial management internal controls to comply with the Grant Common Rule; Government Accountability Office Standards for Internal Control; and other applicable laws, regulations, and program compliance requirements.
  - b. Implement improved processes to calculate reimbursement claims to NHTSA, such as an automated grants system used by other State highway safety offices.
  - c. Obtain independent assurance that proper grant management controls and financial and accounting procedures are in place and working effectively.
  - d. Develop guidance for monitoring the use of local officers as full-time driving under the influence officers to ensure appropriate use of Section 154 funds.
2. Develop an action plan for monitoring Mississippi's grant agreements with sub-grantees, once the high-risk designation is removed, to ensure compliance with Federal requirements.

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<sup>21</sup> OIG Report Number MH-2012-168, "Improvements Needed In FTA's Grant Oversight Program," August 2, 2012. OIG reports are available on our Web site at <http://www.oig.dot.gov>.

3. Identify actions NHTSA will take to recover improper payments.
4. Develop guidance with parameters and timelines for designating State grantees as high risk, restricting or withholding grant funds from grantees, and implementing other available remedies and sanctions for noncompliance with Federal grant regulations or requirements.

## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

We provided NHTSA with our draft report on November 14, 2012, and received its response on January 18, 2013. NHTSA's complete response is included as an appendix to this report. In its response, NHTSA concurred with all four of our recommendations and provided appropriate planned actions and target dates for completion. Accordingly, we consider the four recommendations resolved but open pending completion of planned actions.

## **ACTIONS REQUIRED**

NHTSA's planned actions for all four recommendations are responsive, and its target action dates are appropriate. In accordance with the follow-up provisions in Department of Transportation Order 8000.1C, we request that NHTSA provide information demonstrating completion of its planned actions within 10 days after action is taken. All four recommendations will remain open pending receipt of this information.

We appreciate the courtesies and cooperation of National Highway Traffic Safety Administration representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-5630 or Kerry R. Barras, Program Director, at (817) 978-3318.

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cc: NHTSA Audit Liaison, NPO-310  
OST Audit Liaison, M-1

## **EXHIBIT A. OBJECTIVES, SCOPE, AND METHODOLOGY**

We conducted our work from June 2011 through November 2012 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the State of Mississippi, Office of Highway Safety (MOHS) Federal highway safety grant funding for fiscal years 2007 through 2010. Our objectives for this audit were to (1) determine whether MOHS sufficiently administered the Federal highway safety grant program to ensure compliance with Federal grant requirements and (2) assess the National Highway Traffic Safety Administration's (NHTSA) oversight of MOHS's compliance with Federal grant requirements.

To assess whether MOHS sufficiently administered the Federal grant program in compliance with Federal requirements, we reviewed key documentation including NHTSA's grant policies, procedures, and program guidance. We reviewed the MOHS operating policies and procedures manual. We interviewed NHTSA officials at Headquarters and Regional Offices in Atlanta, Georgia, and Fort Worth, Texas; and State of Mississippi officials including the MOHS Executive Director, program managers, legal counsel and accounting staff, and an MOHS contractor. We also interviewed officials from the Office of the Mississippi State Auditor, the Department of Finance and Administration, and highway safety grant recipients including the Mississippi Highway Safety Patrol in Jackson, Mississippi, and selected local law enforcement agencies.

To determine whether MOHS grant expenditures complied with Federal grant requirements, we tested a three-stage statistical probability proportional to size sample of grant payments that occurred during fiscal years 2007 through 2010. We extracted a universe of \$45.3 million in 337 payment vouchers from the Department's financial accounting system, Delphi. We were unable to reconcile this universe to the \$57.1 million in total grant and transfer reimbursements that NHTSA made to MOHS. Therefore, we used the Delphi-provided universe of \$45.3 million to select the first stage of our sample—28 Delphi payment vouchers with a value of \$10.4 million. We reconciled this sample to NHTSA's Grant Tracking System, and to MOHS's Federal reimbursement vouchers and grant financial records. However, annual grant fund balances in NHTSA's Grant Tracking System did not reconcile to highway safety grant accounts in the State of Mississippi's accounting system.

We also examined MOHS's grant agreements with sub-grantees and tested the second and third stages of our statistical sample for conformance to Federal grant policies, procedures, and controls over grant payments and reimbursements. Our second stage sample contained 73 line items out of the 940 MOHS payments included in the 28 stage 1 vouchers, and our third stage sample contained 127 line items out of the 73 stage 2 line items. Our analysis included tests for improper payments, errors, irregularities, abuses, and illegal acts. To perform our tests, we made site visits to MOHS and the Mississippi Highway Safety Patrol, and traced supporting documentation such as grant agreements, reimbursement vouchers, purchase invoices and property inventories, payroll records and timesheets, travel records and expense reports, traffic citations, and other related documents to verify proper authorization, supervisory approvals, and recordkeeping, and to confirm the appropriateness and validity of payments and reimbursements.

To assess the extent to which MOHS had financial management controls in place to reduce the risk of fraud, waste, abuse, and mismanagement of funds during fiscal years 2007 through 2010, we reviewed MOHS's financial management controls for administering Federal highway safety grants and tested a statistical sample of MOHS payments to sub-grantees, as described in the paragraph above, for compliance with Federal grant requirements. Specifically, we reviewed GAO's Standards for Internal Control in the Federal Government to determine internal control standards relevant to the management of grant programs, the Grant Common Rule, OMB Circulars A-123 and A-87, the Improper Payments Information Act, and other relevant Federal guidance and regulations. We reviewed the State of Mississippi's Finance and Accounting guidelines on internal controls in State agencies and interviewed an official in the State of Mississippi's Finance and Accounting Office. We reviewed single audit reports on the Department of Public Safety and contacted a member of the certified public accounting firm and State Auditor's Office regarding elements of the reports.

To assess NHTSA's oversight of MOHS's compliance with Federal requirements, we evaluated NHTSA's policies, procedures, processes, and guidance for providing oversight to States to ensure that highway safety funds are used for appropriate safety and enforcement activities by grantees and sub-grantees, and to enforce actions States are required to take. We interviewed NHTSA officials at Headquarters and Regional Offices in Atlanta, Georgia, and Fort Worth, Texas, and MOHS officials in Jackson, Mississippi. We examined NHTSA's management reviews of MOHS and resulting corrective action plans. We assessed NHTSA's requirements for overseeing high-risk grantees, evaluated NHTSA's oversight and enforcement tools, and reviewed NHTSA's legal authority for taking enforcement actions. We reviewed the chronology of events before and after MOHS's high-risk designation and assessed actions NHTSA took to follow up on MOHS's outstanding required and recommended actions.

## **Exhibit A. Objectives, Scope, and Methodology**

## **EXHIBIT B. LAW ENFORCEMENT OFFICERS' ENFORCEMENT ACTIVITY UNDER SECTION 154 AGREEMENTS**

MOHS reimbursement claims to NHTSA for paying State and local law enforcement officers' wages did not meet eligibility requirements for the Section 154 transfer program. Both State and local law enforcement agencies used Section 154 transfer funds to pay officers who conducted general law enforcement activities instead of enforcement activities directly related to alcohol-impaired driving. Details of our analysis follow.

We analyzed 1,791 citations issued by 68 State police officers in 9 substations, and 1,135 citations issued by 59 officers in 13 local jurisdictions. Only 147, or 5 percent, of the 2,926 total citations issued were for DUI violations.

Of the 127 State and local officers, 93, or 73 percent, did not issue any DUI citations during the time periods we analyzed.

The 68 State officers in our statistical sample issued DUI citations at a collective rate of 1 citation per 66 enforcement hours.

- Of these, 58 issued 0 DUI citations, and the 10 remaining officers collectively issued 15 DUI citations.
- These 10 officers met our baseline of at least 1 citation per 16 duty hours.

The 59 local officers in our statistical sample issued DUI citations at a collective rate of 1 citation per 24 enforcement hours.

- Of these, 35 issued zero DUI citations, and the 24 remaining officers collectively issued 132 DUI citations.
- Of these 24 officers, 11 met our baseline of at least 1 citation per 16 duty hours.

**EXHIBIT C. MAJOR CONTRIBUTORS TO THIS REPORT**

<b>Name</b>	<b>Title</b>
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**APPENDIX. AGENCY COMMENTS**

U.S. Department  
of Transportation

**National Highway  
Traffic Safety  
Administration**

**Memorandum**

Subject: Response to OIG Draft Report on NHTSA's Oversight of  
Mississippi's Management of Federal Highway Safety Grants

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Reply to  
Attn. Of:

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**NHTSA Grant Monitoring Detected Deficiencies**

NHTSA carefully monitors States' use of highway safety grants in accordance with the Regional Monitoring Policy which requires annual project file reviews, on-site monitoring of subgrantees, and voucher reviews. NHTSA also conducts a triennial Management Review in each State that addresses organization and staffing, program management, and financial management. For States that are designated high risk, the level of oversight heightens. In addition to regular oversight, NHTSA reviews all large individual project proposals before they are executed, as well as proposed out-of-state travel. We also require justifications for new federally funded positions, and increase voucher reviews during our more frequent on-site visits.

NHTSA identified significant deficiencies in the Mississippi Office of Highway Safety (MOHS) management of NHTSA safety grant funds dating back to 2006. Since that time, NHTSA has been working to improve compliance with grant requirements by the State and MOHS. Specifically, NHTSA has been calling upon MOHS to improve its overall financial controls compliance with specific grant requirements. NHTSA has also made recommendations to assist the grantee in making the changes necessary to improve compliance with Federal requirements. In 2010, during a review to monitor the State's progress in addressing some of these issues, NHTSA determined that MOHS used Section 154 transfer funds for ineligible expenses, and subsequently requested the DOT OIG to audit the MOHS to determine the extent of inappropriate use of Federal grant funds under Section 154. These funds are only allowed to be used for impaired driving countermeasures, but NHTSA determined that some of these funds were used for general traffic safety activities. While some progress was achieved, continued instances of inappropriate use of Federal funds and inadequate oversight by MOHS resulted in NHTSA designating MOHS as a high risk grantee in January 2011.

NHTSA continues working to ensure that MOHS becomes fully compliant with Federal requirements for the use of Section 154 funds and that the funds are used as intended by law. MOHS is working to implement the recommendations from NHTSA's FY 2009 Management Review. In addition, MOHS must implement systems and procedures that would be constructive in leading to a discontinuation of its designation as a high risk grantee. Finally, NHTSA will implement an extended oversight plan for at least two years subsequent to MOHS' de-designation as a high risk grantee, to further ensure compliance with the law and the implementation of effective internal controls by the State.

## **RECOMMENDATIONS AND RESPONSES**

**Recommendation 1:** Work with MOHS to develop an action plan, with milestones, to:

- a. Obtain technical assistance to identify and implement financial management internal controls to comply with the Grant Common Rule; Government Accountability Office Standards for Internal Control; and other applicable laws, regulations, and program compliance requirements.
- b. Implement improved processes to calculate reimbursement claims to NHTSA, such as an automated grants system used by other State highway safety offices.
- c. Obtain independent assurance that proper grant management controls and financial and accounting procedures are in place and working effectively.
- d. Develop guidance for monitoring the use of local officers as full-time driving under the influence officers to ensure appropriate use of Section 154 funds.

Concur. NHTSA will continue to provide technical assistance and monitoring of grant funds relating to Section 154 grants as MOHS works to move beyond high risk grantee status and achieve full compliance with all Federal requirements. As part of these efforts, NHTSA will direct the State to complete an action plan with milestones that covers, at a minimum, the four areas touched upon in this recommendation. While completion of this action is contingent on MOHS, NHTSA intends to establish a goal of completing this plan no later than December 31, 2013.

It is important to recognize that MOHS has made some significant improvements in response to NHTSA's enhanced monitoring and oversight. These include:

- Hiring a Finance Manager in June 2012, who is experienced in governmental accounting and skilled in developing financial reports. She has completed NHTSA's Managing Federal Finances Course, the Highway Safety Program Management Course, and DELPHI training. NHTSA Region 6 also provided her special orientation and Grants Tracking System (GTS) training in 2012.
- Creating an internal auditor position, as identified in the MOHS FY13 Highway Safety Plan. The position is schedule to be filled in January 2013.
- Developing a new MOHS Policies and Procedures Manual during FY 2012, which incorporates financial internal controls. MOHS also conducted staff training on the manual. NHTSA will work with MOHS to enhance and update the manual as necessary and to address monitoring of full-time and part-time officers used for Section 154 funded DWI patrols. NHTSA will also monitor implementation of MOHS policies and procedures.
- Utilizing NHTSA's grant tracking system and entering vouchers at the project level.

## **Appendix. Agency Comments**

**Recommendation 2:** Develop an action plan for monitoring Mississippi's grant agreements with sub-grantees, once the high risk designation is removed, to ensure compliance with Federal requirements.

Concur. When the MOHS high risk designation is removed, NHTSA will continue to provide monitoring and oversight in accordance with the NHTSA Regional Monitoring Policy. The Policy requires an annual monitoring plan for each state. The Region will develop a monitoring plan that will supplement the minimum requirements with additional monitoring activities, including project proposal reviews, project file reviews, voucher reviews and on-site project monitoring. This monitoring plan will be designed to carefully monitor MOHS for at least two fiscal years following the discontinuation of the state's designation as a high risk grantee. Since important elements of the plan will be dependent on particulars involving the state's actions to emerge from the high risk designation, NHTSA intends to have the plan developed when the state is removed from high risk. NHTSA will also conduct a Management Review in Mississippi in FY 2015.

**Recommendation 3:** Identify actions NHTSA will take to recover improper payments.

Concur. NHTSA is in the process of reviewing actions that may be required to recover any improper payments in Section 154 funds. To facilitate these efforts, NHTSA looks forward to the continued cooperation of the OIG in providing specific information used in the OIG's analysis. Therefore, we request that OIG provide NHTSA with the specific statistical sample results used in its report. Subsequent to the receipt and review of this information and analysis of relevant legal authorities, NHTSA will determine the appropriate further actions. Our tentative goal for making this determination is March 31, 2013.

**Recommendation 4:** Develop guidance with parameters and timelines for designating State grantees as high-risk, restricting or withholding grant funds from grantees, and implementing other available remedies and sanctions for noncompliance with Federal grant regulations or requirements.

Concur. With the implementation of MAP-21, NHTSA will update grant administration and oversight policies and procedures, including procedures related to high-risk status. NHTSA will identify contributing factors and elements leading to implementation of special conditions, high-risk designation, and other sanctions. These factors may include questioned or incomplete vouchers, unallowable use of funds, inadequate project documentation, and other internal control deficiencies. NHTSA's updated policies will include guidance based on the ongoing presence of these and other identified risk factors, and provides direction on how to consider and weigh these factors when evaluating whether to categorize a State as high risk.

We will update our grant administration and oversight policies and procedures by July 2014.