

HIGHWAY SAFETY PROGRAM  
**MANAGEMENT REVIEW ELEMENTS**

DOT HS 811 512

**State of:** \_\_\_\_\_  
**Review Dates:** \_\_\_\_\_  
**Reviewer (s):** \_\_\_\_\_

A Management Review (MR) assesses the adequacy of a State highway safety agency's organization and staffing, program management, and financial management systems as they relate to the federally funded highway safety program. The review documents a State highway safety program's best practices and strengths. The current fiscal year and the previous two fiscal years comprise the MR period.

**Definitions**

**Management Review** - A review of a State Highway Safety Office's (SHSO's) systems and programs and operational 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 or more areas of review is in non-compliance with Federal and/or State laws, regulations, rules, and/or written Federal policy and/or guidelines.

**Required Action** - A specific corrective action based on Federal and/or State laws, regulations, rules and/or written Federal policy and/or guidelines which must be implemented by the State to resolve a non-compliance issue (Finding). The status of the open required actions will be documented in the Corrective Action Plan (CAP).

**Corrective Action Plan** - A document developed jointly between NHTSA and the SHSO that identifies actions to address findings set forth in the MR Final Report, tasks to complete the actions, target dates for completion of each task, and a status element for indicating progress of each required action based upon periodic reporting by the State.

**Management Consideration (MC)** - A determination that one or more areas of review may be in need of additional progress or improvement, and if improved, have the potential to enhance the overall efficiency and/or effectiveness of the State's highway safety program.

**Recommended Action** - Recommended approach based on a management consideration which has the potential to enhance program efficiency and effectiveness. Since recommendations by definition do not address non-compliance issues but constitute good business practices the State is not obligated to implement the proposed remedy.

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**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 MR Final Report, tasks developed by the SHSO and NHTSA to complete the actions, target dates for completion of each task, and status element for indicating progress of each recommended action based upon semi-annual follow-up with the SHSO from NHTSA. The NHTSA Regional Office will monitor all recommended actions of the MR Final Report.

**Commendation** - Recognition of strong efforts, best practices, and/or exemplary performance.

**High Risk Grantee** - A grantee or sub-grantee determined by the awarding agency to (1) have a history of unsatisfactory performance, or (2) be financially unstable, or (3) have a management system which does not meet the management standards set forth in 49 CFR § 18:12, or (4) not conform to terms and conditions of previous awards, or 5) be otherwise not responsible.

## **ELEMENTS**

The following elements are to be addressed in each MR. Any related Federal law, regulation, rule, policy, or guideline is noted next to or in the text of the item. Also noted is a “*Finding*” or “*MC*” indicating the most likely result of a deficiency in the item reviewed. The MR Elements are to be used in conjunction with the project file review checklist, voucher reviews and the expenditures and carry forward chart (Appendix B of the MR Report template). These documents are to be used in conjunction with the guidance contained in the MR Guidelines as revised September 13, 2011.

*\*Refers to review items normally accomplished during the preparation phase*

### **I. ORGANIZATION AND STAFFING**

#### **A.\* Enabling Legislation and Functions**

Identify and obtain a copy of the legislation and/or Executive Order establishing the SHSO authority, organization, placement, and functions. 23 CFR Part 1251 prescribes the minimum authority and functions of the State Highway Safety Agency. Refer to these criteria for further guidance in performing these review steps. (23 USC Chapter 4 § 402 (b) and 23 CFR Part 1251) *Finding*

#### **B.\* Organizational Structure and Placement in Overall State Organization**

“...the Governor of the 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 programs.” (23 USC Chapter 4 § 402 (b) (1) (A)) *Finding*

Obtain a copy of the current organization chart of the SHSO. This chart should show the placement of the SHSO relative to other State agencies, and show the organizational units in the SHSO (e.g., planning/evaluation unit, financial management, program operations) and the names of the individuals currently filling these positions. The State should be asked where the SHSO is placed organizationally relative to other State agencies. *MC*

#### **C. Staffing**

- 1.\* Identify the name and official title of the Governor's Representative (GR) and his/her placement within the State government hierarchy. *MC*
- 2.\* Identify the name and title of the full-time SHSO director (if other than the GR) and determine if he/she has direct access to the GR. *MC*
- 3.\* Determine if the SHSO staffing plan addresses basic planning, program management, financial management, and other technical area functions consistent with the management of a statewide program. *MC*

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- a.\* Are SHSO staffing level and functional responsibilities adequate to meet due dates with complete and accurate products? *MC*
- b.\* Is there a coordinator for each major program area (Impaired Driving, Occupant Protection, Traffic Records, Police Traffic Services)? *MC*
- 4. How are projects assigned to program coordinators? Program area? Geographical area? Other? *MC*
- 5.\* Does the SHSO have policies and procedures specific to the federally funded highway safety program addressing areas such as: planning, project development, project preparation and execution, project administration, monitoring, evaluation, financial management, and program closeout? *MC*
  - a. If so, when were they last revised? *MC*
  - b. Is SHSO staff aware of procedures? *MC*
  - c. Is there evidence that the SHSO staff is using the procedures? *MC*
  - d. Is there periodic training/orientation to SHSO staff on the procedures? *MC*

**D. Delegations of Authority**

A system of written delegations of authority and responsibility to carry out the assigned functions of the SHSO is basic to effective management. *MC*

- 1.\* Determine if such a system exists, if current, and if the system provides signatory authority to authenticate official documents including contracts, agreements, certifications of payment, purchase orders, invoices, checks, personnel actions, and payroll. *MC*
- 2.\* Determine if delegations provide for carrying out the responsibilities and functions of the SHSO on a continuing basis in the absence of top-level management officials. *MC*

**E. Personnel Development and Training**

- 1. Determine how the SHSO identifies and meets training needs for management and staff. *MC*
- 2. Has appropriate SHSO staff attended NHTSA courses Program and Financial Management, Data Analysis and Evaluation, or equivalent courses or Governor's Highway Safety Association's (GHSA) Executive Seminar or other GHSA-sponsored professional development seminars? *MC*

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3. Does SHSO staff participate in regional and national highway safety conferences and forums to obtain state-of-the art technology transfer, such as Lifesavers, GHSA annual meeting, the National Child Passenger Safety (CPS) Conference, and Traffic Records Forum? *MC*
4. Evaluate guidelines for authorization, justification, or payment of the training. *MC*
5. Assess the adequacy of training programs to develop sub-grantee/project personnel such as: the Highway Safety Project Management course or similar training? If so, how often and what does the training cover? *MC*
6. Roadblocks to effectiveness of highway safety program delivery
  - a. Determine if there are organizational issues which limit or impede SHSO effectiveness (e.g., travel restrictions, hiring freezes/restrictions). *MC*
  - b. Determine if NHTSA can assist the State in resolving some of these issues. *MC*

## **II. PROGRAM MANAGEMENT**

### **A. Planning and Programming**

1. Determine if SHSO staff has a copy of the NHTSA's current Highway Safety Grants Management Manual or know where to access it on the Web. *MC*
2. Review SHSO's system for developing and implementing the performance plan, the Highway Safety Plan (HSP), and project agreements. Determine whether the Performance Plan, HSP, and Annual Report conform to applicable requirements of 23 CFR § 1200.10 and § 1200.33. *Finding*
3. Refer to NHTSA's most recent fiscal year review of 402 application results and HSP approval letter, the Annual Report Review results, Annual Report Response letter, other grant program checklists (405, 410, 2010), and any related comments and correspondence.
  - a. Follow up on any comments or weaknesses to determine progress by the State. *MC*
  - b. Were the documents submitted on a timely basis? (23 CFR § 1200.12 and 23 CFR § 1200.33) *Finding*
  - c. Do planned projects and activities as described in the HSP correspond to goals of the Performance Plan, and do funded projects and activities as described in the Annual Report relate to the planned projects and activities of the HSP? *MC*

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- d. Does the State assess program performance through analysis of data relevant to the highway safety planning? (23 CFR § 1251.4 (i)) **Finding**
  - e. Does the SHSO provide information and assistance to prospective recipients on program benefits, procedures for participation and development plans? Does the state encourage and assist local units of government to improve their highway safety planning and administrative efforts? (23 CFR § 1251.4 (c) (d)) **Finding**
  - f. Does the Performance Plan describe the strategies used for project or activity selection (e.g., constituent outreach, public meetings, solicitation of proposals), and list information and data sources consulted? (23 CFR §1251.4 (c) (d) and 23 CFR §1200.10 (a) (2)) **Finding**
4. Does the Performance Plan include a brief description of the processes used to identify its highway safety problems and is it based on the evaluation of highway crashes and safety problems within the State? (23 CFR § 1200.10 (a) (2) and 23 CFR §1251.4 (a)) **Finding**
- a. How are identified problems prioritized and ranked? **MC**
    - Magnitude?
    - Degree of over representation?
    - Impact?
    - Other?
  - b. Is the problem identification approach comprehensive? **MC**
    - Are all aspects of an identified problem addressed? **MC**
  - c. How does the State solicit grant applications? **MC**
  - d. When the SHSO and State/local agency agree on a problem, how are activities determined to address the problem? **MC**
  - e. How are previous highway safety activities such as success/failure of projects, lack of progress, administrative difficulties considered? **MC**
  - f. How does State grade and evaluate solicited and unsolicited applications? **MC**
5. Performance Plan Development
- a. Does the Performance Plan contain a list of objective and measurable highway safety goals, within the National priority program areas and other program areas, based on highway safety problems identified by the State? (23 CFR §1200.10 (a) (1)) **Finding**

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- b. Is each goal accompanied by at least one performance measure that enables the State to track progress, from a specific baseline, toward meeting the goal (e.g., a goal to “increase seat belt use from XX percent in 19xx to YY percent in 201x,” using a performance measure of “percent of restrained occupants in front outboard seating positions in passenger motor vehicles”)? (23 CFR §1200.10 (a) (1) (2)) **Finding**
  - c. How are State’s performance goals established? **MC**
  - d. Performance Measures - Does the State set goals using the most recently released State and FARS data and report progress on each of the NHTSA/GHSA agreed-upon core outcome and behavior measures in the HSP and Annual Report? Does the State report on the NHTSA/GHSA activity measures? (Hedlund, J. (2008, August). Traffic safety performance measures for States and Federal agencies.[Report No. DOT HS 811 025]. Washington, DC: National Highway Traffic Safety Administration. available at <http://www.nhtsa.gov/DOT/NHTSA/Traffic%20Injury%20Control/Articles/Associated%20Files/811025.pdf>.) **MC**
  - e. Does the State use the NHTSA/GHSA questions or equivalent that track driver attitudes and awareness concerning impaired driving, seat belt use, and speeding issues in surveys to be conducted each FY? Did the survey results influence the development of the subsequent FY’s HSP? Are the survey results listed in the following Annual Report? **MC**
  - f. Does the Performance Plan identify the participants in the processes (e.g., highway safety committees and constituent groups)? (23 CFR § 1200.10 (1) (2)) **Finding**
  - g. Are partners outside SHSO involved? **MC**
  - h. Are goals shared with potential sub-grantees? **MC**
6. Determine how State’s planning and programming process works and if the SHSO has established and adhered to a time-frame schedule for major events in the planning and programming process. **MC**
- a) Problem Identification
  - b) Setting of statewide goals
  - c) Development of Performance Plan
  - d) Solicitation of grant applications

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- e) Receipt of solicited and non-solicited grant applications
- f) Review of grant applications
- g) Evaluation and grading of grant applications
- h) Approval of grant applications
- i) Preparation of the HSP
- j) HSP/Performance Plan submission to NHTSA
- k) Highway safety funds awarded to SHSO
- l) Award of grants to sub-grantees
- m) Obligation of funds to GTS
- n) Project monitoring
- o) HSP closeout
- p) Submission of Annual Report

7. Legislation

- a. Is legislation needed to maximize program impact? **MC, if process weakness is identified such as in potential for additional funding.**
- b. What is the role of the GR and SHSO in respect to highway safety legislation? **MC, if process weakness is identified such as in the staffing, leadership, and coalition building areas.**
  - What are they allowed to do? **MC**
  - What are they prohibited from doing (example: lobbying, out-of-state travel)? (Highway Safety Grant Funding Policy for Field-Administrated Grants, III. E. 2.) **Finding**

**B. Implementation**

- 1. Is there a separation of duties between the individual who develops the sub-grants and the individual who approves the sub-grants? **MC**

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2. \*Determine whether the SHSO has written guidance for SHSO staff and sub-grantees to address the preparation, implementation, administration, and evaluation of grant projects for the following project agreement items.
  - a. Content of Project Agreement: *MC*
    - Project description, including problem statement; *MC*
    - Project objectives and milestones; *MC*
    - Measurable performance standards; *MC*
    - Project revision parameters; *MC*
    - Appropriate training, such as the Special Traffic Enforcement Programs. Are officers required to receive training on special skills: Impaired Driving - Standardized Field Sobriety Testing; Occupant Protection -Traffic Occupant Protection Strategies and Operation Kids; *MC*
    - Public information and education materials and incentive-type items - Do the items relate directly to the project objective? Does the State require distribution plans for federally funded materials and incentive items? *MC*
    - SHSO monitoring procedures; and *MC*
    - Periodic/final reporting requirements; *MC*
  - b. Does each sub-grant agreement contain “boiler plate” requirements and/or certifications on the following items:
    - Equipment;
    - Civil rights;
    - Buy America Act;
    - Political Activity/Hatch Act;
    - Federal lobbying;
    - State lobbying; and
    - Debarment and suspension for lower tier certification.

(49 CFR § 18.37) *Finding*
  - c. Financial requirements (49 CFR § 18.20 Standards for Financial Management Systems and 2 CFR Part 225, Appendix A General Principles for Determining Allowable Costs) *Finding*

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- Does the SHSO have a process to determine if fiscal control and accounting procedures of sub-grantees and cost-type contractors are sufficient to (1) permit preparation of reports required by this part and the statutes authorizing the grant and (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? (49 CFR § 18.20 (a) (1) (2)) **Finding**
- d. Period for incurring costs and expiration of right to incur costs (49 CFR § 18.23 (a) and 23 CFR § 1200.30) **Finding**
- e. Eligibility of costs (Highway Safety Grant Funding Policy and 2 CFR Part 225, Appendix A and B) **Finding**
- f. Are claimed costs adequately documented? (e.g., cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents) (2 CFR Part 225, Appendix A. C. 1 (j)) **Finding**
- g. Evaluation/reporting requirements
  - Quarterly reports **MC**
  - Final report **MC**
- 3. If State does not have adequate written procedures and requirements, determine the State's plan, if any, to develop such procedures. **MC**
- 4. Determine if the state has established procedures for project implementation, including:
  - a. Project implementation schedule **MC**
  - b. Commitment of obligated funds to approved project **MC**
  - c. Pre-award/orientation sessions with project personnel **MC**
- 5. Determine whether SHSO negotiation process and/or pre-award conference with sub-grantees address the key project elements identified in B.2. above. **MC**
- 6. When does the State award grants/contracts? **MC**
  - a. Before or after NHTSA approves HSP? **MC**
  - b. Before or after NHTSA awards funds to the State? **MC**

7. Can the grant approval/delivery/implementation process be streamlined to reduce paperwork by:
  - a. Electronic submission of sub-grant proposals, performance reports, and financial claims/documents; *MC*
  - b. Use of a master grant/agreement for one grantee rather than issuing several grants to the same grantee; and *MC*
  - c. Use of multiyear agreements? *MC*

**C. Monitoring and Review**

1. Does the State have a monitoring policy and procedure? *MC*
  - a. Does the policy include on-site monitoring? *MC*
  - b. Is the monitoring policy, including frequency of on-site monitoring, consistently adhered to by SHSO staff? *MC*
  - c. Do the policy and procedures address review of internal controls of sub-grantees? (Also see C.10.) *MC*
  - d. Do the policy and procedures address the protocol when possible fraud or misuse of funds is detected? What agency is the issue referred to? (e.g., agency auditor or State auditor or Department of Public Safety investigators or State Office of Inspector General) *MC*
  - e. Does the policy include monitoring of sub-grantees' progress in achieving goals, objectives, and performance measures? *MC*
2. Assess compliance with relevant Federal and State directives pertaining to monitoring and oversight of grant programs. (49 CFR § 18.40 and 23 CFR § 1251.4 (f)) *Finding*
3. Identify the individual(s) and title(s) in the SHSO responsible for project/program monitoring and review. *MC*
4. Determine how responsibilities for monitoring and review are assigned (e.g., geographically, program area, fiscal and audit expertise, identified skills). *MC*
5. Determine the relationship between SHSO individuals responsible for program monitoring/review and those responsible for planning implementation. *MC*

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6. What factors are used to determine projects to be monitored on-site (e.g., priority programs, dollar amounts, large equipment purchase, complex projects, geographic, risk analysis, etc.)? *MC*
7. Determine if there is a system to prepare and file monitoring reports and follow-up on findings and recommendations. *MC*
8. Determine how the SHSO uses project monitoring to improve/enhance its program management process (e.g., identify weaknesses in project/program planning, implementation, vouchering, reporting, making adjustments to the HSP planning review and approval processes). *MC*
9. Determine if the State has an effective method to suspend or terminate work and recover funds on State-managed projects and sub-grants identified as problematic.
  - a. Has the SHSO ever had to use the process? *MC*
  - b. Is the process effective? *MC*
  - c. How were funds recovered? *MC*
10. Internal/Management Controls - Does the SHSO have policies and procedures to reasonably ensure that the SHSO and sub-grantee: *MC*
  - a. Programs achieve their intended results; *MC*
  - b. Resources are consistent with agency mission; *MC*
  - c. Programs and resources are protected from waste, fraud, and mismanagement; *MC*
  - d. Laws and regulations are followed; and
  - e. Reliable and timely information is obtained, maintained, reported and used for decision making. *MC*
11. Determine if the SHSO seeks out innovative and state-of-the art programs/projects to implement and showcase. *MC*

**D. Program Strengths**

Identify notable strengths of State's highway safety program (e.g., best practices, safety conscious planning efforts, significant improvements, or achievements in meeting project/program objectives) and recognize such strengths in MR Reports. *Commendation*

### **III. FINANCIAL MANAGEMENT**

#### **A. Financial Management Systems**

1. Determine if the State expends and accounts for Federal grant funds in accordance with State laws procedures as for State funds. (49 CFR § 18.20 (a)) ***Finding***
2. Determine if the State has fiscal control and accounting procedures sufficient to (1) permit preparation of reports required by this part and the statutes authorizing the grant and (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. (49 CFR § 18.20 (a) (1) (2)) ***Finding***
3. Does program management staff have financial responsibilities and what are these? ***MC***
  - What financial management training have they completed? ***MC***
4. Does the financial staff also have program area responsibilities and what are these ***MC***
  - What financial management training have they completed? ***MC***
5. Determine if there are adequate separation of duties to provide for reasonable internal control over financial management functions and activities. ***MC***

#### **B. Grant Payments - Vouchers**

1. Determine if the SHSO is submitting Grant Tracking System (GTS) vouchers to NHTSA in accordance with payment/vouchering requirements. (23 CFR § 1200.23). ***Finding***
  - a. Local benefit expenditure entries by March 31, and with final voucher. (23 CFR § 1200.23 (a) (3)) ***Finding***

Note: The 40 percent minimum need not be met by March 31, but local benefit must be reported by that date. If the percentage appears to be significantly low, the Region may perform further research to determine the cause, whether slow vouchering by locals or insufficient number/dollar amount of local sub-grants, which could result in a ***MC***.

- b. For each 12-month period reviewed, are vouchers submitted on a quarterly basis, in the current FY or prior FY, no later than 15 working days after the end of each quarter or where a State receives funds by electronic transfer at an annualized rate of one million dollars or more, are vouchers submitted on a monthly basis, no later than 15 working days after the end of each month? (23 CFR § 1200.23 (b)) ***Finding***
2. Absent findings from the first/last voucher reviews, randomly select **one GTS voucher per fiscal year submitted during the three FYs of MR period** and trace the

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information through the accounting records to the individual sub-grantee project claims. The MR Report must note the vouchers reviewed, periods covered, dollar amount of each voucher, the total vouchered by the State in the FY, percentage of funds expended for each voucher reviewed to the total expended in the FY, and the results of the voucher review indicating whether or not the vouchers were reconciled with the source documentation.

- a. Can funds be traced to a level of expenditures adequate to establish that funds have not been used in violation of the restrictions and prohibitions of applicable statutes? (49 CFR § 18.20 (a) (2)) **Finding**
- b. Are claimed costs adequately documented? All costs such as cancelled checks, paid bills, payrolls, time and attendance records, and contract and sub-grant award documents must be documented and available for review. (2 CFR Part 225, Appendix A. C.1 (j)) **Finding**
- c. Do the amounts claimed for each project on the GTS vouchers agree with the amount claimed by the sub-grantees during the same period? (49 CFR § 18.20 (a) (2)) **Finding**
- d. Is the amount of Federal reimbursement to the SHSO the same as the amount on the GTS voucher, or has an adjustment been made? (49 CFR § 18.20 (a) (2)) **Finding** if adjusted, determine why? **MC or Finding**
- e. Does the amount of Federal funds vouchered against GTS reconcile with receipts and/or deposits in the State's accounting system? (49 CFR § 18.20 (a) (2)) **Finding**
- f. Has the State minimized the time elapsing between the transfer of funds and disbursement by the grantee or sub-grantee. (49 CFR § 18.21 (b)) **MC**  
If material, cover under Financial Management System as a **Finding**.
- g. Program Income – Determine if the highway safety program is generating any program income and ensure it is being handled appropriately. (23 CFR § 1200.24) **Finding**

3.\* HSP Funding Considerations

- a. Are Federal funds obligated to the HSP using HS Form 217 or its electronic equivalent replacement within 30 days of the grant award? (23 CFR § 1200.13)

***Finding***

Reimbursement will be contingent upon the submission of an updated HS Form 217 (or its electronic equivalent), consistent with the requirements of 23 CFR §1200.14 (d), within 30 days after either the beginning of the fiscal year identified above or the date of this letter, whichever is later.

- b. Are obligated Federal funds committed to projects within a reasonable time after said obligations? ***MC***
- c. What are the extent of and/or reason for HSP revisions during the FY? ***MC***
- d. Prior to the on-site review, use Appendix B of the MR report template to conduct an analysis of the Federal funds for the previous two FY's to determine the amount of funds carried forward to the next FY. Original approved plan versus total obligation versus total expenditures. Appendix B provides an overview 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. One major reason may be the award and receipt of certain grant program funds late in the award FY. This effect is typically offset by the time the subsequent year ends. Another common cause is the State's delayed commitment of obligated funds to projects or sub-grantees. The MR should include identification of impediments and opportunities for the timely expenditure of highway safety funds, referring to MR elements located elsewhere in this document. ***MC***

Note: Sections 154 Hazard Elimination (HE) and 164 HE funds should be considered in the analysis. However if the funds are managed and expended by an agency other than the SHSO, care must be taken in determining the GR's role in reducing large carry forward amounts. The MC would focus on leadership, dialogue with the State DOT, and the SHSO's role and timeliness in contracting with the DOT, and vouchering of the funds through GTS.

**C. Audits**

1. Review last State audit report that includes the SHSO for findings related to the SHSO and resolutions. If there are unresolved audit findings, determine that appropriate action is taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations. (49 CFR § 18.26 (b) (3)) ***Finding***
2. Determine whether the State, as a pass-through entity, has performed the following:

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- a. Identified Federal awards made by informing each sub-grantee of CFDA title and number, award name and number, and name of Federal agency;
  - b. Advised sub-grantees of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity;
  - c. Monitored the activities of sub-grantees as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved;
  - d. Ensured that sub-grantees expending \$500,000 or more in Federal awards during the sub-grantee's fiscal year have met the audit requirements of OMB Circular A-133 for that fiscal year;
  - e. Issued a management decision on audit findings within six months after receipt of the sub-grantee's audit report and ensure that the sub-grantee takes appropriate and timely corrective action;
  - f. Considered whether sub-grantee audits necessitate adjustment of the pass-through entity's records; and
  - g. Required each sub-grantee to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part. (OMB Circular A-133, D. 400 (d); 49 CFR Subpart C. § 18.26 (b) (3); OMB Circular A-133, Subpart C. § 315; and 49 CFR Subpart C. § 19.26) *Finding*
3. Does the SHSO use the Federal Audit Clearinghouse website?  
<http://harvester.census.gov/sac/> or a similar State Web site. *MC*

**D. Matching Funds**

Determine if the SHSO has adequate documentation to demonstrate compliance with State matching rates: (See Highway Safety Grant Funding Policy, Part I, B, and Appendix A, NHTSA Order 462-6C for matching requirements). Below are SAFETEA-LU rates. See Highway Safety Grant Funding Policy for TEA-21 rates. *Finding*

**402 Program** - Minimum 20 percent (or applicable sliding scale rate) of total 402 program (e.g., Federal 402 funds plus state funds) (No match required for Bureau of Indian Affairs (BIA) *Finding*

**405 (OP)** - Minimum 25 percent in years one\* and two\*; 50 percent in years three and year four; 75 percent in years five and beyond. \*Beginning in FY 04 for States awarded FY 04

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and FY 05 TEA-21 405 funds. States not awarded 405 funds in FY 04 and FY 05 begins at 25 percent. ***Finding***

**408** (Data) - Minimum 20 percent of total program costs (e.g., Federal funds plus State/local funds) (No match for BIA) ***Finding***

**410** (Alcohol) - Minimum (e.g., Federal funds plus State funds) 25 percent in years one and two, 50 percent in years three and four, and 75 percent in years five and beyond. ***Finding***

**1906** (Racial Profiling) - Minimum 20 percent of total program costs (e.g., Federal funds plus State/local funds) ***Finding***

**2011** (CPS/Booster Seats) - Minimum 25 percent in years one, two, and three; 50 percent in year four and beyond (e.g., Federal funds plus State funds). Child safety seat purchases are limited to 50 percent of the award. ***Finding***

No match requirements for **406, 2010, 154, and 164**.

**E. 40 Percent Local Benefit Requirement**

Trace funds expended by or for the benefit of political subdivisions of the State to verify documentation of the 40 percent local benefit requirement. Once the 40 percent has been confirmed, no additional review is required. (Highway Safety Grant Funding Policy, Part I, C, and Appendix A, and 23 CFR Part 1250) ***Finding***

1. Confirm State's documentation of "Local Benefit" to determine if local governmental entities had an active voice in the development of the highway safety program. (23 CFR § 1250.3 (c) and §1250.4) ***Finding***
2. Local Benefit applies to Section 163 Incentive funds if they are used as 402 funds, and 154 and 164 funds if used for alcohol (not hazard elimination). (Note: BIA local benefit is 95 percent) (Highway Safety Grant Funding Policy: I.C; Appendix A; Section 163 Guidance; and 154/164 Guidance) ***Finding***

**F. Planning and Administration** (Sections 402, 406, 410, 154, and 164)

Verify that all planning and administration expenditures are consistent with sound management practices.

1. Verify documentation used by SHSO to support planning and administration minimum 50 percent match (or applicable sliding scale rate) requirement for Sections 402 and 410. (Highway Safety Grant Funding Policy I. A. and 23 CFR § 1252.2) ***Finding***
2. Determine if the State is using direct or indirect costs as match. If indirect, see III.K. (23 CFR § 1252.2) ***Finding***

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3. Verify that salaries and other costs are being charged correctly to planning and administration (Highway Safety Grant Funding Policy I. A.) **Finding**
4. Review time sheets to make sure the allocation of time is correct. (e.g., financial manager should be charged to planning and administration.) (Highway Safety Grant Funding Policy I. A. and 23 CFR § 1252.5) **Finding**
5. Verify that planning and administration documentation includes:
  - a. Certifications required if employee works solely in one grant funded planning and administration (2 CFR Part 225, Appendix B, 8.h. (3); 23 CFR § 1252.2 (d) **Finding**
  - b. Accurate time records for actual time worked, such as personnel activity reports (PAR) or equivalent documentation if the employee works in: multiple grant funded (402, 406, 410, 154, 164) planning and administration and/or; Planning and administration(s) and Section 402 funded Program Management or other grant program (s) funded Program Management. (2 CFR Part 225, Appendix B, 8.h. (4); 23 CFR § 1252.2 (d); 23 CFR § 1252.5 (d)) **Finding**

**G. Program Management Costs**

1. Verify program management documentation includes: certifications if employee works solely in a single program area; or personnel activity reports (PAR) or equivalent documentation if employee works in multiple program areas and/or grant programs. (2 CFR Part 225, Appendix B, 8.h.) **Finding**
2. An alternative to the PAR requirement can be applied for individuals who work multiple program areas but whose time and salary are charged 100 percent to Section 402 and 406. In these cases, cost data assigned to the different program areas may be based on an informed, logical proportion derived from a representative sample of time spent on each program area or on the number of projects managed or proportion of total funds in each program. While the alternative method is not required, if the State did not use PARs nor the alternative, a **Finding** would be appropriate.
3. The alternative before-the-fact distribution should be submitted to the Regional Administrator each FY in the HSP or separate document and checked by the SHSO periodically for accuracy. **MC**

If the State uses the alternative method and there is no documentation to support the distribution or through NHTSA's review, the distribution is found to not be accurate, a **Finding** may be appropriate.

*Note: The requirement of 2 CFR Part 225, Appendix B, 8.h also applies to sub-grantees.*

**H. Time and Attendance**

Ascertain whether basic time and attendance records are approved by the supervisor or timekeeper and whether attendance of salaried employees is accurately recorded. (Federally funded or State match) *MC* unless related to a State law, regulation, rule, policy, or guideline, in which case would be a *Finding*.

**I. Project Equipment**

1. Verify that the State has a system for tracking, managing, and disposing of equipment acquired under a highway safety grant by the State in accordance with State laws and procedures. (49 CFR § 18.32 and 23 CFR § 1200.21) *Finding*
2. The SHSO will follow the State's inventory requirements in tracking SHSO and sub-grantee equipment purchased with Federal highway funds. Example: If the State has a \$500 equipment purchase minimum threshold for inventory, then expectation is that federally funded equipment will be tracked to that level. (49 CFR § 18.32 (b)) *Finding*
3. Determine whether appropriate NHTSA approvals have been requested and received by the SHSO regarding acquisition and disposal of major equipment (acquisition cost of \$5,000 and above) acquired under a highway safety grant. (23 CFR § 1200.21 (d)) *Finding*
4. Verify that State/sub-grantees are complying with applicable written State procurement laws, regulations, rules, policy, or guidelines related to the acquisition of equipment. (49 CFR § 18.36) *Finding*

**J. Contracts/Professional Service Agreements**

1. Determine whether SHSO has an established process to ensure that the State procurement laws, regulations, rules, policy, or guidelines are followed regarding contracts and/or professional service agreements. (49 CFR § 18.36 (a)) *Finding*
2. Determine whether the SHSO has established procedures to ensure that grantees and sub-grantees will use their own procurement procedures that reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards in (49 CFR § 18.36 (a)) *Finding*
3. If so, verify that State/sub-grantees are following the established process to ensure compliance with applicable State/local procurement procedures regarding contracts and/or personal service agreements. (49 CFR § 18.36 (a)) *Finding*

**K. Indirect Costs**

If the SHSO is claiming Federal funds for its own indirect costs or is reimbursing sub-grantees (State or local government agency or non-profit organization) for indirect costs, determine if the SHSO has appropriate evidence as noted in items 1-3, below. (2 CFR Part 225, Appendix E. Sections C, D, and E. 3. OMB Circular A-122, Attachment A, Section E. 2. G.; and ASMB C-10-“A Guide for State, Local and Indian Tribal Governments – Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government – Implementation Guide for Office of Management and Budget Circular A-87”) **Finding**

1. All cognizant agency negotiated and approved indirect cost rate plans will have an approval letter from the Federal cognizant agency that can be produced upon request. (2 CFR Part 225, Appendix E. Section E.) **Finding**
2. All sub-grantees (State, local, or non-profit) that have no approved cognizant agency indirect cost rate plans that wish to claim indirect costs (other than an interagency standard rate for State sub-grantees as noted in #3), and only receive funds as a sub-grantee, must prepare and retain an indirect cost rate plan that is negotiated and/or monitored with the primary recipient (State). (2 CFR Part 225, Appendix Sections D. (1) ( b.)) **Finding**
3. Interagency Services – State agency sub-grantees may be authorized by the SHSO to receive a 10 percent standard indirect cost allowance of the direct salary and wage cost excluding overtime, shift premiums, and fringe benefits) in lieu of determining the actual indirect costs of the service. Documentation must be reviewed to confirm that the rate is being applied appropriately to only the allowable costs. (2 CFR Part 225, Appendix A, G). **Finding**

It is recommended that any authorized interagency services be noted in the sub-grant agreement ensuring that the budget shows 10 percent applied only to direct salary and wage cost excluding overtime, shift premiums, and fringe benefits. **MC**

**L. Paybacks**

Did the State follow NHTSA procedures for any funds being paid back to the agency due to audit findings, MR findings, errors, overpayments, and inappropriate funding source(s).

**M. Sports Marketing**

If the State has expended Federal funds for sports marketing determine if the State is in compliance with (2 CFR Part 225, Appendix B. 14) **Finding**

#### IV. PROJECT FILE REVIEW

##### A. Background: Non-statistical Sampling

1. **Arbitrary Selection** – In this method, the reviewer selects the sample items without intentional bias to include or exclude certain items in the population. It represents the reviewer's best estimate of a representative sample. Defined probability concepts are not employed. As a result, such a sample may not be used for statistical inferences. Arbitrary selection is permitted for non-statistical samples when the reviewer believes it produces a fairly representative sample.
2. **Judgment Selection** – Judgment sample selection is based on the reviewer's sound, seasoned judgment expertise. Three basic issues determine which items are selected.
  - a. Value of items. A sufficient number of extensively worked or older accounts should be included to provide adequate audit coverage.
  - b. Relative risk. Items prone to error due to their nature or age should be given special attention.
  - c. Representativeness. Besides value and risk considerations, the reviewer should be satisfied that the sample provides breadth and coverage over all types of items in the population.

##### B. Project File Review Process

Project files reviewed by NHTSA during the FY, prior to the MR on-site, should be included in MR process.

1. Select projects based on the Project File Review non-statistical procedures described under the background section above, and as noted in the MR Guidelines and on-site time constraints. For those projects selected, examine all items included in the Project File Review Checklist.
2. The projects reviewed shall include representation from each of the three FYs of the MR. Care should be taken in scheduling the MR on-site to allow current FY projects to have expended funds.
3. The projects reviewed shall include representation from each NHTSA program area and grant programs in which significant amounts of funds were expended during the MR period.

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4. If recurring problems are identified, review should be expanded as appropriate to determine overall scope and impact of problem.
5. Summarize major issues identified during the project file review (s) pertaining to the project file review checklist form.
6. If there is a compliance finding, additional files will be examined to see if the problem is isolated or widespread. If the problem is found to be isolated (and not material), the MR should exclude the finding in the MR report. If the problem, even if isolated, involves unallowable or ineligible used of federal funds, the problem should be noted in the MR Report.

**V. ENFORCEMENT ACTION FOR NON-COMPLIANCE**

If during the review areas of non-compliance are noted, remedies for non-compliance will be accordance with 49 CFR §18.12 and § 18.43.