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FEDERAL MOTOR
CARRIER SAFETY
ADMINISTRATION

Additional Actions
Needed to Strengthen
Grants Management

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ACCOUNTABILITY ★ INTEGRITY ★ RELIABILITY

Why GAO Did This Study

In 2011, the Department of Transportation (DOT) determined that the Federal Motor Carrier Safety Administration (FMCSA) had violated federal appropriations statutes in awarding some grants for 1 of its 10 grant programs from fiscal years 2006 to 2010. This was caused in part by weaknesses in FMCSA's internal controls and may have affected FMCSA's ability to carry out its mission to reduce motor carrier (large truck and bus) accidents and fatalities. To the extent that these weaknesses existed in FMCSA's other grant programs, it is possible that FMCSA also incorrectly awarded other grant funds.

As requested, this report examines (1) internal control weaknesses in FMCSA's other grant programs prior to fiscal year 2010 that could have increased the risk of irregularities in grant awards and (2) FMCSA's actions to improve grants management, and remaining challenges. GAO analyzed FMCSA grants management documents related to internal controls over grants both before and after fiscal year 2010 and recent actions, and interviewed FMCSA officials.

What GAO Recommends

GAO recommends that FMCSA (1) conduct a strategic workforce analysis for its grants management staff; (2) add details to its grants management policy manual; (3) improve its tracking of staff taking grants management training; and (4) set and track metrics related to grants management goals and objectives. DOT generally agreed with GAO's recommendations and provided technical comments, which were incorporated as appropriate.

View [GAO-12-158](#). For more information, contact Susan Fleming at (202) 512-2834 or flemings@gao.gov.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Additional Actions Needed to Strengthen Grants Management

What GAO Found

Prior to fiscal year 2010, FMCSA's internal controls over management of all of its grant awards were weak, which increased the risk that FMCSA awarded grants that violated laws or FMCSA policies. Internal controls like those related to workforce training and policies and procedures can help provide assurance that operations, including grants management, are efficient and transactions comply with laws. However, FMCSA had only limited formal grants management training, limited documentation of grants management policies and procedures, and, according to FMCSA grants management staff, did not require legal review to help ensure that all awards complied with governing laws and regulations. As a result, FMCSA could not be certain that staff were trained in managing grant awards or followed relevant policies and laws in awarding grants, increasing the risk for mismanagement.

Since fiscal year 2010, FMCSA has taken a number of actions to transform its grants management practices, including planning to centralize oversight through a Grants Management Office, standardizing policies and procedures, developing grants management training, and implementing grants management systems to manage award processes and documentation. While these actions help address some existing internal control weaknesses—for example, clearly documented and standardized policies and procedures should help ensure that grants management staff follow policies when awarding grants—some challenges remain. Specifically, FMCSA has not conducted a strategic workforce analysis that could help it identify and fill gaps in expertise, as well as support its budget request to staff a Grants Management Office. Also, FMCSA's grants management policies and procedures lack details on some grant program staff's roles and responsibilities, and the agency does not have a system to easily track and ensure that staff complete required training. The agency also has not set metrics related to its grants management program or developed a method to measure progress in meeting those metrics. Further, since FMCSA has only recently implemented these actions, it is unclear how effective these new initiatives will be in improving its grants management. Regardless, it will be important that the agency have leadership in place that can continue to drive its transformation, as well as metrics to measure its progress in achieving its grants management goals.

FMCSA's Proposed Grants Management Office



Source: GAO analysis of FMCSA data.

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Abbreviations

FMCSA	Federal Motor Carrier Safety Administration
DOT	Department of Transportation
EPA	Environmental Protection Agency
OGD	EPA's Office of Grants and Debarment
NHTSA	National Highway Traffic Safety Administration
CVISN	Commercial Vehicle Information Systems and Networks
EDMS	Electronic Document Management System
GMO	Grants Management Office
OMB	Office of Management and Budget
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

December 13, 2011

The Honorable Patty Murray
Chairman
The Honorable Susan Collins
Ranking Member
Subcommittee on Transportation,
Housing and Urban Development
and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Tom Latham
Chairman
The Honorable John W. Olver
Ranking Member
Subcommittee on Transportation,
Housing and Urban Development
and Related Agencies
Committee on Appropriations
House of Representatives

According to the Federal Motor Carrier Safety Administration (FMCSA), in 2009, there were over 124,400 crashes in the United States involving large trucks and buses, leading to over 3,600 fatalities. As an agency in the Department of Transportation (DOT), FMCSA's mission is to reduce crashes, injuries, and fatalities related to motor carriers—large trucks and buses—and it relies heavily on 10 grant programs to achieve that mission. Of the \$550 million Congress appropriated to FMCSA in fiscal year 2011, about \$300 million went to states and other entities in the form of grants to help fund motor carrier safety efforts. For example, FMCSA's Motor Carrier Safety Assistance Program (MCSAP) provides funds to reduce commercial motor vehicle-involved accidents, fatalities, and injuries, through safety activities such as inspections.

Effective internal controls over grants management can reduce the risk of mismanagement of grant awards by helping ensure that grants are awarded in accordance with law and FMCSA policy and in a way that advances agency objectives. In 2010 FMCSA discovered that it may have violated federal appropriations statutes in some Commercial Vehicle Information Systems and Networks (CVISN) grants from fiscal years 2006 to 2010, including violations of the Antideficiency Act—which prohibits

federal agencies from incurring obligations that exceed budget authority made available through appropriations or contract authority¹—and its authorizing statute, The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).² In 2011, DOT determined that it had in fact violated federal appropriations statutes. These violations were caused in part by weak internal controls over FMCSA’s management of CVISN grants, such as a lack of oversight and inadequate grants management training for FMCSA staff. In part in response to these problems, FMCSA has begun to transform its grants management practices with activities that it largely began implementing in or after fiscal year 2010, including proposing the creation of a centralized grants management office and creating standardized grants management policies and procedures. To the extent that the weak internal controls that contributed to irregularities in CVISN awards existed in FMCSA’s other grant programs prior to fiscal year 2010, it is possible that FMCSA violated statutes in making other grant awards.

It is important for FMCSA to award grant funds in accordance with laws and FMCSA policies in order to help ensure that limited dollars effectively support its national motor carrier safety goals. The economic downturn has created unprecedented fiscal constraints for states. State revenues have decreased in recent years—total state and local tax receipts fell nearly 5 percent from 2008 to 2009—putting increased fiscal pressure on state governments.³ This challenge increases the importance of federal funds—such as grants from FMCSA—for state governments. For example, in the case of CVISN awards, because some states received more funds than they were legally authorized, other states may not have received as much as they could have, adding unfairly to the fiscal pressures on those states and potentially impacting those states’ commercial motor vehicle safety efforts.

¹GAO, *The Department of Transportation Found That It Improperly Obligated Motor Carrier Grant Funds*, [GAO-11-517R](#) (Washington, D.C.: May 5, 2011). Contract authority is a form of budget authority that permits an agency to incur obligations in advance of appropriations, including collections sufficient to liquidate the obligation or receipts. Contract authority is unfunded, and a subsequent appropriation or offsetting collection is needed to liquidate the obligations.

²Pub. L. No. 109-59, § 4126, 119 Stat. 1144, 1738 (Aug. 10, 2005).

³GAO, *State and Local Governments’ Fiscal Outlook: April 2011 Update*, [GAO-11-495SP](#) (Washington, D.C.: Apr. 6, 2011).

Given these concerns, you asked us to review: (1) the extent to which, prior to fiscal year 2010, FMCSA's other grant programs had internal control weaknesses that could have increased the risk for financial irregularities in grant awards and (2) actions FMCSA is taking to improve its grants management to reduce the risk for financial irregularities in awarding grants and the challenges that remain.

In order to address the extent to which, prior to fiscal year 2010, FMCSA's other grant programs had internal control weaknesses that could have increased the risk of grant award irregularities, we reviewed Internal Control Evaluation reviews of FMCSA's grants management procedures and practices and related external auditor reports and interviewed grants management staff in FMCSA headquarters, as well as a selected number of field office staff and state grant recipients.⁴ We did not review internal controls over CVISN prior to fiscal year 2010 given that we recently reported on internal control weaknesses in that program.⁵ We reviewed GAO's internal control standards for the federal government⁶ to determine those standards most relevant to grants management⁷ and reviewed relevant FMCSA grants management documentation to determine the extent to which relevant internal controls were in place for each grant program prior to fiscal year 2010. In order to determine the extent to which actions FMCSA is taking to improve its grants management reduce the risk for financial irregularities in awarding grants, and the challenges that remain, we reviewed documentation related to these efforts such as FMCSA's *Grants Management Program Roadmap* and *Grants Management Manual*. We analyzed these

⁴We selected four states—Alabama, Alaska, Arizona, and Wisconsin—that were identified by FMCSA as having received irregular CVISN awards and a number of non-CVISN grant awards, which allowed us to interview fiscal year 2011 recipients of all of FMCSA's grant programs aside from the Commercial Motor Vehicle Operator Safety Training Grant. We determined that not including interviews of recipients of this grant was acceptable given its small size (a total of \$1 million in awards annually) and that recipients are generally private training providers and educational institutions as opposed to state government agencies, which are the primary recipients of FMCSA's other grants.

⁵[GAO-11-517R](#).

⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

⁷Although "risk assessment" is one of the internal controls, we did not review FMCSA's risk assessment controls over grants management activities as we determined that they were only minimally relevant to activities related to managing grant awards.

documents and information obtained during interviews and compared them with GAO's internal control standards to determine the extent to which they address the internal controls deficiencies we identified at FMCSA. We also interviewed FMCSA management about these efforts. Finally, we interviewed grants management officials at the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) and analyzed relevant grants management documents to determine how those agencies manage their grant programs and how their grants management practices may be relevant to FMCSA. We selected these agencies because they, like FMCSA, devote at least 50 percent of their budgets to grants and have a safety focus.

We conducted this performance audit from April 2011 to December 2011 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. Appendix I provides additional information on our objectives, scope, and methodology.

Background

FMCSA's primary mission is to reduce crashes, injuries, and fatalities involving large trucks and buses.⁸ In order to meet this mission FMCSA, among other things, establishes commercial motor carrier regulations, educates motor carriers, drivers, and the public, and partners with stakeholders such as state governments on efforts to reduce motor carrier crashes. FMCSA uses 52 division offices—one in each state as well as Washington, D.C. and Puerto Rico—and four regional service centers to help carry out its efforts. In order to undertake these activities, FMCSA received appropriations of approximately \$550 million for fiscal year 2011 and obligated about \$300 million of that for grant awards.⁹

⁸FMCSA defines large trucks as trucks with a gross vehicle weight rating of more than 10,000 pounds and buses as any motor vehicle designed, constructed, and or used for the transportation of passengers.

⁹FMCSA is funded through contract authority and receives appropriations from the Highway Trust Fund to liquidate its obligations.

FMCSA manages 10 grant programs that span a range of areas and provides funding to states, localities, and others to improve commercial motor vehicle safety (see table 1). Nine of the 10 grant programs are discretionary—that is, FMCSA decides, through a competitive process based on a review of the merits of applications, which applicants to award funds. FMCSA considers its MCSAP Basic and Incentive program, which accounts for over one-half of FMCSA’s grant funding, to be a formula grant program as FMCSA awards funds through a predetermined formula set by FMCSA based on, among other factors, a state’s population and highway miles.¹⁰

Table 1: FMCSA Grant Programs

Dollars in millions		
Program	Fiscal year 2011 funding	Key objectives
Motor Carrier Safety Assistance Program (MCSAP) Basic and Incentive ^a	\$165	To assist states in developing or implementing programs to improve commercial motor vehicle safety and reduce the number and severity of accidents through consistent, uniform, and effective commercial motor vehicle safety programs.
Border Enforcement	\$32	To assist states that share a land border with another country in carrying out border commercial motor vehicle safety programs and enforcement activities.
New Entrant Safety Audit	\$32	To reduce commercial motor vehicle crashes, fatalities, and injuries through safety audits on new entrant interstate carriers (all new entrant carriers must undergo a safety audit within 18 months of beginning operations).
Commercial Drivers License Program Improvement	\$30	To support states’ Commercial Driver’s License programs in order to reduce the number and severity of commercial motor vehicle crashes by ensuring that only qualified drivers receive commercial driver’s licenses.
Commercial Vehicle Information Systems and Networks (CVISN)	\$25	To provide funding to states to support improved information technology exchanges between government agencies and the motor carrier industry to enhance motor carrier safety and other efforts.
Motor Carrier Safety Assistance Program (MCSAP) High Priority	\$15	To support national projects, including public education, that increase public awareness and education, demonstrate new technologies, and reduce commercial motor vehicle accidents.
Performance and Registration Information Systems Management (PRISM)	\$5	To reduce commercial motor vehicle accidents by using commercial vehicle registration systems to determine the safety of motor carriers before issuing license plates and by motivating carriers to improve safety.

¹⁰The formula FMCSA uses to award MCSAP Basic and Incentive grants is set by FMCSA regulation and is not set in statute.

Dollars in millions

Program	Fiscal year 2011 funding	Key objectives
Safety Data Improvement Program	\$3	To support collection of accurate, complete, and timely data on commercial truck and bus crashes.
Commercial Motor Vehicle Operator Safety Training	\$1	To expand the number of commercial driver's license holders with enhanced safety training to reduce crashes and to assist economically distressed regions through workforce training for commercial motor vehicle operators.
Commercial Drivers License Information System	\$0 ^b	To support state commercial driver's license information systems modernization efforts.

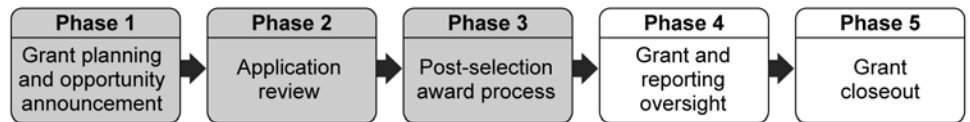
Source: GAO analysis of FMCSA data.

^aFMCSA awards MCSAP Basic and Incentive grants based on a formula using four factors: highway miles, all vehicle miles traveled, population, and fuel consumption. States that demonstrate improvement in certain motor carrier safety initiatives such as a reduction in motor vehicle crashes are eligible to receive MCSAP incentive grants. FMCSA officials noted that the agency was authorized a total of \$209 million in contract authority for MCSAP grants, which includes funding for discretionary grants—\$32 million for New Entrant Safety Audit grants and \$15 million MCSAP High Priority grants—leaving \$162 million for MCSAP Basic and Incentive formula grants.

^bFMCSA officials noted that because of the progress of the CDLIS Modernization effort from previous grants, and the diminishing need from states for dedicated grant funding for this purpose, FMCSA requested in FY 2011 that Congress apportion funding to the Commercial Driver's License Program Improvement and the New Entrant Safety Assurance grant instead of the CDLIS grant program.

FMCSA currently manages its grants using the Office of Management and Budget's (OMB) five phases of grants management (see fig. 1). The first three phases are most relevant to awarding grant funds, the focus of this report. These five phases broadly outline all steps that an agency needs to undertake in awarding and managing grants, including planning the grant program, soliciting and reviewing applications, awarding funds, overseeing grant recipients, and closing out grants. For example, management of grant application reviews and the award process includes creating a grant announcement, accepting and reviewing applications, making funding decisions, and obligating those funds to selected grant recipients.

Figure 1: FMCSA Grants Management Stages



Source: GAO analysis of FMCSA data.

Generally speaking, grants management staff in FMCSA headquarters are responsible for managing the first three phases of grants. Once FMCSA awards grants to states, staff in FMCSA's 52 division offices, headed by Division Administrators, generally assume responsibility of managing the grants, including oversight of the grantee and grant closeout. The four regional service centers also provide grants management support and oversight to each of the division offices. FMCSA has a small number of grant awards that are provided to national organizations, and these grants are managed entirely by FMCSA staff in headquarters.

Internal controls are mechanisms that help an organization, such as a federal agency, provide reasonable assurance that it is meeting its objectives, that operations are effective and efficient, and that the agency is in compliance with all applicable laws and regulations. We have issued standards for internal control in the federal government, and these standards provide an overall framework for establishing and maintaining internal controls and identifying and addressing major performance and management challenges, as well as areas at greatest risk of fraud, waste, abuse, and mismanagement.¹¹ Effective internal controls, which include the plans, methods and procedures to meet agency goals and objectives, can assist in managing change to cope with shifting environments and evolving demands and priorities. As a result, internal controls play a significant role in helping managers achieve agency goals.¹²

We have previously reported that there are five standards for internal control (see table 2) that define the minimum level of quality acceptable for internal control in government and can be applied to all aspects of an agency's operations. The standards are: (1) establishing a control environment, in which an agency creates an environment that sets a positive and supportive attitude toward internal controls such as management's commitment to competence and setting an ethical tone

¹¹[GAO/AIMD-00-21.3.1](#).

¹²The Government Performance and Results Act of 1993 (GPRA) has multiple purposes, including improving program effectiveness, accountability, and service delivery. Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993). Congress subsequently passed the Government Performance and Results Act Modernization Act of 2010 (GPRAMA) which establishes a new framework aimed at taking a more crosscutting and integrated approach to focusing on results and improving government performance. Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011).

within the agency; (2) conducting risk assessment, in which an agency assesses both internal and external risks associated with achievement of agency objectives; (3) engaging in control activities, which helps management ensure that its directives, such as policies and procedures, are carried out; (4) disseminating information and communications to management and others; and (5) monitoring performance over time and ensuring that audit findings are addressed and promptly resolved. In the context of grants management, internal controls are the mechanisms that help an agency ensure that its grant programs are effectively and efficiently managed and that its grant awards comply with laws and regulations.

Table 2: Internal Control Standards for the Federal Government

Internal controls	Internal control standards
Control Environment	<ul style="list-style-type: none"> • An organizational environment that sets a positive attitude toward internal control and management. • A commitment to competence including providing personnel with a level of competence allowing them to accomplish their duties. • Organizational structure, framework, and delegation of authority for agency operations in order to achieve agency objectives. • Appropriate policies for training staff.
Risk Assessment	<ul style="list-style-type: none"> • The identification and analysis of risks associated with achieving agency objectives.
Control Activities	<ul style="list-style-type: none"> • Policies, procedures, techniques, and mechanisms that enforce management’s directives. • Human capital management to ensure that skill needs are continually assessed and that the agency has a workforce with the skills needed to achieve success. • Segregation of duties to reduce the risk of error or fraud and proper execution of transactions. • Appropriate documentation of all transactions and significant events.
Information and Communications	<ul style="list-style-type: none"> • Information should be communicated to those within the agency who need it in a manner and time frame that allows them to carry out their responsibilities. • Communications within the agency should be relevant, reliable, and timely and be broadly based and flow down, across, and up the agency.
Monitoring	<ul style="list-style-type: none"> • Assessing the quality of performance over time. • Ensuring that the findings of audits and other reviews are promptly resolved.

Source: GAO.

FMCSA's Internal Control Senior Assessment Team¹³ oversees FMCSA's internal controls program, which includes, among other actions, annual internal control evaluations conducted by an external auditor to test the effectiveness of internal controls. The evaluations test a number of internal control areas at FMCSA, including grants management.¹⁴ In conducting the internal control evaluations, the external auditor uses an Internal Control Evaluation Tool to assess the effectiveness of internal control activities—which it does by interviewing key staff and testing controls to determine their effectiveness—and assigns an effectiveness rating to each control activity reviewed, and determines the relative significance of internal control deficiencies identified during the evaluations.¹⁵ Although past reviews found internal control deficiencies related to grants management—including inadequate grants management oversight—the external auditor did not make an overall determination of FMCSA's internal controls over grants management. In response to findings made in each review, the Internal Control Senior Assessment Team, in conjunction with subject matter staff at FMCSA, develops corrective action plans that include information on planned actions and time frames for addressing the finding. Once all actions have been implemented by FMCSA and then tested by the auditor, the auditor can close the corrective action plans.

SAFETEA-LU authorized funding for all of FMCSA's grant programs and established funding restrictions for the CVISN program. In May 2010, DOT and FMCSA determined that FMCSA might have violated statutory requirements in obligating CVISN awards. After FMCSA's Chief Financial Officer and Office of the Chief Counsel staff noticed irregularities with CVISN awards, including potential statutory violations, in spring 2010,

¹³This team is chaired by FMCSA's Chief Financial Officer and includes representatives of every FMCSA office responsible for a business practice subject to an internal control evaluation in any given year. FMCSA's internal controls program addresses requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Pub L. No. 97-255, 96 Stat. 814 (Sept. 8, 1982), and the Office of Management and Budget's *Circular A-123*, revised Dec. 21, 2004, which provides the specific requirements for assessing the reporting on internal controls.

¹⁴Other internal controls assessed include human resources, cash management, financial reporting, and travel management. While not all areas are reviewed every year, grants management has been included in FMCSA's internal control evaluations every year since fiscal year 2005.

¹⁵Internal Control rating categories are effective, moderately effective, minimally effective, or ineffective.

DOT established an analysis team supported by Deloitte Consulting LLP (Deloitte), to review the CVISN program and determine the extent of the problem. Using the results of Deloitte's review and its own follow-up assessment, FMCSA found widespread problems with CVISN grant awards, and DOT concluded that it violated the Antideficiency Act—which prohibits federal agencies from incurring an obligation that exceeds their available appropriation or contract authority amounts¹⁶—and SAFETEA-LU. FMCSA found that many awards exceeded statutory caps and that, in some cases, FMCSA awarded total CVISN funds in excess of the annual contract authority available. Specifically, FMCSA found that it committed 47 statutory violations between fiscal years 2006 and 2010 totaling about \$23 million. In response, FMCSA temporarily shut down the CVISN program in May 2010 to determine the problems and to prevent exacerbating any problems. According to FMCSA officials, the agency reopened the CVISN program in June 2011 and plans to award fiscal year 2012 CVISN grants. FMCSA awarded \$17 million in grants in fiscal year 2011 to states that the agency determined had not previously received an improper CVISN grant award.

In May 2011, we reported on a number of internal control weaknesses that contributed to CVISN award violations including: problems with grants management policies and procedures, such as an erroneous internal policy FMCSA issued that provided incorrect guidance regarding the extent to which states were available to receive certain CVISN funds, as well as a lack of written policies and procedures; a failure to track CVISN grants awarded by the Federal Highway Administration, which managed CVISN before FMCSA,¹⁷ thus contributing to cumulative statutory cap violations for CVISN awards; insufficient FMCSA oversight over the CVISN program, including the lack of legal review by FMCSA's Office of the Chief Counsel to ensure that all awards complied with relevant laws; and a lack of training provided to FMCSA staff on how to manage the CVISN program.¹⁸ We did not make any recommendations at that time, pending completion of this broader review of FMCSA's grant awards.

¹⁶31 U.S.C. § 1341(a).

¹⁷The Federal Highway Administration also administered the MCSAP Basic and Incentive and High Priority, PRISM, and the Commercial Drivers License Program Improvement grant programs prior to FMCSA.

¹⁸[GAO-11-517R](#).

Grants management is a key function at NHTSA and EPA—two agencies that, similarly to FMCSA, devote approximately one-half of their budgets to grants. EPA manages its grants through a single centralized office, while NHTSA manages its grants through two different offices—one for formula grants and one for discretionary grants. EPA’s mission is to protect human health and the environment, and it devotes about half of its budget to provide formula and discretionary grants to support this mission.¹⁹ These grant programs support a variety of efforts, including those that further the health of people and the environment. EPA’s Office of Grants and Debarment (OGD) provides centralized grants management support, which includes general oversight of award competitions for discretionary grants and the development of uniform grants management policies and procedures for all of EPA’s grant programs. Each of EPA’s 10 regional offices also has a grants management office that provides its region with grants management support. NHTSA’s primary mission, similar to FMCSA’s, is to save lives, prevent injuries, and reduce the costs of motor vehicle traffic and crashes. NHTSA uses its grant programs, totaling about \$744 million in fiscal year 2010, to help support that mission. NHTSA manages its formula grants through the Regional Operations and Program Delivery Office and discretionary grants through its Procurement Office, and has distinct grant award processes for each. In both cases, however, centralized staff provide administrative support and direction to programmatic grants management staff working on individual NHTSA grant programs.

¹⁹We have conducted several reviews of EPA’s grant management program in the past. See GAO, *Grants Management: EPA Has Made Progress in Grant Reforms but Needs to Address Weaknesses in Implementation and Accountability*, [GAO-06-625](#) (Washington, D.C.: May 12, 2006).

Internal Control Weaknesses Across FMCSA Grant Programs Increased the Risk of Mismanagement and Irregularities in Pre-Fiscal Year 2010 Grant Awards

Decentralized Grants Management and Limited Training Contributed to a Weak Control Environment

Prior to fiscal year 2010, FMCSA's control environment for managing grant awards was inadequate, and issues such as a lack of centralized oversight of policies and procedures and limited grants management training, increased the risk of irregularities and mismanagement of grant awards. Specifically, each grant program was managed independently by a grant program manager, which decentralized oversight of policies and procedures for those grant programs. FMCSA reported that its grants were also managed through its 52 division offices and 4 service centers throughout the country, which created inconsistencies as employees performed multiple tasks and roles. As a result, FMCSA management could not be sure that grant programs were being managed consistently and in line with a single agency policy. In addition, grants management staff told us that FMCSA did not provide adequate grants management training to staff as it did not require any of its grant program management staff to complete formal grants management training. Our internal control standards state that training should be aimed at developing and retaining needed employee skills. Staff received grants management training informally through on-the-job training, some external training, and FMCSA conferences, which did not specifically focus on grants management training. While some grant managers said they received grants management training from an external training provider, this training was not focused on managing FMCSA grants, and attendance was not required by FMCSA. Similarly, FMCSA's 2007 internal control evaluation reported that FMCSA grants management staff were not equipped with formal grants management training and recommended that FMCSA establish a team tasked with creating a formal grants management training program. These weaknesses in the control environment suggest that FMCSA grants management staff did not have the grants

management training necessary to adequately employ policies, laws, or grants management procedures in awarding grants—increasing the risk for award irregularities and mismanagement. Furthermore, without establishing a strong control environment, it can be difficult to successfully implement other control standards.

Limitations in Policies and Procedures, Legal Review, Workforce Planning, Demonstrate Control Activity Weaknesses

Prior to fiscal year 2010, FMCSA had limited documented policies and procedures guiding its grant programs. Our standards for internal control call for federal agencies to document their policies and procedures, which help managers exercise control over agency activities, including activities undertaken to manage and administer programs such as grant programs and help ensure that management directives are conveyed to staff and carried out. FMCSA released a *Financial Management and Processing Manual for Grant Programs* in 2006 that focused on administrative functions related to processing grant transactions; however, it did not focus on broader grants management policies and procedures such as how to review applications and make award determinations, which would be critical for employees to properly carry out these activities. FMCSA did create some documented policies and procedures related to managing grant awards, though they were limited in scope and did not apply to all grant programs. For example, while FMCSA staff created policy memos that detailed some required policies and procedures, such as retaining grant award documents, these memos were created only for the MCSAP program. According to FMCSA officials, these memos were created and provided to staff generally on an as-needed basis—for example, when staff had questions about specific issues. In general, grants managers for a majority of FMCSA’s grant programs told us that they received minimal direction on grants management policies and procedures from FMCSA. In terms of employees’ roles and responsibilities, FMCSA documented these in program managers’ performance plans and evaluated relevant staff through the agency’s performance management system on their performance in meeting stated performance grants management expectations. However, FMCSA did not document roles and responsibilities details in one centralized document, for instance into existing grant related policies and procedures. As a result, grants management staff did not have access to a single set of comprehensive documented policies and procedures to guide them in awarding and managing FMCSA grants, and FMCSA management could not have reasonable assurance that applicable laws and FMCSA policies were followed.

In addition, as was the case with CVISN grants,²⁰ according to FMCSA grants management staff, prior to fiscal year 2010, FMCSA did not require and conduct a formal legal review of every grant award to ensure that awards adhered to laws and regulations. According to our internal control standards, transactions, such as grant awards, should be properly authorized and made in compliance with laws and regulations. FMCSA grants management officials told us that legal staff involvement in grant award review was limited to answering questions and providing support on issues such as whether grant recipients would be providing required matching funds. The absence of a required legal review to ensure compliance increases the risk that other FMCSA awards may have violated laws or regulations, as was the case with certain CVISN awards.

Finally, FMCSA had not conducted a strategic workforce assessment to determine the skills and staffing levels needed to manage its grants programs. GAO's internal control standards for control activities maintain agencies should ensure that skill needs are continually assessed and that their workforces have the skills necessary to help the agency meet its goals. We have reported that strategic workforce planning is an integral part of human capital management and helps an agency, among other things, determine the critical skills and competencies that will be needed to achieve current and future programmatic results and then develop strategies tailored to address any gaps identified.²¹ As a result, FMCSA could not be sure if it had sufficient staff, as well as the needed skills and competencies, to manage its grant programs and make grant awards, increasing the risk of ineffectively and inefficiently run grant programs and award irregularities.

Information and Communications Were Not Consistently Disseminated

Prior to fiscal year 2010, FMCSA had inconsistent practices related to retention of grant award documentation and dissemination of information to grants management staff. Our internal control standards state agencies need to record and communicate relevant and reliable information related to their operations. Grants management staff we interviewed generally kept hard copy folders of award documentation, and some also scanned and uploaded hard copies into FMCSA's Electronic Document

²⁰GAO-11-517R.

²¹GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003), and GAO/AIMD-00-21.3.1.

Management System (EDMS)—FMCSA’s official document repository for all grants management documentation. However, while FMCSA directed grants management staff to use EDMS for grant files beginning in 2006, some staff told us that FMCSA did not specify which grant award documents should be saved in EDMS or in hard copy files. An internal control evaluation also found that FMCSA’s grant documentation was not stored consistently in EDMS. The inconsistent use of FMCSA’s EDMS system to maintain grant documentation increases the risk that FMCSA management may not have had needed electronic access to grant documentation, such as grant applications and supporting documentation, when making grant award decisions, which could have contributed to poor decision making and award irregularities.

In addition to issues related to the maintenance of grant documentation, according to FMCSA staff, the communication of information from management to grants management staff and among grants management staff was ad hoc and informal prior to fiscal year 2010, providing limited assurance that grants management information was adequately disseminated to staff in a timely manner. FMCSA did not have a communications plan to guide the methods through which certain types of information should have been communicated amongst grants management staff. According to GAO’s internal control standards, information should be communicated to management and other relevant agency officials in a timely manner and should be useful, reliable, and continuous. According to some grants management staff, FMCSA management often relied on regional service center staff to pass communications, such as grant announcements and grants policies and procedures, on to other field staff, including those who had key grants management responsibilities. However, by not directly communicating with other field staff, management could not be certain that all 52 Division Administrators passed on communications to all intended recipients or that the messages communicated were those FMCSA intended. Despite the lack of a formal communications strategy, some FMCSA grants management officials told us that they communicated well with one another as needed.

Internal Control Monitoring Efforts Did Not Always Result in Timely Actions

While FMCSA conducted some internal control monitoring activities related to grants management prior to fiscal year 2010 by including grants management in its annual internal control evaluations, FMCSA did not always address findings of internal control reviews in a timely manner. Our standards for internal controls state that agencies should promptly address and resolve the findings of audits. The fiscal year 2005 internal

control evaluation led to a corrective action plan calling for FMCSA to develop a grant program policies and procedures manual and to implement a centralized grant management oversight function. According to FMCSA management, FMCSA was able to close out this corrective action plan by releasing the *Financial Management and Processing Manual for Grant Programs* in 2006. However, some FMCSA grants management staff said that the 2006 manual was narrowly focused and that FMCSA management did not fully address this finding until the release of a more complete *Grants Management Manual* in the beginning of fiscal year 2010 (October 2009). Furthermore, the fiscal year 2005 review led to a corrective action plan for FMCSA to implement a centralized grant management oversight function. However, FMCSA did not first formally propose a centralized function in the form of its proposed Grants Management Office (GMO) until fiscal year 2010. According to FMCSA officials, the agency did not address these findings in a more timely manner because it faced limited resources and wanted to take a sequential approach to transform its grants management. As a result, the agency did not want to design and propose the GMO until the foundation of the *Grants Management Manual* was in place. FMCSA's failure to act quickly to fully correct these weaknesses increased the time during which grant awards may have been mismanaged due to unaddressed internal control weaknesses.

Inadequate internal controls applicable to FMCSA's grants management process, such as those noted above, increased the risk that mismanagement and financial irregularities could have potentially occurred in any of FMCSA's grant programs and not been detected in a timely manner. As noted earlier, an effective system of internal controls provides an agency with reasonable assurance that the objectives of internal controls—effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations—are being achieved. Without effective controls, there is an increased risk that FMCSA's grant programs may not have been well managed, and funds may not have been awarded in accordance with law and FMCSA policy. However, with the exception of CVISN, FMCSA has not conducted a review of all award transactions in its other grant programs and, as a result, does not know if any appropriations law or other violations may have occurred in those programs. The Department of Transportation hired an outside auditor to conduct a review, including legal compliance reviews, of a sample of FMCSA grant awards (other than CVISN) and released the results of the review in July 2011. This review looked at the grants management processes and internal controls of FMCSA's grant programs, assessed FMCSA's *Grants Management Manual*, and

reviewed financial data and legislative compliance of a sample of 180 total obligations and 135 total disbursements covering each of FMCSA's grant programs other than CVISN from fiscal years 2005 to 2010. For those transactions tested, the review did not report any instance of noncompliance with laws and regulations.²² FMCSA officials said they were pleased that this audit did not find any legal compliance findings, and they are not aware of any serious systematic legal compliance issues in its grant programs other than CVISN.

FMCSA Has Taken Steps to Strengthen Internal Controls, but Additional Actions Are Needed to Ensure Continued Improvement

FMCSA has Strengthened Internal Controls, but Some Challenges Remain

Since fiscal year 2010, FMCSA has taken a number of steps to standardize and improve internal controls over the agency's grants management. These actions are broadly outlined in the agency's April 2011 *Grants Management Program Roadmap*, and include (1) centralizing grants management oversight and planning to create a centralized GMO to oversee and administer many grants management practices, (2) standardizing and documenting policies and procedures in its finalized *Grants Management Manual* mentioned above, (3) requiring legal reviews of all grant awards, (4) establishing a new grants management training program, (5) implementing new systems to manage and automate aspects of the grants management process and manage grant award documentation, and (6) improving its communications. Although these actions address some of FMCSA's internal control weaknesses previously described, such as having only limited policies

²²This review observed other problems with award transactions, however. For example, the review observed that some grant agreements were missing required signatures and dates, and that FMCSA recorded some obligations before grant agreements were executed.

and procedures and training for grants management staff, internal control weaknesses and some grants management challenges remain (see table 3).

Table 3: Summary of FMCSA Initiatives to Improve Grants Management

FMCSA initiative	Improvement over pre-2010 grants management	Remaining challenges and agency actions
Plans to create a GMO	GMO centralized oversight would help eliminate inconsistencies and ensure that all staff have and are following correct policies and procedures.	Limited workforce analysis to support FMCSA's budget request for the GMO, or assess its broader workforce needs.
Standardizing policies and procedures in <i>Grants Management Manual</i>	Documenting policies and procedures, which include added legal review and grants management staff roles and responsibilities, could reduce errors in grant awards by providing staff with clear policies and processes to follow for all grant programs.	Manual lacks details on some grant program staff's roles and responsibilities.
Required legal reviews of all grant awards	Standardized legal reviews of all awards, following a legal checklist, should help ensure that awards comply with all applicable laws and regulations.	None.
GrantSolutions ^a : a new system to manage grant processes	Requiring all grants management staff to use the same electronic system for the entire grants process helps ensure that all staff are following the same standardized policies and procedures and documenting the same information.	Some staff reported difficulties using GrantSolutions; FMCSA is working to address this.
Additional grants management training	Additional training can help to reduce staff errors and increase the likelihood that staff follow policies and procedures.	No training tracking system to ensure staff complete required training.
Improved communications <ul style="list-style-type: none"> • Adopted SharePoint^b • E-mail groups • Communication plan 	Adding communications tools and formalizing a communications plan improves the ability of FMCSA management to effectively communicate grants management information with its staff.	Communication plan lacks details. However, the agency noted that the communications plan is sufficient at this time and will continue to refine its internal communications as needed.

Source: GAO analysis of FMCSA information.

^aGrantSolutions is an electronic grants management system created by the Department of Health and Human Service's Center of Excellence for the review, evaluation, and selection of grant applications; award and monitoring of grants. FMCSA officials said they selected GrantSolutions from a short list of grant information systems provided by OMB, noting that GrantSolutions was the most mature of the systems.

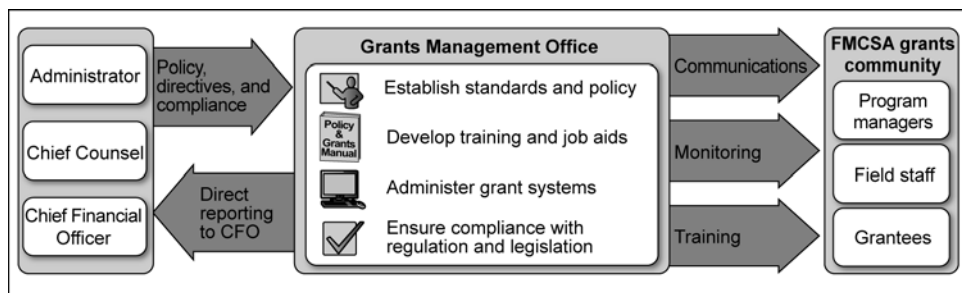
^bSharePoint is a Web-based Microsoft program that allows users to share information.

Grants Management Office Should Help to Improve Oversight, but FMCSA Conducted Limited Analysis to Support Project Costs and Staffing Needs of the Office

FMCSA requested funding in its fiscal year 2011 and 2012 budget requests to establish a stand-alone GMO to strengthen oversight of FMCSA's grants management by centralizing many of its grant management-specific duties, such as establishing standards and policies, developing training tools and job aids, and monitoring to help ensure compliance with regulations and legislation. (See fig 2.) For example, the

GMO would oversee the development of training and job aids designed to help grants management staff understand and implement agency policies and procedures. However, FMCSA has not yet received funding to staff a GMO and thus has used existing FMCSA staff—such as the Chief Financial Officer (CFO)—and an FMCSA contractor to implement the GMO’s functions. For example, since April 2011, the CFO has been in charge of establishing policies and procedures, and FMCSA’s Chief Counsel has been responsible for conducting legal reviews. The GMO should help reduce the risk of grant award mismanagement by providing centralized and consistent oversight and reviews of all grant programs and holding all grant programs and grant managers to the same standard policies. In addition, according to some FMCSA officials we interviewed, by assuming administrative grant responsibilities now held by program staff, the GMO could ease the burden on those programmatic staff so they could focus on responsibilities related to their subject matter expertise. As a result, management should be in a better position to help ensure that grants are managed consistently and in line with policies and procedures, reducing the risk for award irregularities.

Figure 2: Planned GMO Responsibilities and Relationships with Other FMCSA Grants Management Positions



Source: GAO analysis of FMCSA data.

However, despite the GMO being central to the agency’s grant management improvements, FMCSA has not conducted a workforce analysis that could help the agency identify and fill gaps in expertise, including those that might be needed for the proposed GMO. We have reported in the past that while the specific approach to strategic workforce planning varies by individual agencies based on needs and missions, such strategies should determine the workforce skills and competencies

needed to achieve future results and develop strategies to address gaps to ensure the agency has the necessary skills and competencies.²³ Such planning is especially important in times of budget constraints and organizational change, as FMCSA is undergoing its grants management transformation. FMCSA officials told us that the agency had considered conducting a workforce analysis that could systematically assess its grants management skill and staff needs, and then determine if it has these skills and staff, and if it does not, how to obtain them. Further, FMCSA stated in its fiscal year 2011 budget request that it currently does not employ individuals that are trained in grants management. Yet the only action FMCSA has taken to assess its workforce was to create a model to assess the number of staff needed in the field—but not in headquarters—to meet requirements in grants management, program delivery, and oversight. According to FMCSA officials, in preparing its fiscal year 2011 budget request for \$399,000 and three full-time equivalent employees for the GMO, they did more of an anecdotal assessment to determine GMO staffing needs, for instance noting that the agency's current attorneys had too heavy a workload to devote enough time to reviewing grants and concluding that the agency needed a dedicated grants attorney.²⁴ FMCSA officials told us that while they are considering a strategic workforce analysis for their headquarters grants management staff, they have not yet done so in part because FMCSA may not have the resources to fund the staff levels that such an analysis might recommend. Further, they noted that it would be difficult to determine workload and staffing needs until they developed, implemented, and trained staff in new grants management processes. Until FMCSA conducts a thorough workforce analysis, it will not know if it has the staff and skills necessary to effectively manage its grant programs and support the proposed GMO, or if it requires additional resources as it continues its grants management transformation.

Officials told us that if FMCSA does not receive funding to support the GMO, the agency will continue to use existing staff such as the CFO and an outside contractor to assume many of the intended GMO functions.

²³[GAO-04-39](#).

²⁴In September 2010, FMCSA awarded a 3-year contract to an auditing firm to identify the skills and expertise needed for GMO staff positions, the accompanying job descriptions, and draft any policies needed. The auditing firm will not, however, conduct a workforce analysis for the GMO, which would include assessing FMCSA's current skills and abilities, identifying any gaps, and then creating job descriptions for those gaps only.

Grants Management Manual
Should Help Address Control
Weaknesses but Still Lacks
Details on Program Staff Roles
and Responsibilities

FMCSA reported that these interim changes in staffing responsibilities create additional risks to the agency's grants management as they increase reliance on contractors and delay the agency's ability to implement changes that would enhance its employees' grants management skills. In other words, in the agency's opinion this alternate plan would do less to strengthen FMCSA's internal controls than would a GMO, potentially leaving FMCSA's grant awards at risk of mismanagement.

One of the key internal control improvements that FMCSA has made is to standardize and document its grants management policies and procedures, in its *Grants Management Manual*, which were inconsistently documented prior to 2010. According to FMCSA, the Manual is designed to "establish strong internal controls in the form of grant process standardization and promote greater adherence to policies, processes, and procedures." FMCSA first issued the Manual in early fiscal year 2010 and issued an update in January 2011. The Manual provides information on the roles and responsibilities of grants management staff and describes the steps in each stage of the grant process—from the grant announcement, to application review and award, and finally to closeout—as well as the steps that staff are expected to follow in each stage. In addition, the Manual publishes grants management staff's roles and responsibilities in one place, instead of across individuals' performance plans as was customary prior to 2010. Including these descriptions in a document that all grants management staff have access to helps ensure that all staff know their and others' roles and responsibilities, which should help increase accountability and the likelihood that all staff fulfill their documented responsibilities. Further, by documenting and setting consistent policies across all grant programs, the Manual should provide staff with the information needed to help ensure that grants are managed and awarded in line with FMCSA policies and with all relevant laws.

While the Manual strengthens FMCSA's internal controls, grant program staff's roles and responsibilities are still not sufficiently documented. For example, grants management positions detailed in the Manual include program manager, for the person in headquarters who manages all aspects of a specific grant program. However, there is a single list of roles and responsibilities for staff who manage grants in the field, including field administrators, service center directors, and state program managers. FMCSA officials told us that these individuals have different roles in the field, yet they have a single list of roles and responsibilities. In addition, a 2011 external review of the agency's grants management found that the Manual did not clearly describe who has responsibility for managing grant

award documentation or have clear explanations of two steps in the grant cycle—grant concurrence and approval. FMCSA officials told us that they believe that the grant concurrence and approval workflow diagrams displayed in the Manual depict the approval flow and clearly denote each reviewer in the process. In addition, FMCSA officials said that they provided more detailed information on these topics through training and job aids and that the agency intends to provide additional, possibly grant program specific information in standard operating procedure documents. However, in that case, details on all programs would not be located in one central place, and grants management staff might face challenges in keeping track of and following these various guidance documents. The review also noted that the Manual does not include a description for the financial program specialist, an individual who assists with financial oversight, and that work flow diagrams in the Manual are not clear, which may confuse staff on certain grants management roles and responsibilities.

Required Legal Reviews of All Awards Should Help Ensure Compliance with Laws and Regulations

The Manual also describes a new requirement for all grants to be formally reviewed by the Office of Chief Counsel prior to award. FMCSA created checklists—one for each grant program—to guide these legal reviews to ensure that awards follow all applicable laws and regulations. Required and standardized legal reviews should reduce the risk that CVISN-type statutory violations occur in the future by providing a structured legal framework for attorneys to follow during legal reviews. EPA uses similar reviews and ensures that review checklists are updated annually to incorporate any new requirements and laws.²⁵ Updating these checklists on a regular basis helps ensure that all relevant laws, regulations, and requirements are followed when awarding grants.

The New Grants Management System Poses Some Challenges, but the System Should Help Standardize Process and Procedures

FMCSA implemented a new electronic grants management system, GrantSolutions, to manage the process for all phases of grant awards. While there have been some challenges in implementing the system, FMCSA officials noted that requiring all grants management staff to use the new system for the entire grants process helps ensure that all staff are following the same standardized policies and procedures and documenting the same information, which was not necessarily the case prior to 2010. In addition, the system helps ensure that certain tasks are completed by building them into the system's automated workflow. For

²⁵In addition to a legal checklist, EPA staff also use checklists for budget reviews.

example, the Financial Management Office will conduct its financial review as part of the funding and approval processes in GrantSolutions.

FMCSA staff began using GrantSolutions to manage grant awards and as the official repository of grant-related documentation in fiscal year 2011. Some grant managers we interviewed said that GrantSolutions was challenging to use, particularly at first. FMCSA officials told us that because GrantSolutions was developed for the Department of Health and Human Services, it is not customized for FMCSA's needs, making it challenging at times to use. FMCSA officials noted that they are working with GrantSolutions developers at the Department of Health and Human Services to customize the system to the extent possible and have had to supplement training on the system provided by the Department of Health and Human Services with FMCSA-provided training courses and materials. However, regardless of the challenges noted by some staff, FMCSA reported that GrantSolutions will help to ensure that all required grant documents are saved and stored in the system. Having a single system in which staff are required to store all relevant grant documentation will help ensure that documents are located together in one place when grant managers and other relevant individuals, such as those who serve on technical review panels, need to review them and make award decisions based on them.

New Grants Management Training Helps Strengthen Controls, but Lacks an Adequate Tracking System

FMCSA implemented additional required training for grant managers, which should help to strengthen its controls over grants management. FMCSA began training staff on the contents of the Manual in spring 2011 and plans to add more comprehensive 2-day grants management training in 2012.²⁶ FMCSA officials told us the agency has contracted with outside training providers for training it cannot provide itself, including appropriations law training.²⁷ FMCSA reported that training will help grants management staff better understand the FMCSA policies, as well as the laws and regulations that they should follow when managing grant awards. This is particularly important in light of the agency's

²⁶FMCSA identified a need for this 2-day training through a review of its training curriculum conducted by an outside contractor. The contractor's review found that FMCSA could best meet the needs of its employees by using contractors such as the U.S. Department of Agriculture Graduate School, to conduct some of its training and developing its own training for topics specific to FMCSA employees.

²⁷According to FMCSA officials, the agency will offer appropriations law training twice in 2011 and will likely offer it three times per year starting in 2012.

Antideficiency Act violations in its CVISN program, which, as mentioned previously, occurred in part because staff did not fully adhere to the funding restrictions governing the program. According to FMCSA's *Grants Management Program Roadmap*, staff that attend this new 2-day training will be required to pass an exam before graduating from the course; however, FMCSA has not specified what will occur if staff do not pass the exam.

Despite the improvements in the curriculum, FMCSA does not have a system for management to easily track employee training to ensure that staff complete required training and are continuing to keep their skills and knowledge up to date. FMCSA currently documents required training in employees' individual development plans. Separately, FMCSA's electronic training system lists courses and the names of staff who have completed them. According to FMCSA officials, the training system does not contain information from individual development plans,²⁸ so it cannot identify employees who have not taken certain training courses. As such, FMCSA relies on, but does not require, supervisors to monitor staff training. Supervisors keep track of which employees have not completed required training by cross-referencing the requirements in the individual's development plan and the names of those who completed the requirements in the training system. Since the information is not all in one location, management may not know if staff fail to complete required training. The absence of a formal, centralized mechanism for tracking staff training increases the risk that a staff's failure to take a required course could go undetected, increasing the risk that staff do not have the knowledge needed to appropriately manage grant awards.

In contrast, though EPA also requires regular training for grants management staff, it uses a system that identifies staff who have not taken required training, which allows management to contact those individuals to ensure that they complete it. EPA also ensures its grants management staff complete required training by limiting access to the agency's grants management system—a system staff need to perform their job functions—to only those staff that have completed the training required to become certified grant project officers. Grant project officers who do not take required training are unable to process grant awards. Moreover, staff must take a refresher course to maintain their certification

²⁸Individual development plans document employees' roles and responsibilities.

New System and Plan Improve
Communications and Plan
Continues to Evolve

every 3 years. Finally, EPA reviews its training periodically to identify new regulations or other information that grant management staff need to know and incorporates it into the training. NHTSA also has required training for grants management staff, including required refresher training every 2 years for managers of discretionary grants. NHTSA discretionary grants managers are required by OMB to take “Contracting Officer’s Technical Representative” training.

FMCSA has improved its methods for communicating grants management information to staff and has created a communications plan to guide grants management communications. FMCSA hired contractors to implement SharePoint, a Web-based system developed by Microsoft, and began using it in October 2010. FMCSA uses SharePoint to share and disseminate grants management and other documents to internal staff. Currently, most of SharePoint is dedicated to the contents of the Manual, though FMCSA also uses it for grants management “frequently asked questions” and forums. Second, FMCSA set up e-mail groups for job categories, including grant Program Managers and Division Administrators, to help ensure that it can target communications to specific groups. Whereas, prior to 2010, FMCSA management in headquarters relied on Division Administrators to pass communications on to other field staff, management can now communicate directly with their intended recipients, thus increasing the likelihood that grant management staff receive the information management intended them to receive. Finally, in contrast to the ad hoc communications FMCSA relied on prior to fiscal year 2010, FMCSA created a communications plan in 2011 that outlines a strategy for communicating with stakeholders during its grants management transformation. A communication strategy is essential to an organization undergoing significant change, like FMCSA, which is transforming its grants management program. A communication strategy helps ensure consistency of message, encourages two-way communication, provides information to meet specific needs of employees, and facilitates more frequent communication.²⁹ While FMCSA’s strategy lacks some details—for example, specific information on the types of messages that will be communicated to staff—the agency noted that its communication plan is sufficient at this time and will continue to evolve as it identifies additional communication needs.

²⁹GAO, *Results Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

Additional Actions Could Help Ensure Continued Grants Management Improvements

FMCSA has begun to initiate a number of improvements to internal controls over its grants management that should help reduce the risk for grant award irregularities and mismanagement, but there are additional challenges that could impact the agency's ability to continue to successfully transform its grants management. When undergoing such transformations, we have reported³⁰ that it is important for agencies to undertake certain practices like (1) establishing a coherent mission guiding the transformation, (2) involving employees in the transformation, (3) establishing a communication strategy to report progress, (4) ensuring that agency leadership drives transformational change, and (5) establishing results-oriented goals and a strategy and timeline for tracking performance towards achieving them.³¹

FMCSA's ongoing initiatives reflect the agency's progress in implementing the first three of these practices, but it is unclear if the agency will be able to make progress in the other two—ensuring it has appropriate leadership and establishing goals to measure its progress. For example, the *Grants Management Program Roadmap*, previously described, provides a coherent framework and mission guiding FMCSA's grants management transformation. In addition, FMCSA employees were involved in developing both the Roadmap and the Manual and, as we previously noted, although its scope is limited, FMCSA created a communication plan. However, it is unclear if the agency will have sufficient leadership to drive this transformation in the future, as it may not receive funding for its centralized GMO in fiscal year 2012, and its CFO, who oversaw many of the new grants management initiatives and was designated as the individual to whom the GMO would report if it is created, left the agency in August of this year. We have previously reported that top leadership must set the direction, pace, and tone for agency transformation.³² It is important for FMCSA's next CFO to

³⁰[GAO-03-669](#).

³¹This is based on GPRA. To promote improved federal management and greater efficiency and effectiveness, GPRA instituted a government-wide requirement that agencies set goals and report annually on performance, and encouraged federal agencies to conduct in-depth program evaluations to assess their program's impact or learn how to improve results. Performance information is critical for achieving results and maximizing the return on federal funds.

³²[GAO-03-669](#).

continue to provide such leadership given that officer's role in grants management.

Further, FMCSA has not set metrics to measure its performance in meeting grants management goals. While the *Grants Management Program Roadmap* includes milestones, they are for implementation steps only, such as dates by which FMCSA will roll out grants management training. Performance metrics could help FMCSA identify the extent to which the changes it is making contribute to reducing the risk for financial or management mistakes. This information, in turn, could help inform FMCSA's decisions about which actions to continue and which need to be modified or discontinued. This information could also help FMCSA demonstrate to Congress that, despite its past violations, it is committed to improving its grants management. EPA's grants management plan, for example, includes a system for monitoring the implementation of its grants management changes and evaluating the extent to which they meet certain performance targets.³³ For instance, one of the grants management goals under the plan is to "enhance the management process for grants policies and procedures," and one of the performance targets it will use to track its progress toward meeting this goal is to "offer training on 100% of new and revised policies at least 4 weeks before required implementation." In this way, EPA can measure its performance and progress in meeting grants management goals and determine additional improvements.

Conclusions

The federal government and state governments are experiencing severe budgetary constraints, consequently it is essential that the federal government increase its attention to how federal grant funds are awarded and spent. FMCSA relies on states to deliver a number of motor carrier safety grant programs, and many states rely on FMCSA grant funds to help deliver these critical programs. In 2011, DOT determined that it had violated federal appropriations statutes, including the Antideficiency Act³⁴ in awarding some CVISN grants from fiscal years 2006 to 2010. While

³³For EPA's grants management plan, see United States Environmental Protection Agency, "Grants Management Plan 2009 -2013," <http://www.epa.gov/ogd/EO/finalreport.pdf>. For additional information on EPA's grants management, see [GAO-06-625](#).

³⁴As stated above, the Antideficiency Act prohibits federal agencies from incurring an obligation that exceeds their available appropriation or contract authority. [GAO-11-517R](#).

these violations were specific to the CVISN program, some of the internal control weaknesses that contributed to those violations existed across FMCSA's additional nine grant programs.

FMCSA's recent grants management initiatives, such as the *Grants Management Manual* and grants management training, appear to be positive steps in addressing internal control weaknesses that were prevalent in FMCSA's grant programs prior to fiscal year 2010, including those found to have contributed to statutory violations pertaining to CVISN awards. However, many of the initiatives are relatively new, and it is too soon to tell whether they will ultimately be successful in addressing internal control weaknesses. In particular, while FMCSA plans to staff a centralized Grants Management Office—an important component of its grants management transformation—the agency has yet to conduct a strategic analysis of its grants management workforce needs including resources needed for this office. For the initiatives that FMCSA has implemented, additional improvements could help ensure their success. For example, adding information to the *Grants Management Manual* on staff roles and responsibilities and adequately tracking required training will ensure grants management staff are equipped to effectively manage grant awards. Finally, setting goals and measures and tracking progress toward meeting those goals can help ensure that the agency continues to head in the right direction in its grants management transformation. Without implementing some of these additional efforts, FMCSA's grants management initiatives could fall short of their objective to achieve effective internal controls, and the agency's grant awards will continue to be at risk of financial irregularities.

Recommendations for Executive Action

Given the importance of FMCSA's grants programs in helping meet the agency's goals, we recommend that the Secretary of Transportation direct the FMCSA Administrator to take the following four actions:

- In order to better determine its staffing and skill needs for grants management, conduct a strategic grants management workforce planning evaluation, including an analysis of the needed staff resources for the proposed GMO.
- To further improve grants management policies and procedures, add details regarding staff roles and responsibilities in the *Grants Management Manual* so that grants management staff are appropriately informed to manage each program.

-
- To improve its tracking of grants management training, work with the appropriate DOT individuals to modify its training system to allow management to easily determine which staff have taken required training.
 - In order to track the progress of its grants management transformation, create a series of measurable grants management goals and objectives and timelines for completing them, as well as a series of metrics to measure progress in meeting these goals. FMCSA should detail these goals and metrics in its *Grants Management Program Roadmap*, track progress in meeting these goals over time, and report to Congress on its progress.

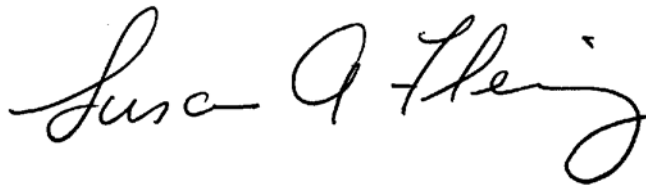
Agency Comments and Our Evaluation

We provided a copy of our draft report to DOT for review and comment. DOT generally agreed with our recommendations and provided comments via e-mail that were primarily technical in nature, which we incorporated as appropriate. DOT did comment on two of the recommendations in our draft report. First, in response to our recommendation that FMCSA modify its training system, FMCSA officials noted that FMCSA uses a DOT-mandated Training Management System to track grants management training, and that they do not have control over the features or functionality of this system. As such, we modified the language in our report to recommend that FMCSA work with appropriate individuals at DOT to modify the training system. Second, our draft recommendation that FMCSA create grants management goals and objectives and report to Congress on their progress in meeting them stated that FMCSA should report to Congress annually. In response, FMCSA officials noted that the agency already updates Congress on its programs regularly and that an annual report on its grants management goals would be administratively burdensome. We agreed that FMCSA could keep Congress informed without submitting a separate annual report, and thus removed the reference to “annually” from our recommendation.

We also provided a copy of our draft report to EPA for review and comment. EPA did not have any comments.

We are sending copies of this report to the appropriate congressional committees, DOT, EPA, and other interested parties. The report also is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at flemings@gao.gov or (202) 512-2834. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix II.

A handwritten signature in black ink that reads "Susan A. Fleming". The signature is written in a cursive, flowing style.

Susan A. Fleming
Director, Physical Infrastructure Issues

List of Requesters

The Honorable Patty Murray
Chairman
The Honorable Susan Collins
Ranking Member
Subcommittee on Transportation,
Housing and Urban Development
and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Tom Latham
Chairman
The Honorable John W. Olver
Ranking Member
Subcommittee on Transportation,
Housing and Urban Development
and Related Agencies
Committee on Appropriations
House of Representatives

Appendix I: Objectives, Scope, and Methodology

In order to address the extent to which, prior to fiscal year 2010, the Federal Motor Carrier Safety Administration's (FMCSA) grant programs had internal controls in place that reduce the risk of grant award irregularities, we reviewed GAO's *Standards for Internal Control in the Federal Government* to determine internal control standards relevant to the management of grant programs. In addition, we reviewed GAO's prior work on FMCSA's Commercial Vehicle Information Systems and Networks (CVISN) grant program to determine internal control weaknesses that contributed to financial irregularities with CVISN grant awards. We interviewed the grant program manager for each program other than CVISN prior to fiscal year 2010 to discuss how each grant program was managed at that time and the internal controls that were in place over the grant programs. We did not include CVISN in this review given the work we had already conducted on that grant program. We collected and analyzed relevant documentation, such as grant policy memos, related to internal controls over grants. We also interviewed FMCSA headquarters officials, including the Chief Financial Officer (CFO), regarding internal controls.

We also interviewed FMCSA officials and FMCSA grant recipients from four states—Alabama, Alaska, Arizona, and Wisconsin. We selected these four states because they were among those identified by FMCSA as having received irregular CVISN awards and also received a number of non-CVISN grant awards, which allowed us to interview fiscal year 2011 recipients of all of FMCSA's grant programs, aside from the Commercial Motor Vehicle Operator Safety Training Grant. We determined that not including interviewing any recipients of this grant was acceptable given its small size (a total of \$1 million in awards) and that recipients are generally private training providers and educational institutions as opposed to state government agencies, which are the primary recipients of FMCSA's other grants. In each state we interviewed key grants management FMCSA staff at the Division Office—primarily Division Administrators and State Program Specialists—regarding their role in managing FMCSA grants as well as internal controls that were in place for managing those grants prior to fiscal year 2010. We also interviewed recipients of each grant in each state regarding their experiences with receiving FMCSA grants and of FMCSA's management of making grant awards.

Finally, we reviewed audits related to internal controls and grants management, including grants management internal control evaluations and corrective action plans for FMCSA for fiscal years 2007 through 2010 and two audits conducted by an outside auditor (Deloitte) following the

discovery by FMCSA of irregular CVISN awards to review findings made by other audits regarding grants management internal control weaknesses at FMCSA prior to fiscal year 2010. We also interviewed FMCSA staff, as well as representatives of FMCSA's independent internal control auditor.

In order to determine actions FMCSA is taking to improve its grants management to reduce the risk for financial irregularities in awarding grants and the challenges that remain, we interviewed FMCSA management about the agency's efforts to improve grants management and reviewed documentation related to these efforts including the *Grants Management Program Roadmap*, *Grants Management Manual*, and documentation on FMCSA's proposed grants management office. We analyzed these documents and staff responses to determine the extent to which they addressed the internal control weaknesses we and others identified at FMCSA. We also analyzed these documents and interviews to identify any internal control weaknesses or challenges that persisted despite FMCSA's improvements. We also interviewed select FMCSA field office staff discussed earlier regarding their views on FMCSA's current grants management transformation initiatives.

We also conducted a literature search and reviewed prior GAO work on grants management practices, particularly as it relates to internal controls over the awarding of grants. Finally, we met with grants management officials at the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) to discuss how those agencies manage their grant programs and analyzed relevant grants management documentation from those agencies. We selected these agencies because they, like FMCSA devote at least 50 percent of their budgets to grants, and have a safety focus. We interviewed EPA and NHTSA grants management officials to discuss how their agencies manage grants, what challenges they face in doing so, and what internal controls they employ over grants management. We reviewed relevant documentation related to grants management at both agencies such as EPA's grants management plan and NHTSA's discretionary grants management manual.

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the individual above, Sharon Silas, Assistant Director; Sarah Farkas; Tom James; Delwen Jones; SaraAnn Moessbauer; John J. Reilly; Matthew Rosenberg; and Crystal Wesco made key contributions to this report.

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