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BUSINESS DAY

Federal Auditor Finds Broad Failures at N.H.T.S.A.

By **DANIELLE IVORY** JUNE 19, 2015

Even as evidence poured into the nation's top auto safety agency pointing to dangerous defects in millions of vehicles, regulators repeatedly failed for years to root out problems and hold carmakers accountable, according to a long-awaited internal audit by the Transportation Department.

The bluntly worded report, ordered last year after General Motors began recalling 2.6 million cars with a defective ignition switch, paints a bleak portrait of the National Highway Traffic Safety Administration, the agency charged with overseeing safety in the auto industry.

The agency had weak management, undertrained staff and insufficient processes in place to properly review safety data submitted by automakers and complaints submitted by drivers, the report by the Transportation Department's inspector general found. Repeatedly, investigators missed opportunities to identify that the ignition switch was prone to turn off, shutting down the engine and disabling systems like power steering and the airbags. At least 114 deaths have been linked to the defect. And the agency's shortcomings extended to other problems as well.

Ultimately, the report said, the agency's systemic failings "deter N.H.T.S.A. from successfully meeting the mandate to help prevent crashes and their attendant costs, both human and financial."

The 42-page document, obtained by The New York Times in advance of its planned release next week, follows another internal report published by the Transportation Department two weeks ago, in which the safety regulator

acknowledged its own failings in the years leading up to G.M.'s ignition recall. But that report focused blame squarely on G.M. for deceiving the agency and withholding useful information. The inspector general's report, by contrast, kept its focus on the agency's shortcomings.

The criticism by the inspector general, Calvin L. Scovel III, is at once damning and direct. The agency does not thoroughly screen consumer complaints, of which it receives roughly 330 a day, the report said. The agency does not verify that manufacturers' reports about potential defects that may have caused injuries and deaths are complete and accurate. The agency does not follow statistical practices when reviewing such complaints and manufacturer reports or provide adequate training to employees responsible for reviewing the information.

Even in cases where the agency suspected that an automaker was not complying with the law, it did not take prompt enforcement action. For example, officials told investigators at the Office of the Inspector General that they had been aware for years about inconsistencies in Honda's reporting of death and injury claims, which are required by law. But they took no action until fall of 2014, when the manufacturer admitted that it did not report 1,729 written claims on injuries or deaths from mid-2003 through mid-2014. Honda was subsequently fined a record \$70 million by the safety agency.

Additionally, rather than reviewing manufacturers' reporting procedures for such information, the director of the agency's Office of Defects Investigations said his team relied on the "honor system," according to the report. But automakers routinely improperly categorize safety incidents, hindering efforts to identify dangerous trends. For example, instead of using the word "fire," automakers instead used phrases like "strange odor," the report said.

In the case of G.M. and the ignition switch, the agency overlooked clue after clue, including consumer complaints spanning more than a decade and a 2007 Wisconsin state trooper's report that identified the switch as the reason that the airbag did not deploy in an accident that killed two teenagers and brutally injured another. The agency employees who reviewed the report that year did not note the link and, apparently, were uncertain under what conditions the airbags were supposed to deploy, according to agency officials cited in the report.

The inspector general made 17 recommendations for the safety agency. Among those were to improve methods to assess injury and death claims reported by

manufacturers. It also recommended improving staff training, developing a quality control process to ensure that consumer complaints are thoroughly reviewed and updating procedures for identifying and documenting safety defect trends. The report also urged the agency to streamline how it opens investigations into potential safety concerns.

Making these changes will fall to Mark R. Rosekind, who took the helm of N.H.T.S.A. in December and has taken a more aggressive stance in confronting the industry it is charged with overseeing. The agency came under withering criticism last year from lawmakers in multiple congressional hearings. Last September, a New York Times investigation found that in the last decade the agency had often been slow to identify and act on safety defects, including the G.M. ignition flaw, and reluctant to use its full legal powers against automakers.

The agency agreed with all of the recommendations and promised to aggressively enact all of them by June 2016, Mr. Rosekind wrote in a June 16 letter to the inspector general's office. He added that the agency was already making improvements, many of them detailed in the Transportation Department's previous report.

Both Mr. Scovel and Mr. Rosekind are expected to testify before the Senate Committee on Commerce, Science and Transportation next Tuesday to discuss the role the safety agency has played in the mushrooming recall of almost 34 million defective Takata airbags that span 10 automakers in the United States.

Complaints received by regulators about various automakers as early as 2001 blame Takata airbags for at least 139 injuries, including at least 37 people who reported airbags that ruptured or spewed metal fragments or chemicals.

On Friday, Honda confirmed that an airbag rupture had killed the driver of a rented 2001 Honda Civic this past September. It is the eighth death that has been linked to Takata's faulty airbags.

Correction: June 23, 2015

An article on Saturday about an internal audit by the Transportation Department that was sharply critical of the National Highway Traffic Safety Administration misspelled the surname of the department's inspector general, whose office conducted the audit. He is Calvin L. Scovel III, not Scovell.

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