

The August 2023 Arizona Department of Transportation (Department)—MVD’s Oversight of CDL Examination Third Parties performance audit was the second of 3 audit reports of the Department we issued as part of the Department’s sunset review. The first performance audit assessed whether MVD ensured authorized third parties issued vehicle titles, drivers licenses, and identification cards only to qualified/authorized individuals; and the third audit provided responses to the statutory sunset factors and assessed whether the Department addressed fraud and security incident risks related to its MVD system and ensured compliance with State purchasing card, conflict-of-interest, and 5-Year Transportation Facilities Construction Program requirements. We will issue separate follow-up reports for the first and third audits.

Our August 2023 performance audit on MVD’s oversight of CDL examination third parties found that MVD failed to timely inspect some contracted CDL providers and examiners and did not consistently take remedial action to address inspection violations, potentially jeopardizing the safety of drivers, pedestrians, and bus passengers, including schoolchildren, in Arizona and nation-wide. We made 11 recommendations to MVD, and its status in implementing the recommendations is as follows:

**Status of 11 recommendations**

Implemented	1
In process	10

We will conduct an 18-month followup with MVD on the status of the recommendations that have not yet been implemented.

**Finding 1: MVD has not inspected some CDL providers and examiners at least once every 2 years or used some inspection methods as required by federal regulations, putting public safety at risk**

1. MVD should inspect all CDL providers and examiners at least once every 2 years using all inspection methods as required by federal regulations.

**Implementation in process**—As of April 2024, according to MVD data, all 56 CDL providers had been inspected in the last 2 years. Additionally, although MVD did not provide documentation that it conducted unannounced provider inspections, as required by federal regulations, it updated its procedures in May 2024 to include the requirement to conduct unannounced inspections of providers.

Additionally, according to MVD data, as of April 2024, MVD had inspected CDL skills tests administered by all but 2 CDL examiners that had not been inspected within 2 years. According to MVD, it had not conducted inspections of these 2 examiners since our audit because 1 examiner had not completed a skills test since May 2023 and the other administered a skills test in March 2024, but MVD inspectors had scheduling conflicts at that time. MVD reported that it would deactivate these examiners if they do not administer additional skills tests that it can inspect by May 2024 and March 2025, respectively. MVD also reported that, as of December 2023, it had conducted at least 1 covert inspection of a CDL examiner since October 2023. During this covert inspection, MVD scored the examiner as “marginal,” which, according to MVD guidance, requires MVD to re-inspect the examiner within 6 months (for more information on MVD’s procedures for conducting covert examiner inspections, see explanation for Recommendation 4c). We will further assess MVD’s inspections of CDL providers and examiners during our 18-month followup.

2. MVD should assess the impact of its current number of inspectors on its inspection timeliness and take action as needed to ensure it has a sufficient number of inspectors to conduct inspections of all third-party CDL providers and examiners at least once every 2 years, such as utilizing MVD examiners to complete some coscore inspections of third-party CDL examiners.

**Implemented at 6 months**—MVD conducted an analysis of its CDL inspection staffing and workload and determined that its 2 full-time inspectors are sufficient to conduct inspections of all third-party CDL providers at least once every 2 years.

Additionally, MVD determined that another 2 full-time inspectors assisted by 8 MVD examiners would be sufficient to meet the 2-year inspection requirement for third-party CDL examiners. As of April 2024, MVD had trained 9 MVD examiners to perform third-party CDL examiner inspections.

3. MVD should continue to consult with the Federal Motor Carrier Safety Administration (FMCSA) on how it should comply with all federal regulations related to CDL inspections, such as conducting unannounced inspections of providers' and examiners' records, and covert and overt monitoring of examiners, and incorporate this guidance into its inspection procedures.

**Implementation in process**—MVD consulted with FMCSA in October and November 2023 on how it should comply with federal regulations related to CDL inspections. As of May 2024, MVD had updated its procedures to include requirements and guidance for scheduling unannounced inspections of providers' and examiners' records. Additionally, MVD reported that it received verbal approval from FMCSA to complete 10 percent of its monthly examiner inspections covertly. Although MVD developed a document outlining an expectation that its staff will complete 10 percent of monthly examiner inspections covertly, as of May 2024, it had not incorporated this expectation into its written procedure for scheduling examiner inspections to help ensure it meets its 10 percent requirement. We will further assess MVD's implementation of this recommendation during our 18-month followup.

4. MVD should develop or update and implement written policies and procedures for tracking and monitoring the timely completion of CDL provider and examiner inspections using all inspection methods required by federal regulations, including:

- a. Identifying the total number of active contracted CDL providers and certified examiners.

**Implementation in process**—As of May 2024, MVD had developed written procedures that include various requirements to help it identify the total number of active CDL providers and examiners, including requiring MVD management to review the listing of active providers and examiners, update provider and examiner information, and deactivate inactive providers and examiners. However, these procedures do not include guidance on adding new providers and examiners to the listing to ensure that the total number of active and contracted CDL providers and examiners have been identified.

We will assess MVD's continued development and implementation of its procedures for identifying active providers and examiners during our 18-month followup.

- b. Accurately recording inspection completion and due dates in the American Association of Motor Vehicle Administrators (AAMVA) scheduling system.

**Implementation in process**—As of May 2024, MVD's procedures for scheduling provider inspections did not include guidance on recording completion and due dates in the AAMVA system.

In addition, as of April 2024, MVD had developed written procedures for recording examiner inspection completion and due dates in the AAMVA scheduling system.

We will assess MVD's continued development and implementation of procedures for recording inspection completion and due dates in the AAMVA scheduling system during our 18-month followup.

- c. Using the AAMVA scheduling system to monitor and select CDL providers and examiners for inspections, including time frames for how often staff should review the system to identify when CDL skills tests will be administered to applicants, and how to prioritize providers and examiners for an inspection. As AAMVA

makes changes to the AAMVA scheduling system, MVD should modify its policies and procedures to incorporate any new processes for using the system.

**Implementation in process**—As of May 2024, MVD had developed procedures for its staff to use the AAMVA scheduling system to monitor and schedule CDL provider inspections. The provider inspection procedures include requirements for management to review the active list of providers monthly and schedule unannounced provider inspections as required by federal regulations. However, these procedures do not include requirements and/or guidance for prioritizing providers for inspections.

Additionally, as of May 2024, MVD had developed written procedures for its staff to use the AAMVA scheduling system to monitor and schedule CDL examiners for inspections. MVD had also developed written policies, procedures, and guidance for scheduling follow-up examiner inspections and issuing enforcement actions. However, its examiner inspection scheduling procedures lack requirements and/or guidance related to scheduling examiner inspections using all inspection methods required by federal regulations, including whether the inspection will be unannounced, covert, or overt, and on how to prioritize examiners for an inspection.

We will further assess MVD's development and implementation of inspection scheduling procedures during our 18-month followup.

- d. MVD management's review of the completion of CDL provider and examiner inspections at least once every 2 years, using all inspection methods required by federal regulations.

**Implementation in process**—As of May 2024, MVD had not developed policies or procedures for MVD management's review of completed provider inspections.

In addition, as of May 2024, MVD had developed procedures for MVD management's review of completed examiner inspection reports, including guidance for determining when the next inspection should occur based on the inspection results. However, MVD's management review procedures do not include requirements for managers to ensure that examiner inspections adhered to the federal requirement that covert and overt examiner inspections occurred.

We will further assess MVD's development and implementation of management review procedures during our 18-month followup.

## **Finding 2: MVD not holding some CDL providers and examiners accountable for addressing inspection violations may jeopardize public safety**

- 5. MVD should ensure that CDL inspection violations identified are corrected and enforcement action issued is consistent and appropriate by developing and implementing written policies, procedures, and guidance, including defined staff roles and responsibilities for:

- a. Tracking and monitoring that providers adequately respond to inspection reports and requests for information, including providing detailed action plans outlining how violations will be corrected and prevented from reoccurring.

**Implementation in process**—As of May 2024, MVD's guidance for issuing enforcement actions based on CDL provider inspections required that providers complete action plans based on applicable inspection violations. However, MVD's policies and procedures do not include guidance with defined staff roles and responsibilities for tracking and monitoring that providers complete these action plans.

Additionally, in May 2024, MVD updated its guidance for issuing enforcement actions based on CDL examiner inspection violations and removed the requirement that examiners complete action plans. According to MVD's updated guidance, MVD inspectors are required to perform follow-up inspections of examiners with identified violations to reassess compliance with standards. According to MVD, these follow-up inspections review all areas of an examiner's performance, including areas with previous violations, to track and monitor that CDL examiners respond to identified violations.

We will further assess MVD’s implementation of this recommendation, including its use of follow-up inspections, during our 18-month followup.

- b. Determining and issuing enforcement action to respond to identified CDL inspection violations, including guidance for taking appropriate, consistent, progressively stringent, and timely enforcement actions that address the violation(s), including requiring CDL examiners to complete retraining courses when an MVD inspector identifies a need for retraining.

**Implementation in process**—In May 2024, after we had completed most of our follow-up work, MVD developed written guidance for determining enforcement action to respond to identified CDL provider inspection violations.

Additionally, as of May 2024, MVD had developed written policies, procedures, and guidance for CDL examiner inspections that define staff roles and responsibilities for determining and issuing enforcement action, including when to require coaching and retraining. For example, MVD developed guidance requiring inspectors and managers to review and finalize CDL examiner inspection reports within 8 days and issue enforcement actions according to a standard, progressively stringent framework that includes requiring CDL examiners to complete retraining when an inspector identifies a need for retraining.

We will assess MVD’s implementation of enforcement policies, procedures, and/or guidance during our 18-month followup.

- c. Tracking and overseeing the enforcement actions taken to ensure that violations identified are being addressed appropriately, such as ensuring that CDL examiners have completed retraining courses and have refrained from conducting skills tests until completing required retraining, or whether additional enforcement action is needed.

**Implementation in process**—Although MVD had developed guidance for determining enforcement actions to respond to identified CDL provider inspection violations, as of May 2024, MVD had not developed written policies, procedures, or guidance defining staff roles and responsibilities for tracking and overseeing enforcement actions taken following provider inspections. For example, MVD’s guidance for determining enforcement actions for CDL providers includes requirements that providers complete action plans outlining how they will address identified violations and that providers be deactivated until action plans are approved. However, MVD’s written procedures do not outline staff roles and responsibilities for tracking or overseeing that provider action plans are completed or approved.

Additionally, as of May 2024, MVD had developed guidance with defined staff roles and responsibilities for overseeing that required enforcement action was taken to ensure that examiner violations identified are being addressed appropriately. Specifically, MVD developed policies, procedures, and guidance requiring that CDL managers deactivate or decertify CDL examiners when enforcement action related to training is required. According to MVD, if an examiner is deactivated or decertified in the AAMVA system, the examiner cannot conduct a skills test.

We will further assess MVD’s development and implementation of policies, procedures, and guidance for tracking and monitoring enforcement actions during our 18-month followup.

- 6. MVD should develop and implement a written management review process for ensuring that CDL inspection violations identified are corrected and enforcement action issued is consistent and appropriate.

**Implementation in process**—MVD has not developed a management review process for ensuring identified CDL provider inspection violations are corrected according to its updated guidance related to provider enforcement actions (see Recommendation 5c for more information on MVD’s guidance for provider enforcement actions).

In addition, as of May 2024, MVD had developed written procedures and guidance for managers to help ensure that enforcement actions issued to CDL examiners are consistent and appropriate. These procedures include requirements for managers to review CDL examiner inspection reports within 8 days and use written guidance to apply standard, progressively stringent enforcement actions based on examiner inspection scores prior to approving the final inspection report. However, the procedures do not include guidance to ensure that identified

violations are corrected, such as by reviewing follow-up inspections to determine whether the previously identified violations are corrected.

We will further assess MVD's development and implementation of a written management review process to ensure that violations are corrected and appropriate enforcement action is issued during our 18-month followup.