



Jerry E. Abramson  
Mayor

Louisville Metro Council

The Office of Internal  
Audit provides independent,  
objective assurance and  
consulting services  
that adds value to and  
improves Louisville  
Metro Government.



Office of Internal Audit

Louisville Metro Government

Commercial Driver's License Activity

# Audit Report

Office of Internal Audit

## Louisville Metro Government

### Commercial Driver's License Activity

November 2010



Louisville Metro Government

Commercial Driver's License Activity

**Table of Contents**

**Transmittal Letter ..... 2**

    Introduction..... 2

    Scope..... 3

    Opinion ..... 3

    Corrective Action Plan..... 4

    Internal Control Rating ..... 5

    Background..... 6

    Summary of Audit Results..... 7

**Observations and Recommendations ..... 9**

    #1) Policies and Procedures ..... 11

    #2) Computer System ..... 13

    #3) Activity Processing..... 15

    Human Resource’s Corrective Action Plan ..... 17



OFFICE OF INTERNAL AUDIT  
LOUISVILLE, KENTUCKY

JERRY E. ABRAMSON  
MAYOR

MICHAEL S. NORMAN, CIA, CFE, CGAP  
CHIEF AUDIT EXECUTIVE

THOMAS L. OWEN  
PRESIDENT METRO COUNCIL

## Transmittal Letter

November 29, 2010

The Honorable Jerry E. Abramson  
Mayor of Louisville Metro  
Louisville Metro Hall  
Louisville, KY 40202

### **Subject: Audit of Louisville Metro Commercial Driver's License Activity**

#### **Introduction**

An audit of Louisville Metro Government's Commercial Driver's License activity was performed. The primary focus of the review was the internal control structure that helps ensure compliance with applicable laws, regulations, and policies. The objective was to obtain assurance that risks are adequately mitigated through the internal control structure.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel

factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

### Scope

The procedures for the administration of Louisville Metro's Commercial Driver's License (CDL) activity were reviewed through interviews with key personnel. This included personnel from Human Resources, Public Works and Assets, and Solid Waste Management Services. The compliance requirements were also identified by reviewing applicable Federal and State laws and guidelines. The focus of the review was the internal control structure that ensures compliance with applicable laws, regulations, and policies.

Tests of activity from fiscal year 2010 (July 2009 through June 2010) were performed. The tests included verifying that employees in positions requiring CDLs were in compliance with requirements; applicable vehicles were operated by CDL employees; additional pay for CDL employees was appropriate; reimbursements for employee paid CDL expenses were proper; and activity was in compliance with random drug and alcohol testing requirements. The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report. The audit would not identify all issues because it was based on selective review of data.

### Opinion

It is our opinion that the internal control structure for Louisville Metro's Commercial Driver's License activity needs improvement in order to be effective in mitigating the compliance and operational risks of the activity. The internal control rating is on page 5 of this report. This rating quantifies our opinion on internal controls and identifies areas requiring corrective action. Opportunities to strengthen the internal control structure were noted. Examples include the following.

- **Policies and Procedures.** There are no documented policies and procedures for the enterprise to use in the administration of CDL activity. As a result, the roles and responsibilities for ensuring CDL activity is in compliance with requirements are not clearly defined. This increases the risk of non-compliance with requirements and may result in inconsistencies and inefficiencies with activity processing. For example, there is no routine monitoring of CDL expiration dates.
- **Computer System.** Issues were noted with the computer system used for data related to the CDL employees. This included lack of documentation to support the data in the system. These issues impact the integrity of the data, which ultimately impairs the reliability and effectiveness of the system as a tool for ensuring CDL activity is in compliance with requirements.
- **Activity Processing.** Issues were noted with the CDL activity reviewed. This included documentation issues, which impacted the ability to verify that the activity was in compliance with CDL requirements, and CDL compensation that was not processed in compliance with collective bargaining agreements. It should be noted that for the sample of activity reviewed, there were no significant instances of non-compliance with CDL requirements.

The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of Louisville Metro's Commercial Driver's License activity.

**Corrective Action Plan**

While this was an enterprise review, the Department of Human Resources was asked to provide a corrective action plan for the enterprise. The Human Resources Department has the authority to ensure corrective action is implemented for the enterprise, has issued CDL related policies, and is involved in the administration of CDL activity. However, it is important to note that the effectiveness of the corrective actions requires the participation, cooperation, and support of all Metro departments, especially those with numerous CDL positions (e.g., Public Works and Assets, Solid Waste Management Services).

Representatives from Human Resources have reviewed the results and are committed to addressing the issues noted. Human Resource's corrective action plans are included in this report. We will continue to work with Human Resources to ensure the actions taken are effective to address the issues noted.

Sincerely,

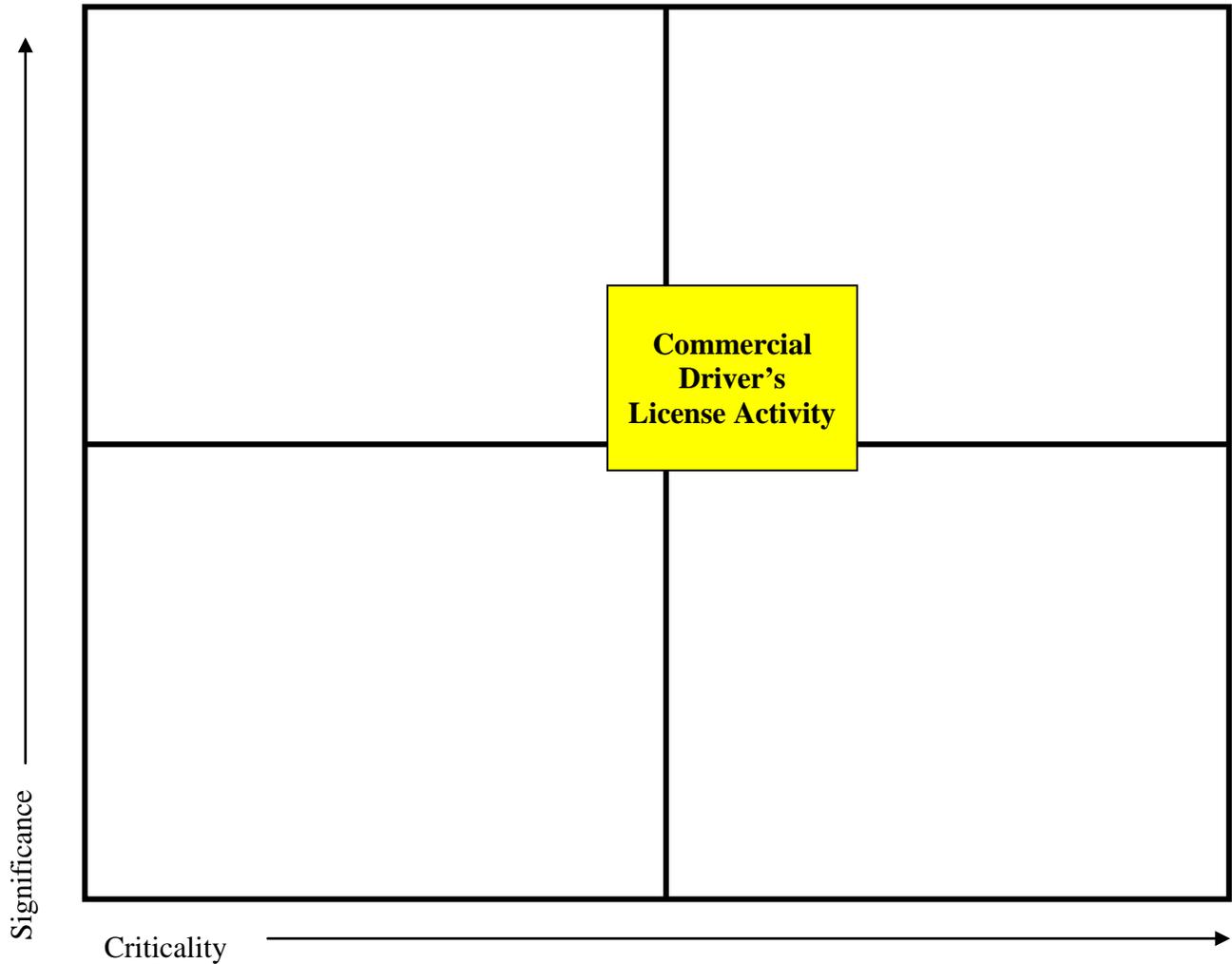


---

Michael S. Norman, CIA, CFE, CGAP  
Chief Audit Executive

cc: Louisville Metro Council Government Accountability and Oversight Committee  
Director of Human Resources  
Louisville Metro External Auditors

**Internal Control Rating**



<u>Legend</u>			
<u>Criteria Issues</u>	<b>Satisfactory</b> Not likely to impact operations.	<b>Needs Improvement</b> Impact on operations likely contained.	<b>Inadequate</b> Impact on operations likely widespread or compounding.
<b>Controls</b>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<b>Policy Compliance</b>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<b>Image</b>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<b>Corrective Action</b>	May be necessary.	Prompt.	Immediate.

## **Background**

The goal of the Commercial Motor Vehicle Safety Act of 1986 was to improve highway safety by ensuring that drivers of large trucks and other vehicles were qualified to operate those vehicles. The Act retained the State's right to issue a driver's license, but established minimum national standards which States must meet when issuing a Commercial Driver's License (CDL).

The Federal standard requires States to issue a CDL according to the license classifications of A, B, or C. These classifications take into consideration the Gross Combined Weight Ratings and the Gross Vehicle Weight Ratings of the vehicles. Class A is the highest and allows operation of vehicles with Gross Combined Weight Ratings of 26,001 or more pounds.

A CDL is awarded after successful completion of both written knowledge and hands-on skills tests. A medical exam is also required. The license must be kept in good standing by the holder. Drug use, motor vehicle violations, and physical health can impact the status of the CDL. Kentucky Revised Statute 281A.050 exempts firefighters and emergency equipment operators from the CDL requirements.

As of June 2010, there were 67 job positions in Louisville Metro Government that required the employee to have a Commercial Driver's License. There were 405 employees within these job positions. Louisville Metro's CDL information for each department is listed in the following table.

<b>Louisville Metro Commercial Driver's Licenses</b>		
<b>Department Name</b>	<b>Job Positions requiring CDL</b>	<b>Employees in Job Positions requiring CDL</b>
Community Action Partnership	1	3
General Services Administration	9	41
Public Health and Wellness	1	2
Animal Services	4	8
Parks and Recreation	12	47
Neighborhoods	1	1
Public Works and Assets	15	188
Solid Waste Management Services	17	105
Zoo	7	10
<b>Total</b>	<b>67</b>	<b>405</b>

Louisville Metro reimburses employees for the expenses incurred to obtain and maintain their CDLs as required by their job function. In addition, some collective bargaining agreements contain provisions for additional hourly pay for employees in positions requiring CDLs. The additional hourly pay ranges from \$0.20 to \$1.00.

This was a scheduled audit.

## **Summary of Audit Results**

### **I. Current Audit Results**

See Observations and Recommendations section of this report.

### **II. Prior Audit Issues**

The Office of Internal Audit has not performed prior reviews of Louisville Metro Government's Commercial Driver's License activity.

### **III. Statement of Auditing Standards**

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

### **IV. Statement of Internal Control**

An understanding of the internal control structure was obtained in order to support the final opinion.

### **V. Statement of Irregularities, Illegal Acts, and Other Noncompliance**

The review did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

### **VI. Views of Responsible Officials / Action Plan**

A draft report was issued to the Department of Human Resources on October 20, 2010. While this was an enterprise review, the Department of Human Resources was asked to provide a corrective action plan for the enterprise. The Department of Human Resources has the authority to ensure corrective action is implemented for the enterprise, has issued CDL related policies, and is involved in the administration of CDL activity.

An exit conference was held at Human Resources on November 2, 2010. Attending were Bill Hornig and Lynn Fleming representing Human Resources; Brittany Schaefer and Michael Norman representing Internal Audit. Final audit results were discussed. The views of Human Resources were received on November 19, 2010 and are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted. However, it is important to note that the effectiveness of the corrective actions requires the participation, cooperation, and support of all Metro departments, especially those with numerous CDL positions (e.g., Public Works and Assets, Solid Waste Management Services).

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

*“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or **no longer than** 30 days of receipt of the draft report.”*

Human Resource’s response was provided within this required timeframe.

## Observations and Recommendations

### Scope

The procedures for the administration of Louisville Metro Government's Commercial Driver's License activity were reviewed through interviews with key personnel. This included personnel from Human Resources, Public Works and Assets, and Solid Waste Management Services. The compliance requirements were also identified by reviewing applicable Federal and State laws and guidelines. The focus of the review was the internal control structure that helps ensure compliance with applicable laws, regulations, and policies.

Tests of activity from fiscal year 2010 (July 2009 through June 2010) were performed. The audit would not identify all issues because it was based on selective review of data. The tests included the following.

- **Job Position.** A sample of employees in positions that require Commercial Driver's Licenses was reviewed. The employee's CDL file in Metro Human Resources was examined to ensure documentation of CDL compliance was present. This included verifying that copies of licenses and medical cards were valid for the period reviewed. The sample consisted of 42 employees from 30 job positions and all 3 CDL classes (A, B, C). The employees represented 8 different Metro departments, with the largest number from Public Works and Assets and Solid Waste Management Services.
- **CDL Pay.** Some of Louisville Metro's collective bargaining agreements contain requirements that employees in positions requiring CDLs receive extra compensation for having the license. The additional compensation ranges from \$0.20 to \$1.00 per hour. A sample of employees eligible for this additional compensation was reviewed. The employee's pay rate was reviewed to determine if the additional pay was included. The sample consisted of 42 employees representing 5 different collective bargaining units and departments.
- **Vehicle Activity.** A sample of activity for Louisville Metro vehicles that require CDLs was reviewed. The log books were reviewed to identify operators for pre-determined dates. The operator's CDL file in Metro Human Resources was examined to ensure documentation of CDL compliance was present. This included verifying that copies of licenses and medical cards were valid for the period reviewed. The sample consisted of activity for 24 vehicles from 3 different Metro departments during February and April 2010.
- **Reimbursement of Expenses.** A sample of reimbursements to Louisville Metro employees for CDL expenses was reviewed. Payment documentation, including the receipts for the employee's out of pocket expenses, was examined. Verification that the activity was allowable for reimbursement was performed. The sample consisted of 10 reimbursements processed during fiscal year 2010.
- **Random Drug and Alcohol Testing.** Federal regulations require that at least 50% of the CDL population be subjected to random drug and alcohol tests annually. Compliance with this requirement was verified by reviewing the number of random tests performed monthly, and ensuring the annual total met the 50% requirement. Results from individual employee's tests were not reviewed.

## **Observations**

Several issues were noted with the administration of Louisville Metro's Commercial Driver's License activity. The internal control structure needs improvement in order to be effective in mitigating the compliance and operational risks of the activity. Opportunities to strengthen the controls are as follows.

#1) Policies and Procedures

#2) Computer System

#3) Activity Processing

Details of these begin on the following page.

## **#1) Policies and Procedures**

There are no documented policies and procedures for the administration of Louisville Metro's Commercial Driver's License activity. Documented policies and procedures are fundamental internal controls that are essential for mitigating compliance and operational risks. The lack of documented policies and procedures can result in non-compliance with requirements as well as inconsistencies and inefficiencies with activity processing.

- **Roles and Responsibilities.** The roles and responsibilities for the various Louisville Metro departments (e.g., Human Resources, Public Works and Assets, Solid Waste Management Services) involved with CDL activity are not defined. This includes areas such as managing activity so that it is in compliance with CDL requirements, monitoring activity to ensure compliance, and taking appropriate corrective action to address compliance issues.
- **Alcohol and Drug Tests.** The process for addressing employees who fail random alcohol and drug tests is not documented. Metro's Personnel Policies contain a drug and alcohol policy for employees holding Commercial Driver's Licenses. This policy addresses requirements but it does not provide detailed procedures for the activity.
  - The process for addressing employees who refuse to comply with random alcohol and drug testing requirements is also not defined or documented.
- **Monitoring of Expiration Dates.** The monitoring of expiration dates for employee's CDLs is not performed on a routine basis. This applies to both licenses and medical cards. The lack of monitoring increases the risk that employees could be operating vehicles without complying with CDL requirements.
  - The Department of Human Resources periodically reviews CDL data for expired licenses, but does not routinely do so.
  - Metro departments have the ability to use the PeopleSoft system to monitor the expiration dates for their employees' CDLs, but do not routinely do so.
- **Reimbursement of CDL Expenses.** The process for reimbursing employees for CDL related expenses is not documented. Employees request reimbursement for CDL permit and renewal fees by submitting documentation to their respective payroll representatives. The documentation is reviewed by Metro Human Resources to ensure the employee is in a position requiring a CDL, and that the documentation is adequate to support the reimbursement. The expenses that are eligible for reimbursement are not documented.
  - In the activity reviewed, there were instances of eligible expenses (e.g., Wants and Warrants fee) not being reimbursed; and instances of ineligible expenses (e.g., Vital Check fee) being reimbursed.

## **Recommendations**

Appropriate Louisville Metro personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ Louisville Metro's policies and procedures for administering CDL activity should be documented. These should address the critical roles and responsibilities that ensure compliance with requirements. The policies should be disseminated to all affected departments, and training of key personnel provided as needed.
- ✓ In order to ensure the policies and procedures are effective for the enterprise, i.e., all Louisville Metro Government departments, they could be included in Metro's Personnel Policies. This will require that the Department of Human Resources take a lead role in the development of the enterprise policies and procedures. The development should be done with input from key departments with job positions that require CDLs. The assistance of legal authorities, such as the Jefferson County Attorney's Office, will help ensure the policies and procedures are in compliance with applicable Federal and State requirements.
- ✓ The responsibility for monitoring CDL expiration dates should be defined in the enterprise policies and procedures. In order to enhance the effectiveness of this monitoring, the responsibility could be assigned to the individual departments. This would help ensure timely actions are taken prior to licenses and medical cards expiring.
- ✓ The functionality of the PeopleSoft system for monitoring CDL activity, especially expiration dates, should be communicated to applicable Metro departments. Training may be necessary to ensure the departments understand the query function, and the actions to take to address the results of the queries.
- ✓ In developing the enterprise policies and procedures, the necessity of including detailed procedures related to random alcohol and drug testing issues should be determined. Inclusion would help ensure consistency in the processing of activity so that all employees are treated the same. The reimbursement of CDL expenses should also be considered for inclusion.
- ✓ Departmental policies and procedures for administering CDL activity should be documented. This includes Human Resources as well as the departments with job positions that require CDLs, such as Public Works and Assets, and Solid Waste Management Services. These should be detailed in addressing the appropriate processing of activity, monitoring for compliance, and appropriate corrective action to address issues.

## **#2) Computer System**

Issues were noted with the computer system used for administering Louisville Metro's Commercial Driver's License activity. The computer system contains data related to the CDL employees, such as license dates, medical review dates, and random alcohol and drug testing activity. Since November 2009, Louisville Metro's PeopleSoft system has been the system used for CDL activity. Prior to November 2009, the Department of Human Resources used a Microsoft Access database for the activity.

- **Communication.** There appears to be obstacles in the timely sharing of CDL information between Metro departments and Human Resources. Human Resources updates the PeopleSoft system for employee CDL information so the timely sharing of information is critical in helping ensure compliance with requirements. The obstacles may be related to the lack of defined roles and responsibilities addressed in Observation #1.
  - Information related to demotions, suspensions, or leaves may not be adequately communicated so the PeopleSoft system may not be updated. This may impact the completeness of the population for random alcohol and drug testing which could result in non-compliance with requirements.
  
- **Data Integrity.** Information contained in employee CDL files maintained by Human Resources was compared to data in the PeopleSoft system. Several instances were noted in which the information did not agree. As a result, data integrity and the reliability of the information are impaired.
  - There were cases in which the information was not complete so verification could not be performed. This included instances where information from the CDL file documentation was not in the PeopleSoft system and instances in which there was no CDL file documentation to support the information in the PeopleSoft system.
  - There were cases in which the license types did not agree. This included instances in which the classes were incorrect, such as Class A being noted when the license was actually Class B (which is more restrictive).
  - There were cases in which expiration dates (e.g., license and medical) did not agree. In some cases, the employee's CDL file contained documentation of dates more current than reflected in the PeopleSoft system and in other cases, the PeopleSoft system contained more current dates than documented in the employee's CDL file.

## **Recommendations**

Appropriate Louisville Metro personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ The policies and procedures recommended in Observation #1 should address the roles and responsibilities in relation to the computer system used for administering the CDL activity. This could include the responsibility for entering information, as well as timely communication of changes for updates. The responsibility for ensuring the computer system information is current and accurate should be assigned to the individual departments since they have immediate access to applicable source

documentation. However, the responsibility for entering information may need to reside with Human Resources especially as it relates to alcohol and drug testing.

- ✓ The individual employee's CDL file should contain documentation to support the information in the PeopleSoft system. The most appropriate location for the employee's CDL file, either at the department or at Human Resources, should be determined. The goal should be ensuring a complete file is maintained while avoiding unnecessary duplication of documentation and effort.

### **#3) Activity Processing**

During the review of CDL activity, several issues were noted. These issues indicate the internal controls need improvement in order to be effective in mitigating the compliance and operational risks. Examples of the issues include the following.

- **Compliance.** For the sample of activity reviewed, there were no significant instances of non-compliance with CDL requirements. There was one issue noted in regards to the residency of employees with CDLs.
  - There were two cases in which the employee had a CDL issued by the State of Kentucky but resided in Indiana. KRS requires a person to be a resident of Kentucky in order to be issued a Kentucky CDL.
  
- **Documentation.** Issues were noted in the review of employee CDL files maintained by the Department of Human Resources. The files were reviewed for documentation that would verify that the employee had a valid CDL and medical card for the period reviewed. Employees with CDLs are to provide current documentation to the Department of Human Resources for their CDL file.
  - There were several cases in which the employee's CDL file did not contain sufficient documentation of a valid CDL or medical card. For several cases, there was no documentation of either the CDL or medical card. For other cases, the documentation was for a CDL or medical card that had expired.
  - There was one case in which Human Resources did not have a CDL file for an employee. According to the PeopleSoft system, the employee had been in a job position requiring a CDL since October 2006.
  - There were two cases in which the CDL documentation in the employee's file was for a different CDL class than required by the employee's job description. The documentation in the file was for a lower and more restrictive CDL class (e.g., class B instead of required class A).

It is important to note that these are documentation issues only. The employees' current CDLs / medical cards were provided by their respective departments, or the issues had been addressed through job reclassifications.

- **CDL Compensation.** Several collective bargaining agreements contain provisions that require extra compensation for employees in job positions requiring CDLs. The additional compensation ranges from \$0.20 to \$1.00 per hour. A sample of activity was reviewed to ensure CDL compensation was processed appropriately.
  - There were two cases in which the employees were not receiving the CDL compensation as stated in the collective bargaining agreement. The employees should have been receiving an additional \$0.30 per hour. The employees' department verified they should have been receiving the CDL compensation and indicated that corrective action would be taken.
  - There was one case in which an employee was receiving more CDL compensation than provided for in the collective bargaining agreement. The collective bargaining agreement provides for additional compensation of \$0.20 per hour for job positions requiring a Class B CDL. The employee was in such a position, but was receiving \$0.25 per hour which is the rate for a Class A CDL.

- There was one case in which an employee receives additional CDL compensation of \$1.00 per hour but is in a position that does not clearly state a CDL is required. The employee is in a Service Agent position that is addressed in a side letter agreement to the collective bargaining agreement. The side letter agreement is not specific as to the employee's duties so it cannot be determined if a CDL is required for the position.
- There was one case in which an employee only receives the additional CDL compensation when driving the commercial vehicle. This is done because the employee's job duties encompass two job positions and only one requires the CDL. While the explanation is reasonable, the collective bargaining agreement does not address this situation.
- **Vehicle Activity.** A sample of Metro vehicles that require CDLs was reviewed. Specific days of activity were selected in order to identify the employee that operated the vehicle (using the operator logs). Compliance with CDL requirements was verified for these employees by reviewing their CDL file in Human Resources. Documentation issues related to vehicle operators is included in the results previously noted.
  - There was one case in which there was not an operator log for the date selected for the vehicle. Based on a difference in mileage documented on days prior to and after the sample date, it appears the vehicle was in use on the date selected for review. The lack of an operator log makes it impossible to verify compliance with CDL requirements.

## **Recommendations**

Appropriate Metro personnel should take corrective actions to address the issues noted. Specifics include the following.

- ✓ The enterprise policies and procedures recommended in Observation #1 should address documentation requirements. This should include determining the most appropriate location for maintaining the employee's CDL file, i.e., either the department or Human Resources. The enterprise policies and procedures should address the specific documentation that is to be maintained in the employee's CDL file. The employee's responsibility for providing current CDL documentation should also be addressed.
- ✓ Periodic reviews should be performed by departmental personnel to ensure employees in job positions requiring CDLs are compensated in accordance with collective bargaining agreements.
- ✓ Departmental personnel should address the issues noted with the collective bargaining agreements to ensure activity is processed as intended. The resolution of the issues should be documented.
- ✓ Departmental personnel should ensure their specific policies and procedures are sufficient in ensuring vehicle operator documentation is properly maintained. Periodic spot checks of activity will help ensure policies and procedures are complied with and proper documentation is maintained.

## **Human Resource's Corrective Action Plan**

Human Resources has begun addressing the issues that were highlighted in the report. Although there were no specific violations found or identified, the observations/recommendations contained in the report are being acted upon.

- Policies and procedures are being drafted so as to document the proper process for hiring, documenting and administering CDL personnel.
- Administrative procedures are being developed to ensure that proper documentation is maintained on all covered personnel.
- Procedures for periodic reviews will be developed to ensure compliance by departments and all CDL holders.
- A system will be established to utilize the capabilities of our People Soft System to maintain a data base containing pertinent data on CDL licenses such as issue dates, expiration dates, etc.
- A review of reimbursement procedures and documentation will be conducted to ensure a consistent approach to reimbursements so that all personnel are reimbursed properly.
- Procedures and policy will be disseminated to all departments and responsible personnel in each department will be trained on the implementation of these procedures to ensure a consistent implementation.

**Office of Internal Audit**  
**Phone: 502.574.3291**  
**[www.louisvilleky.gov/InternalAudit/](http://www.louisvilleky.gov/InternalAudit/)**