How to Avoid a DOT Audit

July 23, 2014

Introduction

- Regulations – Tom Bray
- Policy and Procedure Best Practices – Tom Moore, CTP
- Tropicana Case Study – Renante Redmon

Housekeeping issues:
- You will be muted during the event.
- Please use the Q&A feature to send questions us. We'll try to answer them during the Q&A period if they are not covered in the presentation.
Thomas Bray
Sr. Editor, Transportation Management
J. J. Keller & Associates, Inc.

FMCSA Interventions
• Targeted for roadside inspections
• Warning letter
• Focused off-site investigation
• Focused on-site investigation
• Compliance review (an “audit,” today’s topic!)
  • Corrective/cooperative safety plan
  • Notice of Violation
  • Notice of Claim (fine)

Reason for Audit
• CSA Scores (Roughly 70%)
  • 50% were Focused Investigations
• Complaint (3%)
• Carrier request (1%)
• Follow-up (1%)
Normal Audit Procedures

Audit made up of several steps:
• Notification
  ▪ Phone
  ▪ Follow-up letter and questionnaire
• Carrier completes and returns pre-audit questionnaire
  ▪ Investigator conducts review of carrier and drivers
• Actual audit
  ▪ Follow-up
    ▪ “Unfinished” issues
    ▪ Audit report and rating notification
    ▪ Enforcement action
    ▪ Appeals

Investigative Interventions

• Which records will they ask for?
  ▪ Drivers that have been
    ▪ Involved in crashes
    ▪ Placed out of service or received violations on the road
    ▪ Recently hired
    ▪ Top performers (most miles or hours)
  ▪ Vehicles that have been
    ▪ Involved in crashes
    ▪ Placed out of service or received violations on the road

Factor 1: “General”

• Registration and authority
• Financial responsibility (insurance)
• Vehicle marking
• Accident register
• “False statements or documents”
• Most common violations:
  ▪ False statements or records
  ▪ No official accident report on file when required
Factor 2: Drivers
- Driver qualification files
- Driver licensing
- Drug and alcohol testing program
- Annual reviews
- Most common violations:
  - No inquiries into previous employment
  - No DQ file
  - Using an unqualified or disqualified driver

Factor 3: Operational
- Schedules
- Ill or fatigued drivers
- Cargo securement
- Hours-of-service
- Most common violations:
  - Missing/no logs or supporting documents
  - False logs
  - Using a driver before having verified negative results
  - No drug and alcohol program
  - Failing to meet appropriate random rates

Factor 4: Vehicles
- Out-of-service rate
- Inspection, maintenance, lubrication, and repair records
- Inspection of on-site vehicle, if necessary
  - DVIR violations
  - Using a vehicle with no current annual inspection
  - Failure to have maintenance records on all vehicles
Factor 5: Hazmat

- Shipment paperwork
- Training
- Security plan
- Tank inspections
- Accepting improper materials
- Most common violations:
  - Failure to provide training
  - Improper shipping papers

Factor 6: Accidents

- Calculation of accident rate per million miles
  - Acceptable is 1.5 per million miles
  - Above standard, pass ("Satisfactory")
  - Below standard, fail ("Unsatisfactory")
- Only DOT accidents considered (see §390.5)
- Preventability is considered
  - Non-preventable accidents not used in calculation
  - No common violations (no violations to score)

Rating

- Each violation of an “acute regulation” leads assignment of one point
- A pattern of violations of a “critical regulation” leads to the assignment of a point (pattern of violations of an HOS regulation scores two points)
- Each factor scored:
  - 0 = Satisfactory
  - 1 = Conditional
  - 2 = Unsatisfactory
Safety Rating Table

Factor ratings lead to overall safety rating

<table>
<thead>
<tr>
<th>Results for 2013</th>
<th>33.0% Satisfactory</th>
<th>36.8% Conditional</th>
<th>24.4% Not Rated</th>
<th>5.8% Unsatisfactory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsatisfactory</td>
<td>2 or fewer</td>
<td>Satisfactory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conditional</td>
<td>More than 2</td>
<td>Conditional</td>
<td></td>
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<tr>
<td>2 or more</td>
<td>0 or more</td>
<td>Unsatisfactory</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: “Unsatisfactory” requires corrective plan within 45 or 60 days to continue operations.

Enforcement Action

- If certain violations are discovered, enforcement action will follow
- Enforcement action includes:
  - Notice of Violation
  - Notice of Claim (fine)
  - Imminent hazard order

Focused Investigations

- Done due to BASIC Scores in CSA
- Involved only checking “problem” areas
- Example: Carrier over in HOS Compliance BASIC. Audit will involve:
  - Factor 1 (General)
  - Factor 3 (Operational)
  - Will generally not lead to a rating
Which Intervention?

• The interventions are NOT used in order, the specific intervention will depend on:
  • Which BASIC(s) the carrier is over
  • How far over the threshold the carrier is
  • How many BASICs the carrier is over the threshold
  • Enforcement history (if the carrier has already been intervened with…)
• If carrier has no BASIC over the threshold, interventions not likely
  • However, carrier should still look to improve their “worst” BASIC(s) to avoid future problems

NPTC Member Poll:
What is the highest level of FMCSA intervention faced by your fleet?

- None, 57%
- Warning Letter, 24%
- Off-site, 13%
- On-site, 3%
- Other, 3%

Private Fleet CSA Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Unsafe Driving</th>
<th>HOS</th>
<th>Driver Fitness</th>
<th>Controlled Substance</th>
<th>Vehicle Maint.</th>
<th>HazMat</th>
<th>Crash</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>12.8</td>
<td>17.9</td>
<td>17.77</td>
<td>1.7</td>
<td>24.91</td>
<td>19.78</td>
<td>22.14</td>
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<td>2013</td>
<td>10.96</td>
<td>13.35</td>
<td>13.44</td>
<td>0.96</td>
<td>21.22</td>
<td>1.36</td>
<td>30.4</td>
</tr>
<tr>
<td>2014</td>
<td>11.5</td>
<td>6.5</td>
<td>5.0</td>
<td>0</td>
<td>18</td>
<td>2.6</td>
<td>13.3</td>
</tr>
</tbody>
</table>
Behind the Numbers

• Violations are what get carriers in trouble
  ▪ Violations are what are scored
  ▪ Good inspections help offset the violations in most BASICs!
• Industrywide violation problems
  ▪ Vehicle Maintenance BASIC has the most violations in it
    ➢ Lights, tires, brakes most common
  ▪ HOS BASIC has the most carriers in trouble
    ➢ Form and manner, log not current, over 14 hours most common

Mock Auditing Pointers

• Actually check records, don’t just say “we do that.” The key is: do your records prove that you do that?
• Use FMCSA selection methods when selecting drivers and vehicles to audit.
• Follow the same 6 factor format.
• Use a “by the numbers checklist” when auditing driver files (and other files).

How to Survive

• In case of investigation/audit, have documents current and correct, in particular:
  ▪ Accident register and files
  ▪ Proof of insurance
  ▪ DQ files (including SPH information)
  ▪ D/A program and testing records
  ▪ Logs (or time records) and supporting documents
  ▪ HM training and shipment paperwork
  ▪ Vehicle maintenance files
  ▪ Program management information (what do you do to stay safe and compliant?)
About PepsiCo Chilled DSD

- Chilled Direct Store Delivery Distribution
- 18 Company Owned Distribution Centers Across US
- CNG, UDS, Foodservice
- Products include:
  - Tropicana
  - Naked Juice
  - Izze
  - Sabra
  - Kevita
  - Mueller

PepsiCo Chilled Fleet

- CDSD Operates 232 Refrigerated Straight Trucks
- Full Service Lease units
- 99 Cold Plate Trucks
- Over 3,700,000 Miles in 2013
- 154 Units 26,000 GVWR
- 78 Units 33,000-54,000 GVWR
- 282 Driver Sales Persons
- Primarily Intrastate
J. J. Keller & Associates, Inc. and National Private Truck Council (NPTC) Team Webcast: 
How to Survive a DOT Audit 
July 23, 2014

CSA Intervention Warning Letter

- CSA letter November 2012
- "All hands on deck" Sales & Operations teams
- Call – Why are we at intervention level?
- Review CSA "BASIC" scores
- Understand FMCSA intervention process
- Next steps
- Keys to success
- Best practice

Drivers of DOT Intervention

There are 7 "BASIC" indicators (Categories):
1. Unsafe Driving - Moving violations
2. Hours of Service (HOS) compliance
3. Driver Fitness – Medical/DL
4. Controlled Substance & Alcohol
5. Vehicle Maintenance - Truck related issues
7. Crash Indicator - Not Public

That can cause an intervention by the DOT that could have a negative affect on our field execution.

A review of Tropicana Products Sales Inc.’s safety data by the DOT shows lack of compliance with motor carrier safety regulations and suggests that our safety performance has fallen to an unacceptable level in the area(s) of "Crash Indicator".

DOT Intervention & Next Steps

- Based on these indicators, FMCSA will evaluate our safety performance through increased roadside inspections that targets our company’s performance area (Crash).

- Our safety performance will be monitored monthly and failure to improve our safety performance will result in further investigation of our safety practices which may include request for additional data through offsite or onsite intervention that could result in restrictions on our fleet availability.
We had two “BASIC” categories that required increased focus. Our crash indicator had us in the intervention level. A call to action was needed to improve our safety scores.

**Action Plans to Improve CSA Scores - Crash**

- Increase focus on defensive driving
- Increase focus on fleet safety
  - Review and sign off on fleet safety policy
  - Review our “Safety Code Of Conduct”
  - All DSP (Driver Sales Personnel) sign off yearly
  - Obey all federal and local signs
- Ensure DOT accident registers are compliant
- Review accidents/safety alerts (Talk about it)
- Continue to stress driving safely at all times

**Action Plans to Improve CSA Scores - Driver Fitness**

- Increased focus on DQF files
  - Review 90-, 60-, 30-day expiring documents
  - Utilize DOT zone workbook
  - Review third party file retention center for compliance and accuracy
  - Managers spot check driver’s license & medical card on person on weekly one-with-one
  - Zones would spot check all DSP’s during period district meetings
Action Plans to Improve CSA Scores - Unsafe Driving

- Increased focus defensive driving
- Review and enforce accountability matrix consistently
  - Ensure all DSP with moving violations are counseled and follow steps of discipline
  - Re-train with each violation
- Review CSA performance monthly
- Remind all DSP to obey all traffic laws
- Communicate safe driving on electronic message boards

Action Plans to Improve CSA Scores - Vehicle Maintenance

- Increased focus on pre/post trip inspections
  - Created company pre/post trip video with our own DSP
    - All DSP were required to watch and sign off
    - All DSP went through hands on training after videos
    - Ensure all safety defects are repaired and follow 3 signature process
- Increased focus on monthly truck inspections & safety item checklist
  - Registration/insurance card
  - Driver license/medical card
  - Accident reporting kit
  - Safety equipment (fire extinguisher etc.)
  - DVIR & grid logs

Monthly Truck Inspection Checklist
Action Plans to Improve CSA Scores- HOS

- Increased focus on HOS compliance
- Ensure all sites are compliant with HOS rules
  - 10 break
  - 11 driving
  - 12/100
  - 14 hours on duty
- Ensure all sites are compliant with HOS rules with grid logs
- Review with all sites to ensure compliance with RODS (Record of Duty Status)
- Ensure employee rosters are current

Action Plans to Improve CSA Scores- Drug/Alcohol

- Reviewed drug & alcohol testing program
  - Third party scorecard
  - Zero tolerance

Keys To Success

- Review CSA scores monthly
  - Utilize third party to develop CSA “BASIC” safety recap
  - Review with Sales Leadership Team (SLT), Sales Directors, Zone Managers and all levels of the organization (Sales & Operations Teams)
  - Check for accuracy
    - Challenge any incorrect data through DataQ’s*
    - Dispute what you can prove
    - Have documentation
  - Create a safe fleet operating culture
  - Compare CSA scores with other carriers
  - Set fleet safety goals
  - Celebrate continuous improvement
Keys To Success - Cont.

• Roadside inspection tracker
  - Review tracker accuracy with third party vendor information
  - SME review weekly tracker from zones
  - Review tracker information with sales teams monthly
  - Sales director call with sales team
  - Recognize clean inspections
    - Every DSP that receives a clean inspection gets recognized
    - Utilize video messaging board to show DSP picture and details of their inspection

Keys To Success - Cont.

• Region SME Program (Subject Matter Experts)
  - 4 SME’s
    - 2 Sales SME (West & East Regions)
    - 2 Operations SME (West & East Regions)
  - Operations SME connect call weekly with Fleet Manager
  - Sales SME's connect monthly with Fleet Manager
  - Operations SME Review DOT/Fleet on weekly operations call
    - Review CSA scores
    - DOT initiatives
    - Support region/zones on DQF compliance
    - Attend safety committee calls
    - Support region/zones on internal DOT audits
    - Share best practice between regions/zones

Keys To Success - Cont.

• Training Programs/Communication
  - Sales/Operations DOT point certified
  - Ensure all required yearly training is conducted
    - HOS
    - Vehicle inspection process
    - Pre/Post trip inspections
    - CSA
    - Close quarter maneuvering
    - Backing
    - Safety days
Keys To Success- Cont.

- Internal DOT Audits
  - All sites undergo extensive internal DOT Audits
    - Conducted by Fleet Manager/SME’s
    - Yearly or as needed
    - Total site participation (Sales & Operations), Sales Leadership Team
    - Critical for DOT success
    - DOT education is key
    - Any opportunity items are reviewed in 30 days
  - All sites are required to conduct self audits 4 to 8 months after official internal audit
    - Any opportunity items must be corrected before next official audit
    - Region SME’s to share any best practice
    - Self audits are reviewed by Fleet Manager

Best Practice

- Trucks are not loaded unless post-trips are done
- Zones conduct unannounced pre/post trip inspections
- Recognition programs
- Clean inspections
- Review CSA scores monthly with all levels of organization
- Internal audits
- SME program
- TEST Drive

CSA “BASIC” Categories

We have improved in 6 of the BASIC categories and have reduced our Crash indicator down to zero. We are now working to reduce our Unsafe category down to the single digit and eventually down to zero.
Question & Answer Session

Tom Bray
J. J. Keller & Associates, Inc.

Renante Redmon
PepsiCo Chilled DSD (Tropicana)

Closing Remarks

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• Today’s recording and PPT will be available within 1 week

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  ➢ October 22, 2014 – Regulatory Update

• Please participate in our survey.

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