# Audit Highlights

Highlights of Legislative Auditor report on the Transportation Services Authority issued on January 6, 2005. Report #LA04-22.

## Background

The Transportation Services Authority (TSA) administers and enforces state laws pertaining to passenger transportation, household goods movers, and tow cars. Passenger transportation regulated by the TSA primarily includes limousines, taxicabs outside of Clark County, charter buses, and airport shuttle services. The TSA was created by the 1997 Legislature and commenced operation on October 1, 1997. Prior to this date, the Public Service Commission was responsible for regulation of these carriers. The TSA includes three commissioners appointed by the Governor. For fiscal year 2004, the TSA had a total of 25 authorized positions and approximately $2.5 million in expenditures.

## Purpose of Audit

The purpose of this audit was to evaluate the Transportation Services Authority's monitoring of certified carriers, including whether activities were carried out in accordance with applicable state laws, regulations, and policies. This audit focused on the TSA's oversight of certified carriers in operation during calendar year 2003.

## Audit Recommendations

This audit report contains 15 recommendations to improve the Transportation Services Authority's monitoring of certified carriers and other related activities. These recommendations include developing policies, procedures, and other controls to ensure all required inspections of vehicles and carrier operations are performed. In addition, recommendations include developing policies and procedures and revising regulations to improve consumer protection. We also made recommendations to ensure accurate performance measures, to improve efficiency and effectiveness of enforcement activities, and to strengthen controls over revenues.

TSA accepted all 15 recommendations.

## Status of Recommendations

TSA's 60-day plan for corrective action is due on April 4, 2005. In addition, the six-month report on the status of audit recommendations is due on October 4, 2005.

# Transportation Services Authority

### Department of Business and Industry

## Results in Brief

The Transportation Services Authority had not established sound processes for monitoring carriers under its authority. Policies, procedures, and other controls were not in place to guide the activities of enforcement staff. As a result, vehicle safety inspections were not performed as required, oversight of carrier operations was not adequate, and methods to help protect consumers were not fully implemented. In addition, performance measures reported by the TSA were unreliable. Because of these weaknesses, the TSA does not have reasonable assurance that carriers comply with public safety requirements. During our audit, the TSA was working to address several of the weaknesses identified in this report.

## Principal Findings

Vehicle safety inspections were not performed or adequately documented. The inspection of vehicle safety components, such as the brake system, is important to help ensure safe and reliable vehicles are used for public transportation.

- Limousine and taxicab carriers did not perform annual vehicle safety inspections as required during 2003. Our review of safety inspection records for 68 vehicles identified that 58 (85%) were not inspected as required by TSA regulations.
- The TSA could not provide inspection records for 23 of 30 vehicles we identified as placed in service during 2003. A used vehicle must pass an inspection by TSA. For new vehicles, carriers are required to make the vehicle available for inspection.
- The TSA does not have a process to identify buses requiring an inspection. For all 20 bus companies we selected, the TSA could not provide any information regarding bus inspections.

The process for performing and documenting on-site inspections of carriers' operations can be improved. The TSA could not provide evidence it had ever conducted an on-site inspection for 22 of 40 companies we tested. Half of the companies without an inspection report were in operation before the inception of TSA in 1997, and only 6 companies were inspected during 2003. The TSA has established a performance goal of conducting on-site inspections for 45% of the certified carriers each fiscal year. On-site inspections are important for identifying and correcting carrier violations such as not establishing a driver drug testing program.

The TSA did not monitor fully regulated carriers to ensure their operations are financially stable. From our review of annual financial reports, 9 of 20 carriers tested did not meet the 20% owner's equity requirement for reports submitted in 2003. Furthermore, five of these carriers have not met the financial requirement for 2 years or more. The ownership equity requirement has been established by the TSA to help ensure the value of a carrier's assets exceed liabilities by a sufficient amount. When carriers are financially unstable, they are more likely to cut costs related to vehicle maintenance and insurance.

The TSA did not inspect and seal any taximeters between September 2002 and December 2003. During this time, TSA taxicab carriers had approximately 350 taxicabs in service, primarily in northern Nevada. Effective September 2002, NAC 706.3758 requires all taxicabs to have their meter inspected and sealed by the TSA. When a taximeter is not inspected and sealed, there is an increased risk that the meter has been altered and is not charging the approved rate. In January 2004, the TSA initiated a program to notify taxicab operators and start inspecting meters.

Our review of performance measures found the numbers reported in the Executive Budget and to TSA management are not reliable. None of the five performance measures we reviewed were reliable for fiscal years 2002 and 2003. For example, the TSA reported that 93% of complaints against the industry were resolved within 6 months; however, supporting records indicated 71% were resolved within 6 months. As a result, oversight bodies and managers may have used unreliable information when evaluating programs and making budget decisions. Unreliable measures occurred because of various reasons including calculation errors, inappropriate measurement methods, and a lack of sufficient documentation.