

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
401 S. CARSON STREET
CARSON CITY, NEVADA 89701-4747
Fax No.: (775) 684-6600



LEGISLATIVE COMMISSION (775) 684-6800
RANDOLPH J. TOWNSEND, *Senator, Chairman*
Lorne J. Malkiewich, *Director, Secretary*

INTERIM FINANCE COMMITTEE (775) 684-6821
MORSE ARBERRY, JR., *Assemblyman, Chairman*
Mark W. Stevens, *Fiscal Analyst*
Gary L. Ghiggeri, *Fiscal Analyst*

LORNE J. MALKIEWICH, *Director*
(775) 684-6800

PAUL V. TOWNSEND, *Legislative Auditor* (775) 684-6815
ROBERT E. ERICKSON, *Research Director* (775) 684-6825
BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830

Legislative Commission
Legislative Building
Carson City, Nevada

We have completed an audit of the Taxicab Authority. This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions. The results of our audit, including findings, conclusions, recommendations, and the Authority's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Taxicab Authority for their assistance during the audit.

Respectfully presented,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA
Legislative Auditor

September 2, 2003
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
TAXICAB AUTHORITY

AUDIT REPORT

Table of Contents

	<u>Page</u>
Executive Summary	1
Introduction	8
Background.....	8
Scope and Objective.....	10
Findings and Recommendations	11
Inaccurate Management Information	11
Inadequate Tracking of Medallions	11
Inaccurate Statistics Reported on Driver Permit Activity	13
Little Verification of Number of Reported Trips	14
Documentation Does Not Support Number of Citations Reported as Issued.....	15
Weak Controls Over Revenue	17
Citations Not Adequately Controlled	17
Control of Fine Assessment and Collection Inadequate	18
Receipt Information Not Reconciled or Reviewed.....	19
Medallion Fees Not Authorized.....	20
Employee Checks Cashed.....	21
Improved Reviews Could Generate Additional Revenue	21
Untimely Deposits.....	22
Lack of Controls Over Expenditures	24
Expenditures Not Always Properly Approved	24
Improper Use of Petty Cash.....	26
Fixed Assets Not Adequately Safeguarded	27

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
TAXICAB AUTHORITY

AUDIT REPORT

Table of Contents
(continued)

	<u>Page</u>
Appendices	
A. Audit Methodology	29
B. Prior Audit Recommendations.....	32
C. Taxicab Authority Response	33

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY TAXICAB AUTHORITY

Background

The Taxicab Authority was created by the Legislature in 1969, is headquartered in Las Vegas, and is an agency within the Department of Business and Industry. The mission of the Authority is to protect the taxicab user through the regulation of the taxicab industry in counties with populations over 400,000. A five-member Taxicab Authority Board, appointed by the Governor, oversees the Authority's activities. To accomplish its mission and fulfill its regulatory responsibilities, the Authority: determines the number of taxicabs in service and the areas these cabs may operate; determines the fares taxicab companies charge passengers; issues, suspends, and revokes taxicab driver permits; investigates passenger complaints and violations of applicable Nevada Revised Statutes and Nevada Administrative Code; inspects taxicabs from the 16 taxicab companies in Clark County quarterly; and provides subsidized transportation for qualified older Americans and the permanently disabled in Clark County through the Senior Ride Program.

During fiscal year 2002, the Taxicab Authority had 60 authorized full-time equivalent positions. The Authority is a self-funded agency with one budget account. Fiscal year 2002 beginning cash balance was \$1,481,367 and revenues were \$3,613,395. Expenditures for the year were \$4,267,087. According to Authority management, because the events of September 11, 2001, reduced the visitor count to Las Vegas, taxicab trips decreased along with revenue and the Authority's reserve. The Authority's largest revenue source, trip charge payments, declined 5.5% during fiscal year 2002 from the prior fiscal year.

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY TAXICAB AUTHORITY

Purpose

The purpose of this audit was to evaluate the Authority's financial and administrative practices, including whether activities were carried out in accordance with applicable laws, regulations, and policies. Our audit included a review of the Authority's financial and administrative activities for the fiscal year ended June 30, 2002, and activities through October 2002 for certain audit issues.

Results in Brief

The Taxicab Authority has not implemented a system of internal controls that ensures it complies with laws, regulations, policies, and procedures. Weaknesses in the system of controls occurred because Authority policies and procedures were outdated, incomplete, or not followed. As a result, the Authority collected and reported inaccurate management information. This information included performance indicators and information used by the Taxicab Authority Board for regulating the taxicab industry. For example, the Authority did not have complete and accurate information to regulate and enforce restrictions on the number of taxicabs operating at specific times or locations. In addition, the Authority has little assurance that all taxicab companies accurately reported the number of trips taken by passengers.

The Authority's controls over revenues are weak, increasing the risk that errors or misuse could occur and go undetected. For example, duties over processing fine payments were poorly segregated, employees cashed personal checks, and not all fees were authorized by regulation. Poor controls over expenditures and fixed assets resulted in unauthorized purchases, inappropriate use of

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY TAXICAB AUTHORITY

petty cash funds, and assets not being adequately safeguarded.

Principal Findings

- The Authority does not accurately track the medallions being used by the 16 taxicab companies in Clark County. Medallions are similar to license plates and one medallion is used per taxicab while in service. Knowing the number of medallions in use is important because the Authority regulates the number of taxicabs operating at different times and locations by issuing a certain number of medallions to each company. However, the Authority does not have a current listing or inventory of medallions assigned to each company. In addition, when taxicab companies report losing a medallion, the Authority issues a replacement medallion but does not ensure that when a missing medallion is eventually found, the medallion or the replacement medallion is returned. We found 11 medallions reported as missing were not on the log the Authority uses to track missing medallions. As a result, medallions reported as missing and the replacement medallions could both be used by the companies, giving them an unfair advantage over others. Average revenue to the companies per medallion was about \$152,000 in calendar year 2002. (page 11)
- The number of driver permit transactions in the Authority's fiscal year 2002 performance indicators in the executive budget were over reported. For fiscal year 2002, the Authority reported processing 18,514 driver permit transactions. However, Authority records show it only processed 13,789 such transactions during this time. Reporting accurate information is necessary in helping decision makers determine the amount of resources needed to operate the Authority's driver permit program. (page 13)

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY TAXICAB AUTHORITY

- Taxicab Authority audit coverage was not sufficient to verify the taxicab companies accurately reported the number of taxicab trips taken and paid the proper amount of trip charges. The Authority reported in its performance indicator nearly 21 million taxicab trips were taken in fiscal year 2002. Taxicab companies paid over \$3.1 million in trip charge fees during that year. Only 2 of 192 trip charge payments received from taxicab companies during fiscal year 2002 were audited for accuracy. Ensuring the accuracy of reported trips is crucial because trip charge payments are the Authority's largest revenue source and the Taxicab Authority Board relies heavily on the reported number of trips taken when determining the number of medallions to allocate to the taxicab companies. (page 14)
- The Authority could not demonstrate that the number of citations issued reported in its fiscal year 2002 performance indicators is accurate. Authority investigators may issue citations to taxicab drivers for violations of laws or regulations. The Authority reported issuing 4,077 citations in fiscal year 2002. However, the Authority's citation database shows 3,543 citations were issued and another source shows 4,389 were issued. Ensuring the number of citations issued is correct can provide management accurate information to help regulate the industry and manage the investigative and fine-setting processes. (page 15)
- Controls over the Authority's fine collection processes were weak. Citations were not adequately controlled, duties over processing fine payments were not adequately segregated, and the Authority lacked documentation ensuring the amounts paid were appropriate. As a result, the Authority cannot account for the use of all citations, and fine amounts were inconsistent for similar violations. (page 17)

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY TAXICAB AUTHORITY

- The Authority's revenue collection controls did not ensure it collected and deposited all revenues in compliance with state requirements and internal control standards. Over \$3.6 million in revenue was deposited to the Taxicab Authority Fund in fiscal year 2002. We found receipt and deposit documents lacked evidence of supervisory review. Also, receipt, deposit, and driver permit payment activity information was not reconciled, resulting in differences among the three. In addition, the Authority is missing a receipt book. (page 19)
- Some fees charged to taxicab companies have not been authorized in regulation. The Authority charged the companies \$10 to replace a lost medallion and \$10 to use a temporary medallion for events such as conferences and conventions. We estimate the Authority collected about \$16,760 from such transactions during fiscal year 2002. Not having fees authorized in regulation could allow for inconsistency in the amount companies are charged for using these types of medallions. Also, the \$10 may not reflect the fee amounts that would be set after going through the established process to review and approve proposed regulations. (page 20)
- At least 23 personal checks totaling \$540 from 8 employees were cashed by the Authority during fiscal year 2002. Allowing employees to cash personal checks from agency funds creates an environment where receipts may not be adequately safeguarded or deposited. Authority management took prompt action to stop this practice when we informed them of its occurrence. (page 21)
- The Authority can improve its review process to help ensure all taxicab companies pay the appropriate amount of license taxes to Clark County. Under state law, the County remits these taxes to the Authority. We estimate the Authority could have collected about \$40,000 more in payments from Clark County during

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY TAXICAB AUTHORITY

fiscal year 2002 if it had reviewed the payments from the taxicab companies to the County for accuracy. (page 21)

- Checks for large dollar amounts were not always deposited timely. We found 16 medallion payments totaling \$156,520 that were not deposited timely. In addition, five trip charge payments totaling almost \$72,700 were deposited late. Furthermore, the Authority did not document the day it received 37 payments totaling almost \$586,000, making it difficult to demonstrate compliance with requirements regarding timely deposits. Not depositing receipts timely increases the risk of revenue being lost or stolen. In addition, revenue deposited late may not be invested by the State Treasurer until the following week, reducing interest earned on the funds. (page 22)
- Controls, such as policies and procedures, were not in place to address when the Authority should enter into a contract with a vendor and the conditions for obtaining required approvals from other state agencies. We found the Authority spent \$108,707 without obtaining proper approvals, following state rules for solicitation of bids, or using valid state contracts. As a result, the Authority may not have received the best goods and services for the best price. (page 24)
- NRS 706.8825 authorizes the Taxicab Authority to establish an account for petty cash not to exceed \$1,000 for the support of undercover investigations. However, the Authority used petty cash for purposes other than undercover investigation. Using petty cash for unauthorized purposes allows for circumventing the regular expenditure approval and reimbursement processes. Thus, purchases could be made that may not have been approved otherwise. (page 26)

EXECUTIVE SUMMARY

DEPARTMENT OF BUSINESS AND INDUSTRY TAXICAB AUTHORITY

- Fixed assets were not adequately safeguarded. The Authority did not conduct an annual inventory, and its fixed asset inventory listing was not complete. The Authority's asset listing has about \$450,000 in assets, many of which can easily be converted to personal use. (page 27)

Recommendations

This audit report contains 12 recommendations to improve the Authority's processes for reporting information, processing revenue transactions, approving expenditures, and controlling assets. The Authority should design data collection methods to help ensure management information is accurate, revise audit procedures to provide guidance on audit coverage, and track the status of medallions. The Authority needs to develop adequate controls over revenues, citations, and fines. Furthermore, the Authority should obtain authorization of all fees. In addition, the Authority should revise policies and procedures to strengthen controls over expenditures, including the use of petty cash, and contracts for services. Lastly, procedures need to be revised to ensure inventory records are maintained and an annual inventory is conducted. (page 35)

Agency Response

The Authority, in its response to our report, accepted all 12 recommendations. (page 33)

Introduction

Background

The Taxicab Authority was created by the Legislature in 1969, is headquartered in Las Vegas, and is an agency within the Department of Business and Industry. Laws governing the Authority are found in the Nevada Revised Statutes (NRS) 706.881 to 706.885. The mission of the Authority is to protect the taxicab user through the regulation of the taxicab industry in counties with a population of over 400,000. Clark County is the only county meeting this criterion. A five-member Taxicab Authority Board, appointed by the Governor, oversees the Authority's activities. To accomplish its mission and fulfill its regulatory responsibilities, the Authority:

- Determines the number of taxicabs in service and the areas these cabs may operate. This is done by allocating permanent and temporary medallions to the taxicab companies. Medallions are similar to license plates and are attached on the driver's side of the taxicab. At the beginning of fiscal year 2002, the Authority reported issuing 1,561 permanent medallions for the companies to use in Clark County.
- Determines the fares taxicab companies charge passengers. Since August 2002, the companies have charged \$2.70 for the first 1/9th of a mile and 20 cents for each additional 1/9th of a mile thereafter.
- Issues, suspends, and revokes taxicab driver permits. As part of issuing permits, the Authority conducts background checks of the potential drivers. According to the Authority, in April 2003 there were over 4,800 taxicab drivers in Clark County.
- Investigates passenger complaints and violations of applicable Nevada Revised Statutes and Nevada Administrative Code. Also, Authority peace officers investigate crimes in conjunction with other law enforcement agencies and are on duty 24 hours per day, 7 days a week. Staff are also on duty at McCarran International Airport 7 days a week, 20 hours per day.
- Inspects taxicabs from the 16 taxicab companies in Clark County quarterly. The inspections include the safety, mechanical operation, and comfort standards of taxicabs. The Authority indicated the companies had about 2,000 taxicabs during fiscal year 2002.

- Provides subsidized transportation for qualified older Americans and the permanently disabled in Clark County through the Senior Ride Program. This program is administered by the Aging Services Division, which offers half-fare taxicab rides to participants. The expense of this program is supported by the Authority's interest earnings and any reserve balance over \$200,000. During fiscal year 2002, the Authority gave Aging Services \$278,218 for this program.

During fiscal year 2002, the Taxicab Authority had 60 authorized full-time equivalent positions. The Authority is a self-funded agency with one budget account. Fiscal year 2002 beginning cash balance was \$1,481,367 and revenues were \$3,613,395. Expenditures for the year were \$4,267,087. The following exhibit shows the revenue the Authority received during fiscal year 2002.

Exhibit 1

**Taxicab Authority Revenue
Fiscal Year 2002**

Revenue Source	Total
Trip Charge Payments	\$3,110,103
Medallion Payments	173,060
Fine Payments	119,693
Clark County Payments	71,232
Driver Permit Payments	63,653
Treasurer's Interest Distribution	47,862
Other	27,792
Total Revenue	\$3,613,395

Source: State's accounting records.

Over the years, the Authority has had a cash reserve, in part due to an increasing number of taxicab trips. However, according to Authority management, because the events of September 11, 2001, reduced the visitor count to Las Vegas, taxicab trips decreased, along with revenue and the Authority's reserve. The Authority's largest revenue source, trip charge payments, declined 5.5% during fiscal year 2002 from the

prior fiscal year. As a result, combined with recent state budget savings requirements, the Authority indicated it has not filled some vacant positions. Per the Authority, 5 of its 60 positions were vacant as of October 2002.

Scope and Objective

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218.737 to 218.893. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This audit included a review of the Taxicab Authority's financial and administrative activities for the fiscal year ended June 30, 2002, and activities through October 2002 for certain audit issues. The objective of the audit was to evaluate the Authority's financial and administrative practices, including whether activities were carried out in accordance with applicable laws, regulations, and policies.

Findings and Recommendations

The Taxicab Authority has not implemented a system of internal controls that ensures it complies with laws, regulations, policies, and procedures. Weaknesses in the system of controls occurred because Authority policies and procedures were outdated, incomplete, or not followed. As a result, the Authority collected and reported inaccurate management information. This information included performance indicators and information used by the Taxicab Authority Board for regulating the taxicab industry. For example, the Authority did not have complete and accurate information to regulate and enforce restrictions on the number of taxicabs operating at specific times or locations. In addition, the Authority has little assurance that all taxicab companies accurately reported the number of trips taken by passengers.

The Authority's controls over revenues are weak, increasing the risk that errors or misuse could occur and go undetected. For example, duties over processing fine payments were poorly segregated, employees cashed personal checks, and not all fees were authorized by regulation. Poor controls over expenditures and fixed assets resulted in unauthorized purchases, inappropriate use of petty cash funds, and assets not being adequately safeguarded.

Inaccurate Management Information

The Taxicab Authority lacks controls over obtaining accurate information to help effectively regulate the taxicab industry in Clark County and manage the Authority's programs. We found the Authority reported information that was not accurate or verified. Accurate information is needed to assist decision makers in regulating the taxicab industry, measuring the Authority's activity and performance, budgeting, and making staffing decisions.

Inadequate Tracking of Medallions

The Authority does not accurately track the medallions being used by the 16 taxicab companies in Clark County. As a result, medallions reported as missing and

replacement medallions could both be used. This may give some companies an unfair advantage over others and make regulating taxicabs and drivers and enforcing laws more difficult. Medallions are similar to license plates and one medallion is used per taxicab while in service.

The Authority does not have a current listing or inventory of medallions assigned to each company. In addition, when taxicab companies report losing a medallion, the Authority issues a replacement medallion but does not ensure that when a missing medallion is eventually found, the medallion or replacement medallion is returned. Knowing the number of medallions in use is important because the Authority regulates the number of taxicabs operating at different times and locations by issuing a certain number of medallions to each company annually. At the beginning of fiscal year 2002, the Authority reported issuing 1,561 medallions to the 16 taxicab companies operating in Clark County.

The Authority does not maintain complete and accurate information showing the current status for medallions, such as whether they are being used, have been reported as missing, or have been returned to the Authority. We reviewed 31 payments for lost medallions and found 11 medallions were not listed on the log used to track missing medallions. Furthermore, Authority records did not usually contain information indicating if medallions were found and returned or if the replacement medallions were returned. For example, Authority records show one company reported the same medallion missing on January 19, 2001, and again on March 20, 2001. However, the Authority lacks evidence showing if the missing medallion or replacement medallion was returned after being reported missing the first time. Records do indicate the missing medallion was used later to replace another missing medallion. In this situation, Authority records show this taxicab company could have had one or two medallions more than it was authorized.

Some taxicab companies could have an unfair advantage over other companies if they are using more medallions than the Authority issued to them. There are incentives for taxicab companies to obtain more medallions. When the Authority's Board meets to determine medallion allocations, the allowance of new medallions can be contentious because the company owners usually want more taxicabs in use to increase revenue. According to the Authority, the average revenue per medallion was about \$152,000 in

calendar year 2002. One taxicab company's reported revenue per medallion during this time was about \$190,200. Also, the Authority cannot accurately report the number of medallions in use and the number of medallions still classified as missing, making it difficult for its investigators to regulate taxicabs and drivers and enforce applicable laws and regulations.

The Authority did not follow its procedures requiring new medallions be issued and the old medallions be returned at the beginning of each fiscal year. However, Authority staff indicated they compare monthly information reported from the taxicab companies to help determine if reported trips and revenue match the number of medallions issued.

Inaccurate Statistics Reported on Driver Permit Activity

The Authority over reported the number of driver permit transactions in its fiscal year 2002 performance indicators included in the executive budget. Accurate information is necessary in helping decision makers determine the amount of resources needed to operate the Authority's driver permit program. Over reporting occurred because of poor controls for obtaining statistics on driver permit activity. Driver permit transactions include actions such as administering exams to potential taxicab drivers and issuing, renewing, and replacing driver permits. As of April 2003, Authority records indicate there were 4,878 active taxicab drivers in Clark County.

The number of driver permit transactions is one of the Authority's five performance indicators. For fiscal year 2002, the Authority reported processing 18,514 driver permit transactions; however, Authority records show it only processed 13,789 such transactions during this time. About \$63,600 in driver permit payments were deposited during fiscal year 2002, which closely matches the amount of revenue 13,789 transactions would have generated.

Accurate information would help Authority management and other decision makers determine the amount of resources needed to process driver permit transactions. Seven staff positions have been dedicated to processing these transactions. For potential taxicab drivers, the seven staff conduct background checks, administer exams, and score the exams. For those applicants who pass their exams and meet criteria for becoming a

taxicab driver, staff process the driver permit and collect a \$20 driver permit fee. The annual renewal fee is \$5.

The Authority did not accurately report fiscal year 2002 driver permit transactions because of poor controls over obtaining information. Proper controls would include supervisory review and verification of the information. We found the methodology used by the Authority to total the number of driver permit transactions was flawed. For example, if an applicant took the examination and failed, the transaction was counted twice – once as an application and once as a “failed test.”

Little Verification of Number of Reported Trips

The Authority did not provide sufficient audit coverage to verify the taxicab companies accurately reported the number of taxicab trips taken and paid the proper amount of trip charges during fiscal year 2002. Thus, the Authority lacks assurance information it reported was accurate and it received the proper amount of revenue. During fiscal year 2002, the Authority reported in one of its five performance indicators that almost 21 million taxicab trips were taken. NRS 706.8826(3) requires the taxicab companies pay the Authority 15 cents per taxicab trip taken. The companies make monthly payments and paid over \$3.1 million in trip charges to the Authority during fiscal year 2002.

We reviewed 64 of the 192 trip charge payments made by the taxicab companies during fiscal year 2002. Of the 64, the Authority only audited two for accuracy and Authority records show these were the only two it audited for the year. Ensuring the accuracy of reported trips is crucial because the Taxicab Authority Board relies heavily on the reported number of trips taken when determining the number of medallions to allocate to the taxicab companies. In addition, trip charge payments are the Authority’s largest revenue source.

Without adequate audit coverage, the taxicab companies may have under or over reported the number of trips taken. Under reporting would result in the Authority receiving less revenue to maintain its operations. Over reporting could result in authorizing more medallions than would have been issued if accurate information was provided and verified. Authority management indicated the taxicab companies are not likely to under

report the number of trips. Instead, the companies have an incentive to over report trips in order to obtain additional medallions.

There was little audit coverage because the Authority has not established policies, procedures, or guidance on how much audit coverage is necessary to help ensure reported information and payments are accurate. According to the Authority, it does a desk audit on the monthly trip charge payments and information sent by the taxicab companies to help ensure reported trips and payments are accurate. However, these desk audits do not compare source information with reported statistics as would occur during a regular audit of a taxicab company.

In addition, desk audits were not effective in correcting a difference between the number of trips reported and trip charge fees remitted in fiscal year 2000. Based on the amount received, the number of trips reported was overstated by 544,000 trips. Regular audits of taxicab companies could have helped identify and correct the discrepancy. In addition, Authority policies and procedures indicate audits are to determine if the taxicab companies' systems of internal control display any weaknesses that would affect the accurate recording, summarizing, and reporting of monthly shifts, trips, and revenue. Audit coverage provides assurance statistics reported by the companies are accurate and would help ensure the companies are complying with laws and regulations. Furthermore, a prior Legislative audit recommended performing routine and periodic audits of the taxicab industry.

The Authority had staff in place with audit responsibility. Work performance standards for two of the Authority's staff positions indicate one position is to spend 20% of the time planning and supervising audits. The second position is to spend 60% of the time performing audits. Both positions were filled during fiscal year 2002, but the second position was vacant for about 4 months during fiscal year 2003. According to Authority staff, it takes anywhere from two weeks to one month to complete an audit.

Documentation Does Not Support Number of Citations Reported as Issued

The Authority could not demonstrate that the number of citations issued reported in its fiscal year 2002 performance indicators is accurate. Authority investigators may issue citations to taxicab drivers for violations of laws or regulations. The Authority reported issuing 4,077 citations during fiscal year 2002; however, two other sources of

information from the Authority show otherwise. The following exhibit shows how many citations were issued during fiscal year 2002, along with fine payments, from the three different sources of Authority information.

Exhibit 2

**Number of Citations Issued
Fiscal Year 2002**

Information Source	Citations Issued	Fine Payments
Executive Budget Performance Indicator/State Accounting System	4,077	\$119,693
Authority Citation Database	3,543	\$177,105
Investigator Monthly Reports	4,389	Not Applicable

Source: Authority records, Executive Budget, and state accounting system.

The Authority indicated it uses the investigators' monthly reports to obtain the number of citations issued it reported in its performance indicator. Information may not be correct because the Authority does not reconcile data in the citation database with the monthly reports submitted by the investigators. Also, during our testing of fine payments, we found data entry errors in the Authority's citation database. Ensuring the reported number of citations issued is correct can provide management accurate information to help regulate the industry and manage the investigative and fine-setting processes. Also, the Authority indicated it sends information from the database to the taxicab companies to inform them of the drivers who received citations. Companies can use this data to evaluate drivers' employment status. Authority management indicated they will begin resolving differences between the citation database and the investigators' monthly reports so information on the number of citations issued is accurately reported.

Recommendations

1. Track the current status of medallions.
2. Design data collection methods to help ensure management information is accurate and incorporate these into the policies and procedures.
3. Revise audit procedures to provide guidance on audit coverage.

Weak Controls Over Revenue

The Authority can improve its revenue collection process to help ensure it collects and deposits all revenue in compliance with internal control standards and state laws and regulations. We found duties over processing fine payments were poorly segregated and there was little evidence of supervision and review. In addition, we found some medallion fees were not authorized by regulation. Furthermore, the Authority cashed employee checks, did not review Clark County payments for accuracy, and did not timely deposit some checks for large dollar amounts. It is important for the Authority to ensure it receives all money it is entitled since the Authority is funded almost entirely by fees and fines. Furthermore, the Authority's revenues declined 4.7% from fiscal year 2001 to 2002, increasing the importance of ensuring it receives and adequately safeguards all revenue.

Citations Not Adequately Controlled

The Authority did not adequately control its citations. Authority investigators may issue citations to taxicab drivers if the investigators find them in violation of laws or regulations. Since these violations may lead to fines, it is important that the Authority control citations to ensure that all violations are adjudicated and all fines are collected.

Books of unwritten citations were kept on a shelf in an unlocked room, where all employees had access. In addition, the Authority did not effectively track the use of the citation books. The log used to sign out the books was not complete or accurate. For example, we found books were not used in numerical order; citation book numbers 8100 and 3600 were both signed out on June 20, 2002. In addition, some books were signed out more than once; book number 3400 was signed out on May 8, 2002 and on May 18, 2002 by different investigators. Furthermore, no copies of the citations remain in the books to allow staff to determine if all citations were issued. Finally, the log did not always contain evidence of supervisory review.

We also found the Authority's database of citations was not complete and contained inaccurate information. For example, the Authority did not record or accurately record information in the database for 6 of the 60 citations we tested. In addition, the Authority reported issuing 534 more citations than were recorded in the

database. Gaps occurred in the citation numbers and were not explained. Finally, the database overstated fines assessed and paid by \$57,000.

Not adequately controlling citations makes it difficult for the Authority to account for the use of each citation, such as whether it was voided or issued. In addition, the Authority lacks assurance that each citation resulted in a legitimate outcome, such as a fine or dismissal. Finally, missing and inaccurate information increases the difficulty of reconciling fines assessed with fines collected.

Problems with controlling citations occurred because the Authority has not developed adequate procedures. Authority procedures did not address supervisory review of the assignment of citation books to investigators or the reconciliation of fines assessed with fines collected.

Control of Fine Assessment and Collection Inadequate

Controls over fines were not adequate to ensure fines were assessed consistently and collected accurately. Policies on reducing fine amounts were not always followed, the duties of reducing fine amounts and collecting fine payments were not adequately segregated, and there was little evidence of supervisory review of fine transactions.

The Authority lacks documentation showing it reviewed fine payments to ensure the amounts assessed and paid were correct and appropriate. According to Authority management, when a driver pays a fine without requesting a hearing, the fine amount should be reduced by 50%. However, we found fine amounts were not reduced consistently. We reviewed 50 citations and found 37 were reduced anywhere from 33% to 83%. For example, we found original fine amounts established at \$75 were reduced by as little as \$35 and as much as \$55.

The employee responsible for reducing established fine amounts was the same employee responsible for collecting the payments. In addition, this employee entered citation disposition and payment information into the Authority's database of citation information and into the drivers' permit files. In January 2003, the Authority changed this process so a separate employee establishes the reduced fine amounts. However, one employee still collects the payments and records the payment information in the drivers' files and citation database.

The Authority also lacked documentation showing supervisory review of fine reductions and payments to ensure that amounts paid and recorded were correct and appropriate. None of the 50 citations we reviewed resulting in fines had evidence of review to ensure the fine amount assessed was the fine amount paid, or, if the fine was reduced, the reduction was in compliance with Authority policy.

These control weakness could allow errors or theft to occur without detection. For example, we found an error where one driver was fined a total of \$200 by the hearings officer for two separate violations. However, Authority staff accepted \$100 as payment for both violations. Authority policy does not allow for reduction of fine amounts established through the hearing process.

The State requires the functions of billing, receiving cash, accounting, depositing of funds, and reconciling transactions to be segregated between employees whenever possible to provide adequate internal control.

Receipt Information Not Reconciled or Reviewed

Even though the Authority keeps various activity and receipt logs, the logs were not reconciled to each other or to amounts deposited to ensure all receipts were properly accounted for and deposited. In addition, when discrepancies did occur between the various sources of information, there was little evidence of supervisory review, follow-up, or explanation. A good internal control system should be designed to ensure management reviews the work of staff.

We found errors frequently occurred and went uncorrected.

- A \$50 fine payment was recorded on the receipt log, was then circled and a question mark was written next to it. The associated deposit was \$50 less than what Authority records show was collected. However, there was no evidence of supervisory review, follow-up, or explanation.
- Fourteen payments totaling \$345 were crossed off receipt logs without explanation or evidence of supervisory review.
- A \$5 Welfare voucher was accepted as payment for renewing a driver permit. The receipt log notes the voucher was sent to Welfare; however, records do not indicate if acceptable payment was eventually received for the voucher.

- None of the 38 days of driver permit activity logs we reviewed reconciled to the receipt logs: 11 showed more money should have been collected than was deposited, and 27 showed less money should have been collected than was deposited. In addition, 12 driver permit payment cash logs do not reconcile to the receipt logs. In total, driver permit activity logs show \$7,865 in payments should have been collected; cash logs show \$9,682 was collected; and receipt logs show \$10,025 was collected. None of the logs showed evidence of supervisory review, follow-up, or explanation.
- Authority staff could not locate a receipt book. Receipt books numbered before and after the missing book were used during fiscal year 2002. There was no evidence Authority staff verified all receipt books ordered were received. In addition, there was no evidence Authority staff documented the reason for missing receipt numbers when gaps occurred. Without receipt books, there is no assurance all payments were deposited.

Medallion Fees Not Authorized

The Authority charged taxicab companies fees that have not been authorized in regulation. It charged the companies \$10 to replace a lost medallion and \$10 to use a temporary medallion for events such as conferences and conventions; however, these fees are not authorized in regulation. Not having fees authorized in regulation could allow for inconsistency in the amount companies are charged for using these types of medallions. Also, the \$10 may not reflect the fee amounts that would be set after going through the established process to review and approve proposed regulations.

The Authority collected over \$173,000 in medallion fees during fiscal year 2002. Of this amount, about \$16,760 was from either replacing lost or issuing temporary medallions. Per state law, the Authority charges companies an annual \$100 fee for each permanent medallion.

Because the \$10 fee amounts are not authorized in writing, the Authority can change the amount it charges companies at any time without a public hearing, review, and approval. Furthermore, the Legislative Counsel and Commission have not had an opportunity to review the fee the Authority charges taxicab companies to determine whether it carries out the Legislature's intent. Even though Authority policies and

procedures indicate a \$10 fee should be charged for these medallions, they do not have the effect of law that regulations do.

According to the Authority, it has not requested the \$10 fees be reflected in regulation due to an oversight. The Authority indicated it will develop regulations to include the amount it will charge for issuing replacement and temporary medallions and submit these regulations for appropriate review.

Employee Checks Cashed

The Authority cashed at least 23 personal checks from 8 employees during fiscal year 2002. The 23 checks ranged from \$5 to \$100 and totaled \$540. Furthermore, we found another nine employees' checks were cashed totaling \$160 from July 2002 through October 2002. Allowing employees to cash personal checks from agency funds creates an environment where cash receipts may not be adequately safeguarded or deposited.

Authority management was not aware this practice was occurring when we notified them of it. They were not aware because deposit related records were not routinely reviewed for accuracy as required by policies and procedures and internal control standards. Also, the State Administrative Manual prohibits agencies from cashing checks for employees. Authority management took prompt action to stop this practice when we informed them of its occurrence.

Improved Reviews Could Generate Additional Revenue

The Authority can improve its review process to ensure it collects all money it is entitled to receive from Clark County. NRS 706.8826(1) requires Clark County deposit to the credit of the Taxicab Authority Fund all of the tax revenue which it receives from the taxicab businesses operating within the county. Clark County Ordinance 6.12.948 requires the taxicab companies pay a license fee of \$70 annually for each vehicle. Per an agreement with the Authority, the county can retain 20% of the fees for administrative costs.

Reviewing information on the number of companies and taxicabs would help determine if all the companies are paying. If the reviews found taxicab companies were not paying, the Authority could take appropriate action to ensure their compliance. However, the Authority lacks evidence it monitored payments from Clark County to

ensure all the taxicab companies paid the \$70 fee for all their taxicabs. Although the County submitted payments, it did not indicate the number of taxicabs or the taxicab companies included in the payments. The Authority indicated it did not review the payments because of the relatively small dollar amounts. Additionally, the Authority indicated the County may not be receiving payments from some of the newer taxicab companies.

During fiscal year 2002, Clark County remitted \$71,232 to the Authority for license fees it collected from taxicab companies, representing 1,272 taxicabs. However, the Authority projected inspecting at least 2,000 cabs in the County for that fiscal year. Payments for 2,000 cabs could have generated an additional \$40,768 from the County to the Authority during fiscal year 2002. As of April 2003, the Authority indicated there were 2,626 taxicabs in Clark County.

Untimely Deposits

For the most part, the Taxicab Authority deposits the revenue it receives the next business day; however, we found some instances where checks for large dollar amounts were deposited untimely. Also, the Authority did not always document the day it received some checks for large dollar amounts, making it difficult for the Authority to demonstrate it complied with requirements regarding timely deposits. Leaving receipts undeposited increases the risk that revenue may be lost or stolen. In addition, revenue deposited late may not be invested by the State Treasurer until the following week, reducing interest earned on the funds. NRS 253.250 requires money collected over \$10,000 be deposited no later than the next business day. It also requires all other money collected during the week be deposited by Thursday of each week.

Of the 22 medallion deposits we reviewed, 2 were not timely. One of the deposits had 16 payments totaling \$156,520 and came from the taxicab companies paying their annual \$100 per medallion fees and \$10 fees for using temporary medallions. The payments were receipted on Thursday, June 28, 2001, and Friday, June 29, 2001, and were subsequently deposited on Tuesday, July 3, 2001. The Authority indicated it held onto these payments because it did not want to deposit fiscal year 2002 revenue into the prior fiscal year. However, these receipts could have been better safeguarded by being deposited timely then transferred to the correct fiscal year once that year began.

Of the 64 trip charge payments we reviewed, 5 were deposited 1 day late. These five payments were each over \$10,000 and totaled \$72,696. According to Authority staff, revenue is sometimes deposited untimely because the schedules of staff involved with processing the various types of revenue payments and preparing the deposits do not always coordinate. Also, of the 64 payments, the Authority could not demonstrate it timely deposited 37 totaling \$585,941 because it did not date stamp the receipts as required by its policies and procedures or enter them on a receipt log the day received. Authority policies and procedures require trip charge returns or receipts be date stamped. By not date stamping trip charge returns, the Authority lacks assurance all payments were deposited timely and large dollar payments were safeguarded. Also, without date stamping, the State lacks assurance the payments were received as required by the 10th of each month. If payments are not received by this time, the Authority could take corrective action against a taxicab company. Authority management indicated it will date stamp all receipts and establish procedures to ensure it complies with laws regarding timely deposits.

Recommendations

4. Develop a system to account for the use of all citations.
5. Develop and implement policies and procedures designed to ensure adequate segregation of duties over the fine negotiating, collecting, and recording processes. In addition, ensure management reviews the final disposition of citations and fines.
6. Develop and implement policies and procedures designed to ensure adequate controls over revenues such as reconciling logs, receipts, and deposits, not cashing employee checks, making deposits timely, and date stamping all trip charge receipts.
7. Develop and adopt regulations for the fees charged for replacing lost medallions and using temporary medallions.

8. Develop and implement policies and procedures designed to ensure adequate review of fee payments received from Clark County.

Lack of Controls Over Expenditures

The Authority's controls over expenditures did not ensure it complied with state laws and regulations. Supervisory review of expenditure transactions was not sufficient to ensure staff complied with Authority policies and procedures. As a result, the Authority made expenditures without obtaining proper approvals and did not use contracts to purchase personal services. In addition, petty cash funds were used inappropriately.

Expenditures Not Always Properly Approved

We found the Authority made expenditures without obtaining proper approvals, following state rules for solicitation of bids, or using valid state contracts for 13 of the 27 expenditure transactions we reviewed (\$108,707 of \$256,096). In addition, 12 of the 13 payments were for services that should have been provided under written contracts, but the Authority did not enter into written contracts with three vendors. The following provides more information about the 13 payments.

- Seven payments totaling almost \$30,000 were for services provided without a state contract approved by the Board of Examiners, the Attorney General, or the Department of Information Technology (DoIT). The 7 payments were for 13 separate services and equipment purchases relating to the installation of the multi-user identification system. This system helps staff process taxicab driver permits and included a database of all drivers. Two of the 13 items did not have vendor invoices for services performed, but did have information from the vendor on what the cost would be prior to providing the services. However, the Authority could not provide documentation showing the actual cost of purchasing the equipment, the hours it took to install the system, and the amount charged per hour. Also, it could provide no evidence of proper procurement such as bids or request for proposals as required by NRS 333.300. Also, state laws and regulations require these services be supplied under a contract, and data processing services be reviewed and approved by DoIT prior to submitting the contract to the Board of Examiners. NRS 242.171 indicates DoIT is responsible for the applications of information systems and the designing and placing of those systems in operation.

- Three payments totaling \$5,235 were for installing cabinets at the Authority without entering into a contract with the vendor.
- One \$26,230 payment was for the purchase and installation of a telephone dispatch system without a contract. Of that amount, \$7,679 was for installation services. Also, the Authority lacks evidence of proper procurement, such as bids.
- One \$32,863 payment was for the purchase of an electronic fingerprinting system. However, the Authority lacks documentation showing the required DoIT approval. State procedures require all computers, software, and peripherals over \$1,000 per purchase receive pre-approval from DoIT.
- One \$14,512 payment was for eight desks purchased without the required State Purchasing approval. NRS 333.390 indicates no direct purchase is authorized which exceeds \$5,000 per purchase. Furthermore, if an agency does have direct purchase authorization, it must have evidence indicating that every effort has been made to secure competitive bidding to the extent practicable. The Authority could not provide evidence of efforts to secure bids.

By not following the proper approval process, such as having state contracts in place, the Authority may not have received the best goods and services for the best price. Also, the Authority may not be adequately protected if substandard goods or services are received. The lack of contracts and vendor invoices brings into question the Authority's process to review and approve expenditures. Furthermore, because the Authority bypassed State Purchasing, the eight desks it acquired did not have state identification tags and thus were not adequately safeguarded. After we notified them of this problem, the Authority ordered tags for these desks.

Controls, such as policies and procedures, were not in place to address when the Authority should enter into a contract with a vendor and the conditions for obtaining required approvals from other state agencies. Authority policies and procedures require supervisory accountability for the employees under their immediate supervision. However, supervisory review of expenditure transactions was not sufficient to ensure staff complied with these policies and procedures. According to the Authority, the multi-user ID system purchase was coordinated with DoIT, but accurate records were not kept and proper procedures were not followed. Also, the Authority indicated another contract

was not obtained because the building owner was using the vendor to do some remodeling, and the Authority asked for services to be performed for it as well. In addition, State Purchasing was inadvertently bypassed for the purchase of the eight desks. Authority management agreed contracts should be in place and a system of controls should be established to ensure proper approvals are obtained.

Improper Use of Petty Cash

NRS 706.8825 authorizes the Taxicab Authority to establish an account for petty cash not to exceed \$1,000 for the support of undercover investigations, but the Authority used petty cash for other purposes. Using petty cash for unauthorized purposes allows for circumventing the regular expenditure approval and reimbursement processes. For example, we reviewed seven vouchers totaling \$537 in petty cash reimbursements and found \$399 of that amount was used to purchase supplies such as paper, film, tape, paint, staples, nuts, bolts, fabric for tablecloths, and a printer cable.

According to the Taxicab Authority, it also has a \$100 administrative petty cash account in addition to the \$1,000 account for undercover investigations; however, it could not provide documentation showing the formal approval and establishment of this account. NRS 353.252(2) indicates the Board of Examiners authorizes state agencies to establish petty cash accounts and the purposes for which the petty cash account may be used should be defined. These petty cash accounts should be used only for established purposes.

Recommendations

9. Revise policies and procedures to strengthen controls over expenditures.
10. Revise policies and procedures to address when it is necessary to enter into a contract for services and the conditions for obtaining required approvals from other state agencies.
11. Improve controls over petty cash to ensure proper authorization is received and the funds are used appropriately.

Fixed Assets Not Adequately Safeguarded

The Authority has not adequately safeguarded its fixed assets. For example, policies and procedures do not specify the employee responsible for conducting an inventory and ensuring all fixed assets are accounted for and have identification tags. Also, the Authority lacked evidence of supervisory review for the accounting of its assets. As a result, the Authority did not conduct an annual inventory, and equipment was not included on its fixed asset listing. The Authority's asset listing has about \$450,000 in assets, many of which can easily be converted to personal use.

No inventory was conducted from November 1999 until October 2002, and the October 2002 inventory had not been completed as of the end of January 2003. Furthermore, we found:

- Four computers were not on the Authority's fixed asset listing maintained by State Purchasing. The Authority's records show the Authority was aware of this when it began conducting an inventory in October 2002. However, staff did not notify State Purchasing of the omission until January 2003.
- A digital camera for the multi-user identification system was returned; however, staff did not remove the camera from the Authority's inventory list.
- One computer used for the multi-user ID system did not have an identification tag indicating it is state property and was not on the Authority's inventory list.
- An electronic fingerprint system was returned and replaced. However, the replaced system does not have an identification tag and Authority staff indicated the tag was attached to the returned system.

NRS 333.220(4) requires records of state property be maintained at all times to show the officers entrusted with custody and transfers of property. This statute also requires agencies to conduct an annual physical count of all property and reconcile the results with the inventory records maintained by the State Purchasing Division. Also, NRS 333.220(2) requires agencies submit to the Purchasing Division a list on or before the last day of each month of all personal property for which it is responsible, which was lost, stolen, exchanged, or deemed excess. A monthly physical count is not required for

the preparation of this list; however, an Authority policy requires a count be done at the end of each fiscal year. The Authority indicated it will develop procedures identifying the employee responsible for conducting an inventory and when this should be done.

Recommendation

12. Revise procedures to assign the responsibility to a specific position for maintaining fixed asset inventory records and conducting an annual inventory. Also, document supervisory review over these responsibilities to help ensure they are completed as required.

Appendices

Appendix A Audit Methodology

To gain an understanding of the Taxicab Authority, we reviewed laws, regulations, budget information, legislative committee minutes, and informational reports applicable to its operations. We also interviewed Authority staff on their responsibilities and duties in the Agency's processes to carry out its mission. Then, we reviewed these processes, including those related to collecting revenue, investigating violations of NRS, and allocating medallions. Part of this involved examining the Authority's policies and procedures. In addition, we documented and assessed the Authority's internal controls.

To accomplish our objective, we judgmentally selected trip charge payments made from the taxicab companies for 4 of the 12 months in fiscal year 2002. We determined if all 16 companies made payments and if the Authority processed them as required and accurately recorded the number of trips taken. We also reviewed audit work papers to see how many of the payments the Authority audited during the year.

For medallions, we reviewed 47 medallion payments made during fiscal year 2002 and determined if the proper amounts were received and recorded in the state's accounting system. Also, we reviewed agency records to see if the Authority tracked the current status of medallions it issued to the taxicab companies. This test included a review of 31 lost medallion transactions.

We judgmentally selected and tested 40 driver permit payments made during fiscal year 2002 and determined if the proper amounts were collected and properly recorded in the state's accounting system. Also, we traced the payments into the log the Authority uses to track daily driver permit transactions, taxicab driver files, and deposit records to determine if they were accurately recorded. In addition, we reviewed the number of driver permit transactions the Authority reported for fiscal year 2002 and tried to reconcile this number with agency records. Furthermore, we reviewed receipt books to determine if any were missing.

For determining the Authority's compliance with controls over fine payment revenue, we judgmentally selected 60 citations issued during fiscal year 2002. We determined if the citations were properly tracked and recorded in the Authority's database. For those citations resulting in an assessed fine, we analyzed the fine amounts originally set, negotiated, and paid. We also verified the amounts charged were in compliance with NRS and fine payments were properly recorded in the state's accounting system. Additionally, we traced the payments into the taxicab driver files to ensure they were accurately recorded. In addition, we judgmentally selected five suspended drivers from the files and reviewed driver permit files to see if Authority staff properly suspended these drivers. Furthermore, we randomly selected five drivers on a fine payment plan and determined if payments were made as required. As part of our review, we interviewed Authority staff on how citation books are distributed, used, and tracked.

We also analyzed the two payments made by Clark County during fiscal year 2002 for collecting fees from taxicab companies to determine if the Authority was reviewing them for appropriateness. This involved obtaining information from Clark County on the fee amounts it collects from these companies. After obtaining this information, we compared the amount paid with Authority information on the number of taxicabs in Clark County.

To test the Authority's compliance with expenditure requirements, we judgmentally selected 27 expenditure transactions made during fiscal year 2002. The transactions covered operating, equipment, and information services expenditures. Specifically, we tested these transactions to determine if the proper approvals were obtained. We also determined if expenditures were recorded to the proper fiscal years. For petty cash we reviewed seven petty cash reimbursement vouchers during fiscal year 2002 for compliance with petty cash and expenditure related requirements.

Lastly, we reviewed the Authority's fixed asset records to determine the last time it conducted an inventory. Also, we judgmentally selected five vehicles and five fiscal year 2002 computer related purchases from the Authority's inventory list to verify their existence. In addition, we judgmentally selected five vehicles in the Authority's parking lot and five computers and traced them to the inventory list.

Our audit work was conducted from October 2002 to April 2003, in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Director of the Department of Business and Industry and the Administrator of the Taxicab Authority. On August 20, 2003, we met with Agency officials to discuss the results of our audit and requested a written response to the preliminary report. That response is contained in Appendix C, which begins on page 33.

Contributors to this report include:

Michael E. Noel
Deputy Legislative Auditor

Jane Bailey
Audit Supervisor

Stephen M. Wood, CPA
Chief Deputy Legislative Auditor

Appendix B

Prior Audit Recommendations

As part of this audit we determined the status of four recommendations made in our 1995 audit. We determined one recommendation was no longer applicable, one had been fully implemented, and two were only partially implemented. The two recommendations we found were partially implemented relate to performing routine and periodic audits of the taxicab industry and revising the Authority's procedures manual. We have modified and repeated these two recommendations in this audit report.

Appendix C

Taxicab Authority Response

KENNY C. GUINN
Governor

SYDNEY H. WICKLIFFE, C.P.A.
Director



STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
TAXICAB AUTHORITY
1785 E. Sahara Avenue, Suite 200
Las Vegas Nevada 89104
Telephone (702) 486-6532 • Fax (702) 486-7350
<http://taxi.state.nv.us>

YVETTE G. MOORE
Administrator

LIA ROBERTS
Chairman

JO ANNA WESLEY-WINN
Vice chairman

Members
RICHARD B. LAND
HORACIO LOPEZ
KATHRYN WERNER

TO: Paul Townsend, C.P.A. – Legislative Auditor

FROM: Kelly Kuzik – Administrative Services Officer (acting)
Yvette Moore - Administrator

CC: Sydney Wickliffe, C.P.A – Director - Department of Business and Industry

SUBJECT: Audit Response

DATE: 18 August 2003

1. All medallion plates were reissued in May of 2003. The cab companies were required to turn in the old medallion plates to the Taxicab Authority, and they were re-issued on a one for one basis. The new issue of medallion plates was administered with strict adherence to a two-man control system, with all plates being logged and all un-issued plates being recounted and stored under lock-and-key in the Chief of Investigations office.
2. Standardizing of procedures for new permit applications, and renewal applications will ensure accuracy of permit transaction data. The Taxicab Authority is in the process of integrating and standardizing the driver permit process to include specific test days. The various forms necessary for new and renewal permits will be available on the agency's web site, as will the testing days and time. Eventually, the agency will post to the web site expiration dates of permits, by permit number.
3. Due to staffing shortages the Taxicab Authority was unable to conduct appropriate audits of the cab companies to verify the accuracy of the statistical information that they report to the agency. The Taxicab Authority is currently operating with only one Management Analyst II, who is performing the duties of the Administrative Services Officer I (vacant), as well as the duties of a second Management Analyst II (vacant). The agency's new Administrative Services Officer I, will begin work in early September 2003, with a second Management Analyst II slated for Oct/Nov 2003.
4. The entire citation/court system that is operated and maintained by the Taxicab Authority is in the process of being completely revised, improved, and automated. The citations will be entered and tracked in a standardized database. Future improvements to the court system could include payment of citations by secure credit card transactions on the Taxicab Authority website. This standardization will allow for more accurate reporting of citations, as well as the revenue that the citations generate.



Nevada Department of Business & Industry

Financial Services Team Licensing & Regulatory Services Team Natural Resources Services Team Consumer & Labor Services Team

5. Automation and computerization of the fine and citation process will all but eliminate inaccuracies and inconsistencies in the process. The Administrator will institute a standardized fee/fine schedule for the various offenses cited by the Taxicab Authority investigative staff. Once the fines are standardized in accordance with the NRS and NAC to which they associated, fine payment can also be standardized and streamlined. (*EXAMPLE: If a citation is issued with a fine of \$100; the amount can be reduced to \$50 if the offender pays by way of credit card over the Internet; to \$75 if the offender pays in person prior to their court date; \$100 or \$0 if the offender engages the court mechanism and chooses to take their case before the Hearing Officer.*)
6. With the addition of a new Administrative Services Officer, and second Management Analyst, revenue collection receipts, reconciliation logs and revenue reports can be generated and maintained in accordance with State regulation and generally accepted accounting practices. No employee payroll or personal checks will be cashed with agency funds. The new Administrator stopped this practice immediately. Deposits will be made daily, and all checks will be logged and date stamped as "received" with the official Taxicab Authority stamp on the day they are received.
7. Existing Taxicab Authority policy and procedures that delineate fees for replacement, re-issue, or special event medallion plates will be submitted to the Legislative Counsel Bureau with assistance from the Taxicab Authority Assistant Attorney General to expand the scope of NRS 706.8826.
8. Improvements to auditing procedures by way of increase in staff should alleviate such and auditing oversight, but the matter will be tracked to ensure compliance with these recommendations.
9. Proper procedures as outlined NRS 333.300 for procurement of goods and services by way of bids and requests for proposals will be created and or revise to ensure that proper documentation is maintained to demonstrate compliance.
10. Procedures will also be created or revised to determine when the Taxicab Authority should enter into a contract with an approved vendor or seek approval from other State agencies for goods and services that the agency uses on a regular basis (e.g. court reporter).
11. Petty cash fund authorized in accordance with NRS 706.8825(6) has a new policy and procedure (see attached) that will/ has been put into affect.
12. Policies and procedures will be created or revised to ensure that an inventory of fixed assets (e.g. vehicles etc.) is conducted on an annual basis, or more often as directed by the Administrator. A specific position within the agency will be responsible for maintaining inventory logs of fixed assets (e.g. vehicle inspector supervisor will be responsible for maintaining records for all Taxicab Authority vehicles). Forms will be created to ensure that the inventory is accurate and consistent with the fixed asset inventory logs.



Taxicab Authority Response to Audit Recommendations

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Track the current status of medallions	<u> X </u>	<u> </u>
2	Design data collection methods to help ensure management information is accurate and incorporate these into the policies and procedures	<u> X </u>	<u> </u>
3	Revise audit procedures to provide guidance on audit coverage	<u> X </u>	<u> </u>
4	Develop a system to account for the use of all citations ...	<u> X </u>	<u> </u>
5	Develop and implement policies and procedures designed to ensure adequate segregation of duties over the fine negotiating, collecting, and recording processes. In addition, ensure management reviews the final disposition of citations and fines	<u> X </u>	<u> </u>
6	Develop and implement policies and procedures designed to ensure adequate controls over revenues, such as reconciling logs, receipts, and deposits, not cashing employee checks, making deposits timely, and date stamping all trip charge receipts	<u> X </u>	<u> </u>
7	Develop and adopt regulations for the fees charged for replacing lost medallions and using temporary medallions	<u> X </u>	<u> </u>
8	Develop and implement policies and procedures designed to ensure adequate review of fee payments received from Clark County	<u> X </u>	<u> </u>
9	Revise policies and procedures to strengthen controls over expenditures	<u> X </u>	<u> </u>
10	Revise policies and procedures to address when it is necessary to enter into a contract for services and the conditions for obtaining required approvals from other state agencies	<u> X </u>	<u> </u>
11	Improve controls over petty cash to ensure proper authorization is received and the funds are used appropriately	<u> X </u>	<u> </u>

**Taxicab Authority Response
to Audit Recommendations
(continued)**

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
12	Revise procedures to assign the responsibility to a specific position for maintaining fixed asset inventory records and conducting an annual inventory. Also, document supervisory review over these responsibilities to help ensure they are completed as required.....	<u> X </u>	<u> </u>
	TOTALS	<u> 12 </u>	<u> 0 </u>