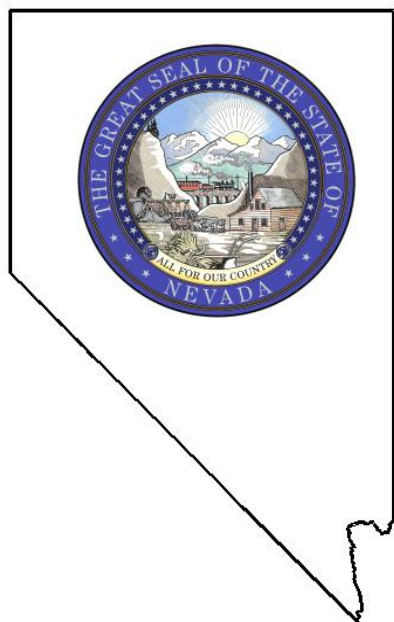


STATE OF NEVADA

Audit Report

Department of Business and Industry
Taxicab Authority

2013



Legislative Auditor
Carson City, Nevada

Audit Highlights



Highlights of Legislative Auditor report on the Taxicab Authority issued on April 22, 2013. Report # LA14-04.

Background

The Taxicab Authority was created by the Legislature in 1969 and is an agency within the Department of Business and Industry. The Authority is charged with regulating the taxicab industry in any Nevada county with a population of 700,000 or more. There are 16 taxicab companies in Clark County; employing approximately 9,000 drivers, and operating a taxicab fleet of approximately 3,100 vehicles. The Director of the Department of Business and Industry appoints an Administrator to oversee the day-to-day operations of the agency. In fiscal year 2012, the Authority had 56 authorized positions. The Authority is self-funded and receives most of its funding from taxicab trip charges. In 2012, expenditures totaled about \$5.5 million.

The Authority is governed by a five-member board appointed by the Governor. The Taxicab Authority Board conducts hearings and renders decisions regarding the administration and enforcement of laws and regulations, as well as the issuance and transfer of certificates of public convenience for taxicab companies.

Purpose of Audit

The purpose of this audit was to determine whether: (1) the Authority performed adequate regulatory activities to ensure proper oversight of taxicab company operations; (2) the Authority had adequate management information for deciding medallion allocations and controls over the medallion inventory; and (3) internal controls over collecting and recording cash receipts were adequate.

Audit Recommendations

This audit report contains two recommendations to help detect and deter long hauling practices, and to ensure proper oversight of taxicab companies. In addition, three recommendations were made to improve management information used to determine medallion allocations and track the medallion inventory. Finally, three recommendations were made to ensure proper controls over cash receipts.

The Taxicab Authority accepted the eight recommendations.

Recommendation Status

The Taxicab Authority's 60-day plan for corrective action is due on July 17, 2013. In addition, the six-month report on the status of audit recommendations is due on January 17, 2014.

Taxicab Authority

Department of Business and Industry

Summary

The Taxicab Authority can strengthen its oversight of the taxicab industry in Clark County. Specifically, the Authority needs to take additional action to help prevent long hauling. Long hauling occurs when a driver takes a longer route than necessary to increase the fare amount. From our testing of drivers' trip sheets, we identified potential long hauling occurred for 22.5% of trips to or from the airport. As a result, we estimate airport passengers were overcharged \$14.8 million in 2012. In addition, the Authority has not performed audits of taxicab companies in over 3½ years. Adequate oversight of taxicab drivers and companies is important to help ensure passengers are treated properly and companies comply with state laws.

The Authority can improve the information provided to its Board for determining taxicab medallion allocations, and its oversight of the medallion inventory. Medallions are the small metal plates affixed to taxicabs authorizing them to operate. The number of authorized taxicabs is important because too few will increase passengers' wait times. Conversely, too many taxicabs reduce the number of trips drivers can take per shift; thereby, increasing the pressure for drivers to long haul passengers to make more money. Furthermore, staff did not adequately track medallions, and taxicab companies did not provide accurate information when reporting lost or stolen medallions. Tracking the medallion inventory is important because each permanent medallion generates about \$190,000 in gross revenue annually.

Key Findings

Long hauling is one of the biggest enforcement issues for the Authority. Our testing identified potential long hauling for 614 of 2,730 (22.5%) trips to or from the airport. Based on the percent of long haul trips identified, we conservatively estimate airport passengers were overcharged \$14.8 million in 2012. Although the Authority has increased its efforts to detect long hauling, more needs to be done, including the use of preventative measures. Taxicab trips are often the first and last experience tourists have in Las Vegas. Therefore, long hauling may result in tourists having a negative experience. (page 7)

The Authority did not conduct any taxicab company audits for over 3½ years. When regular audits are not performed, the Authority does not have assurance laws and regulations are being followed. For example, our review of 600 drivers' trip sheets identified 53% did not contain the required time stamps that would allow verification of the number of hours worked. This is a safety issue because if drivers work too long they could become fatigued. In 2003, the Legislature provided additional resources so the Authority could audit taxicab companies; however, audits have not occurred because management assigned other tasks to staff responsible for performing audits. (page 12)

Information provided to the Board does not always help members with their decision to allocate additional permanent medallions. Staff did not always provide the information timely, and the data did not include passenger wait times or other important taxicab demand and capacity information. Medallion allocations are important because they affect passengers' wait times, drivers' wages, companies' revenues, and the Authority's resources. (page 14)

The Authority did not adequately track the taxicab medallion inventory. Specifically, staff did not perform annual medallion inventories, rotate medallions annually, and verify a medallion's status when performing enforcement activities. In addition, taxicab companies frequently reported inaccurate information related to lost or stolen medallions. As a result, one company received an extra medallion, which it had for approximately 14 months. Another company reported 76 of 114 (67%) authorized medallions as lost or stolen since 2006. Because the Authority has not maintained an accurate medallion inventory, there is a greater risk companies will gain unauthorized market share. (page 17)

Although the Authority has improved cash controls since our last audit, additional action is needed to strengthen controls over cash receipts. Specifically, key duties were not properly separated, supervision over cash receipts was not adequate, and computer system access controls were weak. Outdated policies and procedures contributed to these weaknesses. Strong cash controls are important because staff collected payments totaling more than \$500,000 during fiscal year 2012. (page 22)

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This report contains the findings, conclusions, and recommendations from our completed audit of the Taxicab Authority. This audit was conducted pursuant to 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.

This report includes eight recommendations to improve the Authority's oversight of the taxicab industry, allocate and control medallions, and safeguard cash receipts. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

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

Paul V. Townsend, CPA
Legislative Auditor

April 8, 2013
Carson City, Nevada

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Introduction

Background

The Taxicab Authority was created by the Legislature in 1969 and is an agency within the Department of Business and Industry. The Authority is charged with regulating the taxicab industry in any Nevada county with a population of 700,000 or more. Currently, only Clark County falls within that definition. There are 16 taxicab companies in Clark County; employing approximately 9,000 drivers, and operating a taxicab fleet of approximately 3,100 vehicles.

The Authority is governed by a five-member board appointed by the Governor. The Taxicab Authority Board conducts hearings and renders decisions regarding the administration and enforcement of laws and regulations, as well as the issuance and transfer of certificates of public convenience for taxicab companies. In addition, the Board determines the number of taxicabs authorized per company and the fares to be charged. Furthermore, the Board hears appeals involving the issuance, suspension, or revocation of drivers' permits.

The mission of the Authority is to provide for the safety, comfort, and convenience of the taxicab riding public. The Authority consists of two sections:

- **Compliance and Enforcement** – This section includes investigators, dispatchers, and vehicle inspectors. The investigators perform activities to enforce laws and regulations. Dispatchers track and dispatch enforcement officers to incidents involving taxicabs. Vehicle inspectors inspect taxicabs for compliance with applicable laws and regulations, including mechanical and emission control standards, taximeter accuracy, taxicab appearance, and other requirements.
- **Administrative** – This section consists of units that permit drivers, issue and track medallions, collect industry

statistics, administer hearings, and perform other administrative and accounting activities.

Staffing and Budget

In fiscal year 2012, the Authority had 56 authorized positions. This included 29 certified peace officers, 19 administrative staff, 7 vehicle inspectors, and 1 administrator. The Administrator is appointed by the Director of the Department of Business and Industry. In 2011, the Authority's Administrative Services Officer position was transferred to the Department of Business and Industry Director's Office, and some enforcement positions were eliminated or reclassified.

The Authority is self-funded and receives most of its funding through a \$0.20 trip charge assessed on every taxicab ride. In fiscal year 2012, the Authority collected over \$5.4 million in revenues from trip charges. Exhibit 1 shows the Authority's funding sources and reserve balances from 2008 to 2012.

Taxicab Authority Funding Sources Fiscal Years 2008 to 2012

Exhibit 1

Funding Sources	2008	2009	2010	2011	2012
Beginning Cash	\$2,104,858	\$2,426,796	\$2,054,271	\$2,113,278	\$2,564,904
Trip Charges	5,269,066	4,724,284	4,892,970	5,220,285	5,435,323
Medallion Fees	297,800	282,400	269,900	264,900	288,600
County Assessment	253,508	169,092	149,240	166,672	166,964
Fines	229,650	368,920	389,319	336,920	252,919
Driver Permits	187,200	186,953	174,205	163,254	170,119
Treasurer's Interest Distribution	112,257	51,120	18,391	6,973	6,164
Fingerprint Fees	101,515	110,007	102,477	91,838	90,374
Other Revenue ⁽¹⁾	25,963	3,380	656	20,266	2,606
Total Funding Available	\$8,581,817	\$8,322,952	\$8,051,429	\$8,384,386	\$8,977,973
Less Total Expenses	\$6,155,021	\$6,268,681	\$5,938,151	\$5,819,482	\$5,534,966
Reserve Balance	\$2,426,796	\$2,054,271	\$2,113,278	\$2,564,904	\$3,443,007

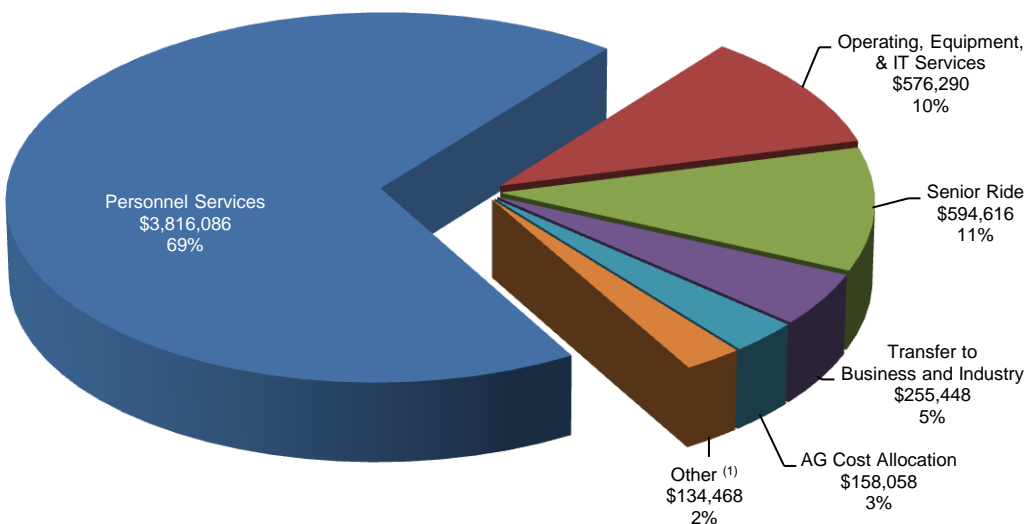
Source: State accounting system.

⁽¹⁾ Other revenue consists of application fees, photocopy service charges, returned check charges, reimbursements, and excess property sales.

During fiscal year 2012, the Authority’s expenditures totaled about \$5.5 million. The majority of the Authority’s operating expenditures are related to personnel costs and the Senior Ride Program. This program provides discounted taxicab fares to individuals, age 60 and older, and persons with disabilities. The Aging and Disability Services Division administers this program. Exhibit 2 shows the Authority’s expenditures by type for fiscal year 2012.

**Taxicab Expenditures by Type
Fiscal Year 2012**

Exhibit 2



Source: State accounting system.

⁽¹⁾ Other expenses consists of in-state travel, training, department cost allocation, transfer to criminal history repository, uniform allowance, NDOT radio cost allocation, purchasing assessment, and statewide cost allocation plan.

Taxicab Medallions, Trips, and Fares

Among other things, the Board determines the number of taxicabs in service and the times and areas these taxicabs may operate. To accomplish this, the Board allocates medallions. A medallion is a small metal plate attached to a taxicab, which allows it to be operated within the jurisdiction of the Authority. Medallions are color-coded designating the hours and days of the week a taxicab is allowed to operate. A medallion that allows a taxicab to operate 24 hours a day and 7 days a week is called a “permanent medallion.” Exhibit 3 shows the permanent medallion equivalent

allocations and average trips per shift for calendar years 2003 to 2012.

**Taxicab Permanent Medallion Equivalents⁽¹⁾ Exhibit 3
and Average Trips Per Shift
Calendar Years 2003 to 2012**

Calendar Year	Medallion Count	Drivers' Average Trips Per Shift
2003	1,478	22
2004	1,618	23
2005	1,676	22
2006	1,779	22
2007	1,872	21
2008	1,858	19
2009	1,848	18
2010	1,862	19
2011	2,035	20
2012	2,072	18

Source: Taxicab Authority records.

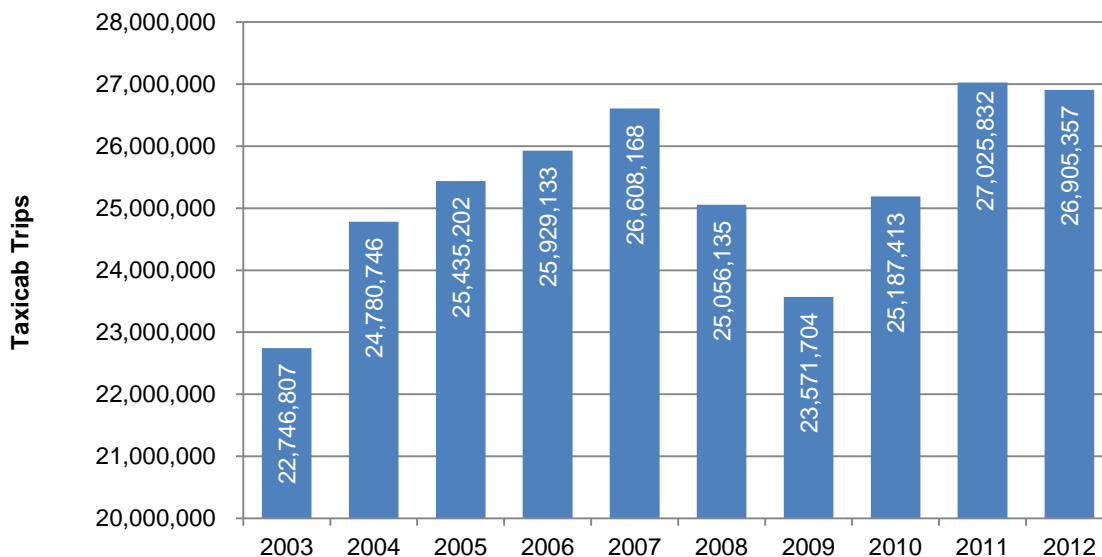
⁽¹⁾ To determine equivalents, the Authority converts all medallion types to a number that is equivalent to a permanent medallion. Permanent medallions may operate 24 hours a day and 7 days a week.

As shown above, the number of permanent medallion equivalents allocated by the Board has increased over the past decade, and the number of taxicab trips drivers averaged during a shift has decreased.

When determining medallion allocations, the Board considers several factors. These factors include testimony from drivers, taxicab companies, and other industry members. In addition, staff presents information regarding medallion counts, industry revenue, anticipated growth in airport passengers, hotel room occupancy rates, and growth in the number of taxicab trips. Exhibit 4 shows the total number of taxicab trips for calendar years 2003 to 2012.

Taxicab Trips Calendar Years 2003 to 2012

Exhibit 4



Source: Taxicab Authority records.

The number of trips provided by the taxicab industry fell below 24 million in 2009. However, the number of taxicab trips in 2011 and 2012 were about 27 million.

The Board also decides the fares taxicab companies charge passengers. When passengers enter a taxicab, the driver will start the taximeter and an initial charge (drop) will register. If a taxicab ride originates at the McCarran International Airport (airport), an airport surcharge will be added to the fare. The remaining fare is determined by the length of the trip, or time spent waiting. Exhibit 5 shows a breakdown of the taxicab fare as authorized by the Board.

Taxicab Fare As of December 31, 2012

Exhibit 5

Description	Amount
Initial Activation of Taximeter (drop)	\$ 3.30
Each Additional 1/13th Mile	\$ 0.20
Waiting Time per Hour	\$30.00
McCarran Airport Fee per Pick Up	\$ 1.80

Source: Taxicab Authority.

Scope and Objectives

Both the mileage fee and waiting time fee are not charged at the same time. If the taximeter senses the taxicab is moving less than 8–12 miles per hour, the meter will assess the waiting time fee in 30-second increments. Once the meter senses the taxicab is moving at a speed greater than 8–12 miles per hour, the fare calculates on the actual distance traveled.

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 218G.010 to 218G.350. 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 activities to regulate taxicab companies, allocate and control medallions, and safeguard cash receipts. The primary focus of our work was fiscal year 2012. However, we performed follow-up work in certain areas through January 2013, and we included information from prior years in several areas. Our audit objectives included:

- Determining whether the Authority performed adequate regulatory activities to ensure proper oversight of taxicab company operations;
- Assessing the adequacy of management information used for medallion allocations and controls over the medallion inventory; and
- Evaluating internal controls over collecting and recording cash receipts.

Oversight of Taxicab Industry Can Be Strengthened

The Taxicab Authority can strengthen its oversight of the taxicab industry in Clark County. Specifically, the Authority needs to take additional action to help prevent long hauling. Long hauling occurs when a driver takes a longer route than necessary to increase the fare amount. From our testing of drivers' trip sheets, we identified potential long hauling occurred for 22.5% of trips to or from the airport. As a result, we estimate airport passengers were overcharged \$14.8 million in 2012. In addition, the Authority has not performed audits of taxicab companies in over 3½ years. Adequate oversight of taxicab drivers and companies is important to help ensure passengers are treated properly and companies comply with state laws.

Additional Efforts Are Needed to Help Prevent Long Hauling

Long hauling is one of the biggest enforcement issues for the Authority. Our testing identified potential long hauling for 614 of 2,730 (22.5%) trips to or from the airport. Based on the percent of long haul trips identified, we conservatively estimate airport passengers were overcharged \$14.8 million in 2012. Although the Authority has increased its efforts to detect long hauling, more needs to be done, including the use of preventative measures. Taxicab trips are often the first and last experience tourists have in Las Vegas. Therefore, long hauling may result in tourists having a negative experience.

Our identification of long haul trips is conservative since we did not count the trip as a long haul unless the fare exceeded the Authority's estimated fare by more than \$5, including a 4-minute wait time fee.¹ Our testing for long hauling and estimated overcharges included only trips to and from the airport.

¹ See Appendix A for a complete explanation of our audit methodology to identify potential long haul trips and to estimate overcharges.

Although some drivers did not long haul, other drivers consistently recorded high fares indicating long hauling practices. For example, during the same shift, one driver made eight trips from a major resort to the airport. For five of the trips, the driver recorded fares consistent with long hauling. Exhibit 6 shows the driver's recorded trips and fares charged compared to the Authority's estimated fare.

One Driver's Fares From the Same Resort to the Airport Compared to Taxicab Authority Estimated Fare

Exhibit 6

Trip	Fare Charged	Estimated Fare ⁽¹⁾	Difference
1	\$17.30	\$16.00	\$ 1.30
2	\$17.50	\$16.00	\$ 1.50
3	\$16.70	\$16.00	\$ 0.70
4	\$30.50	\$16.00	\$14.50
5	\$29.30	\$16.00	\$13.30
6	\$30.90	\$16.00	\$14.90
7	\$29.90	\$16.00	\$13.90
8	\$30.90	\$16.00	\$14.90

Source: Auditor review of trip sheets.

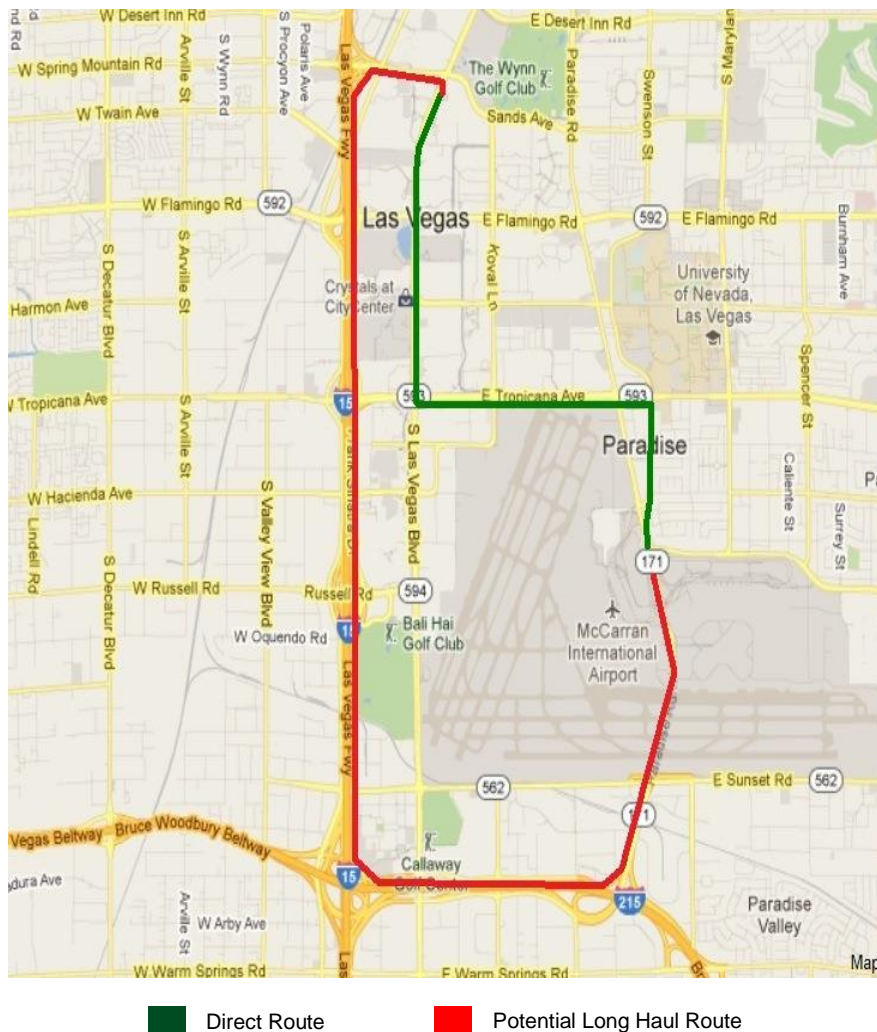
⁽¹⁾ Estimated fare per Taxicab Authority based on 4-minute wait time fee.

The exhibit shows the Authority's estimated fare for this trip is \$16. For five of the eight trips, the driver charged more than \$29. Because of blatant long hauling practices by drivers at some companies, we provided the Authority with details on the results of our testing. This information should help the Authority target enforcement activities to detect and deter long hauling practices.

A common long hauling practice is to take passengers to or from the airport using the Las Vegas Beltway and airport tunnel, instead of a direct route. Exhibit 7 shows the direct route to a major resort in green and a potential long haul route in red.

**Direct and Potential Long Haul Routes
McCarran Airport to a Major Resort**

Exhibit 7



Source: Google Maps.

By using the airport tunnel, the distance to a major resort is greatly increased, resulting in a higher fare paid by the passenger. According to two popular websites that calculate driving distance and time, the average distance using the airport tunnel is approximately 8.5 miles and takes 13 minutes. The average distance for the direct route is approximately 4.6 miles and takes about 12 minutes.

Some resorts are more popular long haul locations than others. From our testing of 600 trip sheets, we analyzed 319 trips between the airport and three resorts located within close

proximity to each other. Fares for these three resorts ranged from \$12.10 to \$40.10. Exhibit 8 shows the range in fares charged for three resorts with estimated fares between \$16 and \$18.

Range of Fares Charged for Resorts in a Similar Location **Exhibit 8**
Taxicab Authority's Fare Estimates Between \$16 and \$18 ⁽¹⁾

Fare Charged	Resort 1		Resort 2		Resort 3		Totals	
	Trips	Percent	Trips	Percent	Trips	Percent	Trips	Percent
\$12 - \$18	23	25.3%	33	39.3%	76	52.8%	132	41.4%
\$19 - \$24	30	32.9%	16	19.0%	22	15.3%	68	21.3%
\$25 - \$30	33	36.3%	32	38.1%	39	27.0%	104	32.6%
\$31 - \$36	4	4.4%	3	3.6%	7	4.9%	14	4.4%
\$37 - \$42	1	1.1%	0	0.0%	0	0.0%	1	0.3%
Totals	91	100.0%	84	100.0%	144	100.0%	319	100.0%

Source: Auditor analysis of drivers' trip sheets and the Taxicab Authority's fare estimates.

⁽¹⁾ The \$18 estimated fare includes an airport fee of \$1.80 and a 4-minute wait time fee.

Information on popular long haul locations can help the Authority target its enforcement activities. As shown above, most of the trips tested exceeded the Taxicab Authority's estimated fare of \$16 to \$18.

When passengers are long hauled, both the driver and company benefit financially. Most drivers operate under a profit sharing formula and receive a percentage of the fare revenue collected. According to airport statistics, about 6.6 million taxicab trips were taken to or from the airport in 2012. Because taxicab companies receive millions of dollars in revenues from long hauling activities, companies have little incentive to deter long hauling practices.

State laws have been enacted to protect passengers and hold drivers and companies accountable for long hauling. NRS 706.8846 prohibits a driver from taking a longer route than necessary, unless specifically requested by the passenger. Penalties for drivers include fines from \$100 to \$500 and suspension or revocation of their drivers' permits based on the number of offenses within a 12-month period. In addition, statute grants the Authority power to investigate and penalize companies for long hauling violations.

The Authority's complaint process is not effective to help deter the practice of long hauling. This process includes the Authority receiving a complaint and trying to identify the taxicab driver from the complainant's information. If the Authority believes it has enough information to identify the driver, a packet is prepared, which includes a list with six drivers' pictures. The complainant is sent the packet and asked to identify the driver. Staff indicated most complainants do not return the packet and drop the complaint.

The Authority has increased its efforts to enforce laws related to long hauling. For example, investigators have performed detection activities like "sting operations." In addition, the Authority's Administrator has instructed staff to seek the highest fines allowed for each long haul violation. In the past, drivers were given a discount if they did not contest the violation and paid the fine on time.

Both preventative and detective measures should be used to help control the practice of long hauling and hold companies accountable. Other measures could include:

- Posting information and estimated fares at the airport where passengers can observe them before boarding a taxicab;
- Having an information booth and personnel at the airport to inform passengers of the best route to take;
- Posting estimated fare amounts in taxicabs;
- Performing company audits to identify problem companies and drivers; and
- Holding companies accountable for regulating their drivers' long hauling practices.

According to the Authority, they are currently working on additional measures to help control long hauling. For example, they have prepared approximate fare information for use at the airport and in taxicabs. In addition, management indicated staff would start performing company audits again. However, certain activities like

placing fare amounts in taxicabs will require approval from the Taxicab Authority Board.

Taxicab Company Audits Not Performed

The Authority did not conduct any taxicab company audits for over 3½ years. When regular audits are not performed, the Authority does not have assurance laws and regulations are being followed. For example, our review of 600 drivers' trip sheets identified 53% did not contain the required time stamps that would allow verification of the number of hours worked. This is a safety issue because if drivers work too long they could become fatigued. In 2003, the Legislature provided additional resources so the Authority could audit taxicab companies; however, audits have not occurred because management assigned other tasks to staff responsible for performing audits.

Although the Authority's policy is to audit all taxicab companies at least once every 2 years, audits have not been performed for several years. As of December 31, 2012, the last audit performed occurred in June 2009. The purpose of company audits is to evaluate their operational, financial, and administrative practices. The prior audits included a review of whether trip fees paid to the Authority were correct, drivers were properly licensed before beginning shifts, insurance coverage was appropriate, and drivers' shift hours complied with regulations.

During our audit, we visited each taxicab company and reviewed a total of 600 drivers' trip sheets. In addition to long hauling activities identified, we tested trip sheets for compliance with certain statutory requirements. Our testing identified:

- Verification of a driver's hours worked was not possible because 53% of trip sheets tested did not contain the required time stamps. For most exceptions, the time stamp was missing. In other instances, the time stamp was illegible. Verifying the hours drivers work during their shifts is important for safety because it helps ensure drivers are not fatigued.
- Fiscal year 2012 trip charges paid to the Authority were accurate. In fiscal year 2012, most of the Authority's \$6.4 million in revenues came from trip charges.

- Company trip sheets complied with other statutory requirements, like recording meter and odometer information and passenger trip information.

The Authority has two staff positions whose work performance standards indicate the majority of their time will be spent performing functions related to company audits. One of these positions was added by the Legislature in 2003, specifically to help the Authority conduct more audits of taxicab companies. However, management assigned other tasks to the staff in these positions. Management indicated the loss of staff due to illness and restructuring required audit staff to perform other tasks.

In our audit of the agency in 2003, we identified the Authority did not provide sufficient audit coverage to verify the accuracy of reported trip numbers. We recommended the Authority revise its audit procedures to provide guidance on audit coverage. Although procedures were revised, prior management did not ensure continued implementation. Current management has indicated it wants to reestablish the audit process. In addition, audit staff was directed to develop a new audit plan addressing how audits will be performed. Implementation of company audits will help ensure compliance with laws and regulations, and can help the Authority detect long hauling practices.

Recommendations

1. Develop additional preventative measures to deter long hauling practices, including providing information to passengers that helps them prevent or immediately identify long hauling.
2. Comply with agency policy for performing company audits and develop steps to help identify long hauling practices, including steps to hold companies accountable for excessive long hauling activities.

Medallion Allocation Information and Inventory Practices Need Improvement

The Authority can improve the information provided to its Board for determining taxicab medallion allocations, and its oversight of the medallion inventory. Medallions are the small metal plates affixed to taxicabs authorizing them to operate. The number of authorized taxicabs is important because too few will increase passengers' wait times. Conversely, too many taxicabs reduce the number of trips drivers can take per shift; thereby, increasing the pressure for drivers to long haul passengers to make more money. Furthermore, staff did not adequately track medallions, and taxicab companies did not provide accurate information when reporting lost or stolen medallions. Tracking the medallion inventory is important because each permanent medallion generates about \$190,000 in gross revenue annually.

Better Information Needed to Determine Medallion Allocations

Information provided to the Board does not always help members with their decision to allocate additional permanent medallions. Staff did not always provide the information timely, and the data did not include passenger wait times or other important taxicab demand and capacity information. Medallion allocations are important because they affect passengers' wait times, drivers' wages, companies' revenues, and the Authority's resources.

The Board needs better and more timely information to help it determine if additional medallions should be allocated. In our discussions with board members, they indicated the need for information regarding passenger wait times in key locations and during peak times. This information was not provided by staff. Instead, staff provided information on taxicab trip counts, medallion counts, gross revenues over several years, accident rates, anticipated growth in airport passengers, and hotel room

occupancy rates. Much of this information was repetitive, only graphed or charted different ways with slight variations. In addition, board members indicated a desire that information be provided more than a day or two before meetings where medallion allocations are considered.

During the audit, we reviewed several studies regarding taxicab allocations. These studies identified that taxicab demand and capacity information needs to be gathered and analyzed. One study indicated actual demand is a more appropriate measure of need than surrogate measures, like hotel room occupancy rates or population. In addition, analysis of drivers' trip data can provide insight into several areas, such as the total demand for taxicab service, demand concentration, wait times, and trip durations. An understanding of these factors can help determine the need for additional taxicabs.

Taxicab demand and capacity information is available for analysis. We reviewed 600 drivers' trip sheets for several high demand days in fiscal year 2012. Our analysis of the 15,725 trips listed on these sheets identified the following information:

- The average number of trips per shift was 26 trips on high demand days.
- The average trip distance was 3.5 miles.
- The average time per trip was 11 minutes.
- For a 12-hour shift, drivers averaged almost 5 hours giving trips, or about 41% of their shift time with passengers.
- Drivers averaged 64% of their total miles with a passenger.

In addition to information available on trip sheets, other information is available to evaluate taxicab demand and capacity. Other sources of information include:

- **McCarran International Airport** – The airport collects electronic information that can be used to evaluate taxicab demand. This information includes the number of taxicabs that pick up passengers for any given day and hour, and the time taxicabs wait to pick up passengers. For the high

demand days we tested, the data from the airport showed average wait times for taxicab drivers ranged from 14 to 23 minutes.

- **Las Vegas Convention and Visitors Authority** – The Las Vegas Convention and Visitors Authority performs surveys at major conventions. These surveys include information about taxicab wait times and passengers' modes of transportation. For example, the survey results for one major convention showed that 25% of participants reported using a taxi to go to or from their hotels and the convention center. As with this convention, some convention planners provide other sources of transportation. This information would be useful to the Board when determining if additional medallions are needed for a convention.
- **Staff Observations** – Staff for the Authority could also perform observations to collect data on taxicab demand during peak times and at key locations. During our discussions with board members, they indicated wait times at key locations would be helpful when deciding if additional medallions are needed.

Taxicab demand and capacity information is important because medallion allocations affect the public, drivers, companies, and the Authority. Medallion allocations affect public convenience and welfare. A shortage in taxicabs means that passengers have difficulty finding a taxicab and experience longer wait times. An overabundance of taxicabs also creates problems. Although more taxicabs on the road can potentially increase companies' revenues, this will reduce the number of trips drivers can take per shift. Because fewer trips will reduce wages, drivers may feel increased pressure to compete for passengers and to long haul. In addition, an increase in taxicabs requires more resources for the Authority to regulate drivers and vehicles.

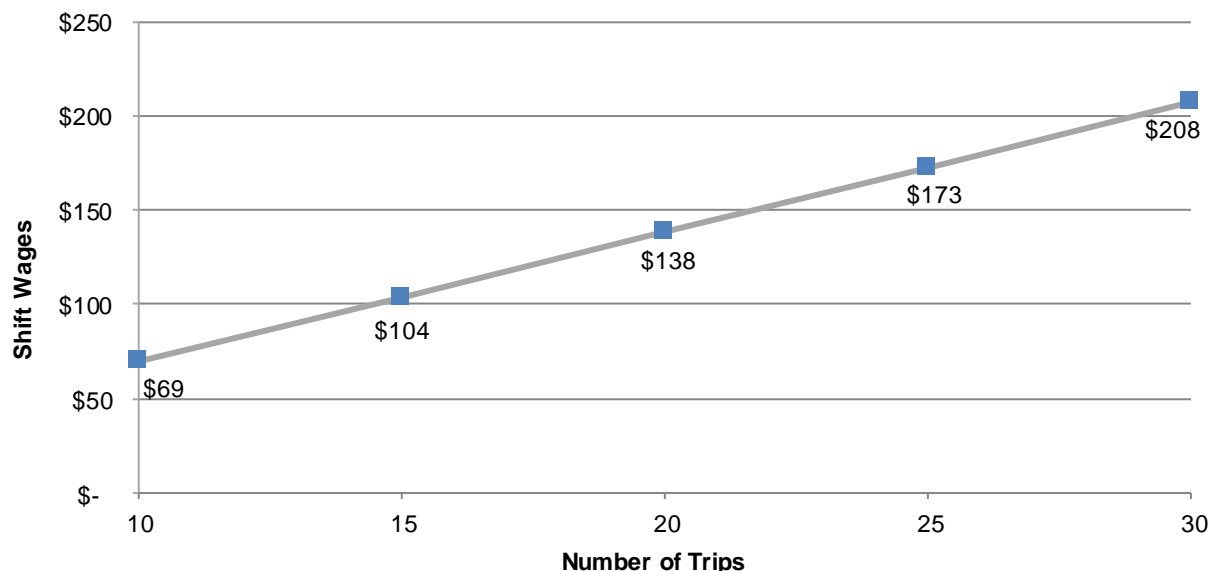
Drivers' Wages

Drivers have voiced concerns during board meetings that their wages are low because of too many medallions. Some drivers have publically stated long hauling occurs because too many taxicabs reduce the number of trips they can take during a shift, making it difficult to earn a living. Our analysis of trip sheet information and company wage agreements found the average

driver's wage per trip was \$6.92, including the IRS' tip allocation.² Based on the consistency in audit results among taxicab companies for the 15,725 trips reviewed, the average wage per trip can be used to estimate drivers' shift wages. According to the Authority's trip data, drivers averaged 18 trips per shift in 2012. Exhibit 9 shows the average gross shift wages calculated by number of trips given.

Estimate of Gross Shift Wages by Number of Trips Given

Exhibit 9



Source: Auditor analysis of trip sheet data and wage information provided by taxicab companies.

Note: The gross wage per trip of \$6.92 includes the IRS' tip allocation. However, company benefits are not included.

Medallion Inventory Not Adequately Tracked

The Authority did not adequately track the taxicab medallion inventory. Specifically, staff did not perform annual medallion inventories, rotate medallions annually, and verify a medallion's status when performing enforcement activities. In addition, taxicab companies frequently reported inaccurate information related to lost or stolen medallions. As a result, one company received an extra medallion, which it had for approximately 14 months. Another company reported 76 of its 114 (67%) authorized medallions as lost or stolen since 2006. Because the Authority has not maintained an accurate medallion inventory, there is a greater risk companies will gain unauthorized market

² Each taxicab company has entered into a tip allocation agreement with the IRS. For most companies, the IRS tip allocation agreement is 9% of the gross fare amount. Our wage per trip calculation does not include company benefits.

share. Based on medallion revenue statistics, each permanent medallion generates about \$190,000 in gross revenue per year.

Procedures for Tracking Medallions Not Followed

The Authority did not follow procedures for tracking medallions. These procedures include performing an annual medallion inventory, rotating all medallions annually, and verifying a medallion's status during enforcement activities. As a result, the Authority's medallion inventory records were not accurate. The following summarizes the Authority's efforts to track medallions between 2006 and 2012:

- In 2006, the Authority issued new medallions to each taxicab company. Although procedures call for new medallions to be issued annually, the Authority has not issued new medallions since 2006.
- According to staff, from 2007 to 2010, the Authority sent its list of lost medallion numbers and their corresponding replacement medallion numbers to companies. The companies self-reported that the lost medallion numbers were not in their possession.
- In 2011, companies were sent a list of active medallion numbers and asked to verify the medallions were in their possession.
- The Authority completed a physical medallion inventory in March 2012.

The inventory conducted in March 2012 was the first physical inventory by staff in many years. As a result, this inventory identified numerous discrepancies in the Authority's records. For example, the Authority's inventory for one company listed 60 medallions. However, inspectors verified the company had 67 medallions. Most of the difference occurred because the Authority's records were not correct. New medallions were allocated by the Board and not added to the Authority's inventory records.

In our audit of the agency in 2003, we identified the Authority did not maintain complete and accurate information showing the current status of medallions. We recommended the Authority

track the current status of medallions. Since our last audit, the Authority developed procedures regarding the medallion inventory and implemented a database to track medallions. However, the Authority did not always follow its procedures to ensure medallion information was accurate.

The Authority's operating procedures require that at the end of each fiscal year new medallions be issued to each taxicab company and the medallions from the previous year returned. A physical inventory of medallions is also to be conducted once per fiscal year. In addition, procedures require an up-to-date list of lost and stolen medallions be kept so that each time an officer issues a citation an inquiry can be made to determine the status of the medallion.

Although new technology is being discussed to control medallions, the Authority should comply with its policies and procedures until new technology is developed. This would include the rotation of medallions if companies report significant numbers of medallions as lost or stolen. Rotating medallions is an effective control that does not require significant funding. In April 2012, the Authority ordered some replacement medallions from Prison Industries. The cost per plate was \$1.33. Therefore, the medallion inventory can be rotated at a cost of about \$4,000, which would include some extra medallions for allocations and replacements.

Companies Reported Inaccurate Medallion Information

The Authority struggles to keep an accurate medallion inventory, in part, because taxicab companies have reported inaccurate lost or stolen medallion numbers. This resulted in one company having an extra medallion for approximately 14 months. Since the last set of medallions was issued in 2006, companies have reported 13% of those medallions as lost or stolen. This includes one company that has reported 67% of its medallions as lost or stolen. The Authority should establish a process to ensure taxicab companies are held accountable for providing accurate information and safeguarding medallions.

During its 2012 physical inventory of medallions, the Authority discovered 18 instances where companies were found to be in

possession of a medallion that was reported lost or stolen, or staff could not locate a medallion. Staff indicated this was due to the companies reporting inaccurate information. Examples of inaccurate information reported by companies include:

- One company reported the same medallion number lost or stolen two different times. The Authority issued two replacement medallions, one in October 2009 and the other in January 2011. During the 2012 inventory process, the Authority verified that the company had possession of the medallion reported as lost or stolen. Records indicate the company had the extra medallion for approximately 14 months before it was returned to the Authority.
- A company reported one medallion lost in October 2009. During the 2012 inventory, the lost medallion was observed on a taxicab. However, Authority staff observed the company did not have another medallion it had been issued. The Authority concluded the company initially reported a wrong medallion number as lost.

In addition to the examples above, the Authority's records include 19 instances where staff entered "unknown" as the replacement medallion number on its report used to track lost medallion numbers. The Authority stated the unknown medallion numbers were due to the taxicab companies reporting incorrect lost medallion numbers.

Companies should improve the safeguarding of their taxicab medallions. Our observations of how medallions are affixed to taxicabs found they were loosely attached so they can be quickly removed. Often, the plates were attached with wing-nuts on the outside of the vehicle that can be removed without tools. Although the Authority's regulations require taxicab companies to prominently display medallions on the left rear fender of the taxicab, the Authority has not developed other guidance to help ensure companies properly secure medallions to taxicabs.

Companies are not held accountable for reporting accurate information and safeguarding medallions. The Authority's process requires a company representative to complete and sign a Lost Medallion Form. On the Lost Medallion Form, the representative reports the missing medallion number and date the medallion was

lost or stolen. Once this is done and the appropriate fee paid, a new medallion is issued. The fee charged by the Authority is \$100 per lost or stolen medallion.

Implementation of existing law and best practices would help ensure companies report accurate information and safeguard medallions. Statute allows the Authority to penalize companies up to \$15,000 for providing inaccurate information. In addition, best practices for regulatory programs recommend developing a systematic, fair, and progressively stringent enforcement process. As part of the enforcement process, the Authority could (1) establish a graduated and equitable system of sanctions; and (2) specify the number or severity of violations or “occurrences” that should trigger each level of sanction.

Because of weaknesses in monitoring and safeguarding medallions, there is a greater risk companies will gain unauthorized market share. A medallion reported as missing and the replacement medallion could both be used by a company. Based on medallion revenue statistics, a permanent medallion generates about \$190,000 in gross revenue per year.

Recommendations

3. Work with the Taxicab Authority Board to identify information needs for medallion allocations, and use available resources to compile information on taxicab utilization.
4. Comply with policies and procedures for controlling medallions until new technology is implemented, including periodic rotation of medallions and verification of medallion validity when officers perform enforcement activities.
5. Develop guidance for companies to help ensure medallions are properly affixed and safeguarded, and consider penalties for reporting incorrect medallion information.

Controls Over Cash Receipts Need To Be Strengthened

Although the Authority has improved cash controls since our last audit, additional action is needed to strengthen controls over cash receipts. Specifically, key duties were not properly separated, supervision over cash receipts was not adequate, and computer system access controls were weak. Outdated policies and procedures contributed to these weaknesses. Strong cash controls are important because staff collected payments totaling more than \$500,000 during fiscal year 2012.

Better Separation of Duties Is Needed

Better separation of duties is needed over the Authority's cash receipt process. For example, we identified instances where the receipt of money and preparation of deposits was performed by the same individual. Although we did not identify missing funds, proper separation of duties is important to help ensure agency assets are safeguarded.

During our audit, we identified the following instances where key duties for cash receipts were not properly separated among individuals:

- One employee prepared deposits and accounting records. In addition, this employee had authority to edit transaction details in the Authority's accounting systems.
- For 8 of 53 deposits tested, employees that received payments also performed other functions like preparing deposits and maintaining accounting and receivable records. For example, an employee responsible for issuing medallions and maintaining the medallion inventory also collected 22 medallion payments totaling \$11,300.
- The Authority does not have an employee, independent of the cash receipt and deposit process, reconcile the deposit amount to the cash receipt logs prepared by employees that receive payments.

NRS 353A.020 requires an agency to establish a system of controls to safeguard the assets of the agency. This includes controls to help ensure proper separation of duties. To help agencies establish a system of controls, the Division of Internal Audits has published a self-assessment questionnaire. This tool emphasizes the separation of key duties for receiving revenues, preparing deposits, and reconciling receipts and deposits.

Supervision Over Cash Receipts Not Adequate

Supervisors did not adequately review accounting records to verify all receipts were deposited. We identified missing documentation, or discrepancies between supporting documentation, for 18 of the 240 (7.5%) cash receipt records reviewed. Although we were able to reconcile all discrepancies, there was no evidence of supervisory review, follow-up, or explanation for any of the errors. In addition, we identified two instances where the Authority incorrectly coded taxicab company trip charges to the wrong year or category.

For 18 of 240 accounting documents reviewed for fiscal year 2012, we identified the following errors:

- For seven errors, the totals listed by employees on itemized transaction logs did not agree with their summary logs or system reports. The summary logs were initialed by the employees and supervisors each day, attesting to the accuracy of the recorded amounts. For example, the discrepancy for one employee was over \$9,900. The employee's itemized transaction log showed \$15,098 received and the summary log showed \$25,055 was received for the same day. The summary log was initialed by the employee and supervisor. In this example, a large check was received and the amount was counted twice for the summary log.
- For five errors, the deposit amount did not agree with the supporting documentation. There were three instances where the amount deposited was greater than what the supporting documentation showed was collected and two instances where the amount was less. The amounts for the five errors were small.
- For four errors, the employees' summary logs were missing. These logs are signed daily by the employee and

supervisor, attesting to the accuracy of the daily cash receipt amount.

- For two errors, the amounts listed on employees' supporting documentation did not agree with the accounting records generated by the Authority's cash receipt system. For example, the system-generated report showed an employee received \$912.50, but the employee's itemized transaction log showed \$821.25 was received.

According to the Authority's policies and procedures, anytime there are discrepancies between cash receipt documents, a Cash Discrepancy Report is to be completed. These reports are required to have written comments by both the payment receiver and their supervisor. However, Cash Discrepancy Reports were not used. Authority staff was unable to find a Cash Discrepancy Report, but indicated one has now been developed and is being used.

We also identified two instances where receipts were incorrectly recorded to the wrong category or fiscal year, and the coding errors were not detected. First, December 2010 trip charges totaling \$11,218 were incorrectly coded as fines. Second, June 2012 trips charges totaling \$5,427 were coded to fiscal year 2013. A good system of controls should be designed to ensure management reviews the work of staff.

System Access Controls Are Weak

Because of weak computer system access controls, staff that received payments and prepared deposit records had the ability to edit the database used to record receipts. We identified that the Authority's database for fine payments included 62 missing receipt numbers between July 2010 and August 2012. The Authority could not explain or provide documentation as to why these receipt numbers were missing, or voided from the system. Although we did not find evidence that money was missing, inadequate system controls increases the risk fraud could occur and go undetected because changes to cash receipt records can be made without proper review and approval.

State of Nevada Information Security Program Policy requires critical functions to be divided among different individuals to

Policies and Procedures Need Updating

ensure no individual has information access that could result in fraudulent activities. When we discussed this issue with the Authority, management indicated edit controls have now been activated so only certain individuals have edit capabilities.

The Authority did not have up-to-date accounting policies and procedures. For example, multiple policies and procedures refer to an Administrative Services Officer. This position was transferred to the Department of Business and Industry in 2011. In addition, some policies and procedures had multiple versions with different effective dates. As a result, staff was not always sure which procedures to follow.

The State Administrative Manual, Section 2418, requires agencies to review policies and procedures annually and update them as needed. In addition, NRS 353A.020 requires an agency to establish a system of controls to safeguard the assets of the agency. Up-to-date policies and procedures are important to ensure duties and functions are carried out properly. The absence of accurate policies and procedures increases the risk the procedures will not be performed correctly. In addition, policies and procedures provide a resource for current employees and a training tool for new employees. Management indicated it was aware the Authority lacked up-to-date policies and procedures and has begun taking steps to revise them.

Recommendations

6. Ensure proper management oversight so that policies and procedures regarding separation of duties, reconciliations, and proper supervision of cash receipts are followed.
7. Limit access to cash receipt systems to ensure changes cannot be made without proper approval.
8. Update policies and procedures to ensure they safeguard agency resources and reflect current practices.

Appendix A

Audit Methodology

To gain an understanding of the Taxicab Authority, we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to the Authority's operations. We also reviewed financial information, legislative committee minutes, and other information describing the Authority's operations. In addition, we accompanied staff while performing taxicab inspections, reviewed Taxicab Authority Board minutes, and attended a board meeting. Furthermore, we documented and assessed internal controls over cash receipts, taxicab company audits, medallion inventory practices, taxicab inspections, performance measures, and enforcement activities. We also reviewed the process for allocating additional medallions.

To determine if the Authority performed adequate regulatory activities to ensure proper oversight of taxicab company operations, we tested drivers' trip sheets for compliance with laws and regulations, and documented the last audit performed by the Authority. To test trip sheets, we selected 600 drivers' trip sheets in fiscal year 2012. Our selection included trip sheets from each of the 16 companies based on their market share, as calculated from the number of medallions issued. In addition, we reviewed daily trip count information for fiscal year 2012 and judgmentally selected 8 high demand days to test.

To obtain drivers' trip sheets for testing, we contacted the 16 taxicab companies in Las Vegas and traveled to their facilities. We met with company staff and discussed their operations and methods for calculating drivers' wages. Although we planned to perform a random sample of trip sheets, we could not select a random sample because of data limitations at the taxicab companies. Many of the trip sheets were not legible; therefore, we selected trip sheets based on their shift and readability. While at the company, we copied each trip sheet selected. For each

company, we reviewed and analyzed trip sheet data related to taxicab demand and capacity, drivers' wages, compliance with laws, and potential long hauling practices.

To analyze potential long haul trips, we reviewed the drivers' trip sheets and identified 2,730 trips to or from the McCarran International Airport (airport) and resorts. We selected those trips for which the Authority has published an estimated fare. After identifying the trips to test, we determined potential long haul trips by taking the Authority's highest estimated fare for the resort and rounding it to the nearest dollar, and adding \$5 to the fare. The Authority's highest estimated fare includes the cost of a 4-minute wait time fee. Long haul fares were those that exceeded this estimated fare by \$5.

To estimate the \$14.8 million in airport long hauling overcharges in 2012, we multiplied the approximate number of taxicab trips to and from the airport in 2012 (6.6 million) by the percent of airport long haul trips (22.5%), and then by the average long haul amount (\$9.96). We contacted the airport to determine the number of taxicab trips to and from the airport in 2012. Based on the information from the airport's automated tracking system, there were approximately 6.6 million taxicab trips. From our testing of 600 trip sheets, we identified 614 of 2,730 (22.5%) airport trips were long hauls. In addition, we calculated the average long haul amount was \$9.96. We consider our estimate of 2012 long haul overcharges to be conservative because we did not identify a trip as a long haul unless the actual fare was \$5 higher than the estimated fare. In addition, we tested high demand days when drivers would feel less pressure to long haul.

Our sample size and methodology provide a reasonable basis for estimating long hauling practices and overcharges to or from the airport. However, because we did not conduct a statistical sample of the entire population of taxicab trips, the results of our testing cannot be projected to the entire population.

To verify the reliability of airport data, we discussed with airport personnel their automated tracking system and the steps they have taken to ensure reliability. In addition, we requested taxicab

demand information from the airport for one day. For that day, we observed taxicab operations at the airport. We documented taxicab wait times and compared our observations to the airports automated tracking system data.

To evaluate the reliability of trip charges reported by taxicab companies and other taxicab demand information available to the Authority, we selected 20% of the trip sheets tested and traced the reported trip amounts to companies' trip reports. In addition, we traced the companies' trip reports to the Authority's reported trip amounts for those companies.

To assess the adequacy of management information used for medallion allocations, we interviewed board members and analyzed the information provided to the Board for the 2011 and 2012 annual review of medallions. This included a review of staff's recommendations, participant discussions, and the Board's decisions. Finally, we discussed with staff their process for collecting and verifying the reliability of information they included in the board packets.

To determine if the Authority monitored the medallion inventory, we reviewed the Authority's 2012 physical inventory documentation. As part of our review, we verified companies' medallions were not included on the Authority's lost or stolen medallion list, and we calculated the percentage of medallions each company had reported as lost or stolen. In addition, we compared the medallions listed on the trip sheets we tested to the Authority's list of active medallions. Finally, we discussed with staff their procedures to track medallions in prior years.

To evaluate internal controls over collecting and recording cash receipts, we tested fiscal year 2012 cash receipts, fine payments, and controls over the Authority's fine database. For cash receipts, we judgmentally selected 53 deposits for fiscal year 2012. Our selection was based on the amount of the deposits and potential times of economic stress, such as holiday periods, that might increase the risk of fraud. For each deposit, we reconciled staff's daily receipt logs to the corresponding deposit slips and traced the deposit to the state's accounting system. In addition, for fiscal

year 2012, we compared taxicab companies' trip count information to trip fee amounts collected by the Authority.

To provide reasonable assurance fine payments were collected and deposited, we randomly selected 30 citations issued in fiscal year 2012, and traced the fine payment information to deposit documentation. In addition, we queried the fine database for missing receipt information. Finally, we discussed with staff the Authority's controls for editing the database.

Our audit work was conducted from March 2012 to February 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Administrator of the Taxicab Authority. On March 27, 2013, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B, which begins on page 30.

Contributors to this report included:

Todd Peterson, MPA
Deputy Legislative Auditor

Rocky Cooper, CPA
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Tom Tittle, CPA, CIA, CFE
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Appendix B

Response From the Taxicab Authority

BRIAN SANDOVAL
Governor



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DENNIS NOLAN
DEAN COLLINS

April 5, 2013

Paul Townsend
Legislative Counsel Bureau
401 S Carson Street
Carson City, NV 89701

Dear Mr. Townsend:

The Department of Business and Industry, Taxicab Authority (TA) is in receipt of the Audit Report prepared by the Legislative Counsel Bureau (LCB) Audit Division. The TA accepts each of the recommendations and has begun the process of developing a plan of corrective action and implementation.

I would like to express my appreciation to you and your staff for completing a thorough review of our operations. The professionalism of Todd Peterson, Tom Tittle and Rocky Cooper provided a constructive and informative experience for all involved.

Attached please find the TA's initial responses. As stated in our pre-audit meeting, TA staff was aware of several of the areas of concern, and solutions for correcting those areas have been implemented. Thank you again for your assistance in improving the efficiency and effectiveness of this agency. If you have any further questions or require additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Harvey".

Charles D. Harvey
Taxicab Authority Administrator

Encl: Agency Response to Audit Recommendations

cc: Bruce Breslow, Director, Department of Business and Industry

Recommendation 1

Develop additional preventative measures to deter long hauling practices, including providing information to passengers that helps them prevent or immediately identify long hauling.

The TA has put measures in place to help deter long hauling practices, educate cab drivers on their responsibilities under NRS 706.8846(3), and educate passengers on long hauling. The TA will continue to perform compliance/enforcement actions to deter, detect and cite long hauling offenses including: taxi driver training; administrative stops; targeted and undercover activities along the hotel/resort and airport corridor, and mandatory fines and sanctions.

Additional actions are being proposed to increase communication with the taxi riding public, to deter and identify long hauling, and prosecute violations. The TA is evaluating opportunities to place an informational unit at the airport and install signage for visitors with approximate rates to hotel and tourist destinations. The TA will also seek out partnerships with the LV Convention and Visitors Authority, LV Sands and local hotels to provide taxi rider information.

The TA is currently participating in a pilot program to test a real-time data system that gathers information and data such as: taxicab unit number; vehicle identification number; license plate number; total time of trip; route of trip; speed during the trip; fare of the trip; real-time and historical data relating to each trip; and a map view showing the real-time and historical location and status of each taxicab.

Recommendation 2

Comply with agency policy for performing company audits and develop steps to help identify long hauling practices, including steps to hold companies accountable for excessive long hauling activities.

The TA resumed audits of taxicab companies in February 2013. Audits of all 16 certificated companies have been scheduled throughout the year. During each audit, TA staff will inspect trip sheets to verify the accuracy of reported trip numbers and identify potential long-hauling. The TA will evaluate other options to help identify long hauling practices, including the use of technology that reports real-time and historical taxicab trip data, and steps to hold companies accountable for excessive long hauling activities.

Recommendation 3

Work with the Taxicab Authority Board to identify information needs for medallion allocations, and use available resources to compile information on taxicab utilization.

New processes are being designed to ensure the Taxicab Authority Board receives timely and relevant information to determine medallion allocations. Proposed processes include auditing taxi stand wait times, average trip distance, time per trip and average shift time with passengers in vehicle, and the collection of data on taxicab demand at key locations, during peak times. TA staff will continue to collaborate with McCarran International Airport and the Las Vegas Convention and Visitors Authority to evaluate taxicab demand and capacity.



Recommendation 4

Comply with current policies and procedures for controlling medallions until new technology is implemented, including periodic rotation of medallions and verification of medallion validity when officers perform enforcement activities.

The TA is designing an updated database to track all medallion types by company and more accurately reflect inventory. The TA has initiated spot checking of medallions during audits, enforcement activities and vehicle inspections. A physical inventory of each medallion that has been issued was conducted in 2012, with another to be conducted in FY 2014. Additionally, periodic rotations of medallions will be performed, with budgetary approval for medallions. Any discrepancies between the medallions that cab companies have on hand and the TA's database records will be investigated and reviewed by the TA to determine the whereabouts of missing medallions, and the reason for a company having more medallions than issued.

Recommendation 5

Develop guidance for companies to help ensure medallions are properly affixed and safeguarded, and consider penalties for reporting incorrect medallion information.

TA Vehicle Inspectors, Auditors and Investigators will ensure that all spot checked medallions are affixed properly to taxicabs. The TA will develop and disseminate guidance for taxicab companies to help ensure medallions are properly affixed and safeguarded. The TA will also consider penalties for incorrectly reporting medallion information.

Recommendation 6

Ensure proper management oversight so that policies and procedures regarding separation of duties, reconciliations, and proper supervision of cash receipts are followed.

TA staff has worked to separate key duties, improve supervision and develop better computer access controls. The receipt of money and deposit is now performed by two separate individuals. A cash handling policy has been developed to ensure proper procedures are in place to separate duties and reconcile cash receipts at the end of the day.

Recommendation 7

Limit access to cash receipt systems to ensure changes cannot be made without proper approval.

Controls within the computer systems have been implemented and new reports have been created at the TA to account for all cash and credit receipts at the end of each shift. Changes can no longer be made in the computer without supervisory approval and the completion of a discrepancy log for each change made.



Recommendation 8

Update policies and procedures to ensure they safeguard agency resources and reflect current practices.

The TA is currently undergoing a rewrite of policies and procedures to address this concern.



Taxicab Authority’s Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Develop additional preventative measures to deter long hauling practices, including providing information to passengers that helps them prevent or immediately identify long hauling.....	<u>X</u>	<u> </u>
2. Comply with agency policy for performing company audits and develop steps to help identify long hauling practices, including steps to hold companies accountable for excessive long hauling activities.....	<u>X</u>	<u> </u>
3. Work with the Taxicab Authority Board to identify information needs for medallion allocations, and use available resources to compile information on taxicab utilization	<u>X</u>	<u> </u>
4. Comply with policies and procedures for controlling medallions until new technology is implemented, including periodic rotation of medallions and verification of medallion validity when officers perform enforcement activities	<u>X</u>	<u> </u>
5. Develop guidance for companies to help ensure medallions are properly affixed and safeguarded, and consider penalties for reporting incorrect medallion information.....	<u>X</u>	<u> </u>
6. Ensure proper management oversight so that policies and procedures regarding separation of duties, reconciliations, and proper supervision of cash receipts are followed	<u>X</u>	<u> </u>
7. Limit access to cash receipt systems to ensure changes cannot be made without proper approval.....	<u>X</u>	<u> </u>
8. Update policies and procedures to ensure they safeguard agency resources and reflect current practices	<u>X</u>	<u> </u>
TOTALS	<u>8</u>	<u>0</u>