

Audit Highlights



Highlights of Legislative Auditor report on the Taxicab Authority, issued on December 4, 2003. Report #LA04-05.

Background

The mission of the Taxicab Authority is to protect the taxicab user through the regulation of the taxicab industry in Clark County. 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 laws and regulations; and inspects taxicabs from the 16 taxicab companies.

During fiscal year 2002, the Authority had 60 authorized full-time equivalent positions. The Authority is self-funded with one budget account. Fiscal year 2002 revenues were \$3.6 million and expenditures were \$4.3 million.

Purpose of Audit

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.

Audit Recommendations

This report contains 12 recommendations. 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, and should obtain authorization of all fees. In addition, the Authority should revise policies and procedures to strengthen controls over expenditures, contracts for services, and fixed asset inventories.

The Authority accepted all 12 recommendations.

Status of Recommendations

The Authority's 60-day plan for corrective action is due on March 4, 2004. In addition, the six-month report on the status of audit recommendations is due on September 6, 2004.

Taxicab Authority

Department of Business and Industry

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 Weaknesses in the system of controls occurred because Authority policies and procedures were outdated, incomplete, or not followed.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. In addition, the Authority's controls over revenues are weak, increasing the risk that errors or misuse could occur and go undetected. Finally, poor controls over expenditures and fixed assets resulted in unauthorized purchases, inappropriate use of petty cash funds, and assets not being adequately safeguarded.

Principal Findings

The Authority does not accurately track the medallions in use by taxicab companies. The Authority regulates the number of taxicabs operating at different times and locations by issuing a certain number of medallions to each company. However, it does not have a current listing or inventory of medallions assigned to each company. In addition, when companies report losing a medallion, the Authority issues a replacement medallion but does not ensure that when a missing medallion is found, the medallion or the replacement medallion is returned. We found 11 medallions reported as missing were not on the log used to track missing medallions. As a result, medallions reported as missing and the replacements could both be used by the companies, giving them an unfair advantage over other companies.

The number of driver permit transactions in the Authority's fiscal year 2002 performance indicators in the executive budget were over reported. The Authority reported processing 18,514 driver permit transactions. However, Authority records show it only processed 13,789 such transactions. Accurate information helps decision makers determine resources needed to operate the driver permit program.

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. Only 2 of 192 trip charge payments received from the companies during fiscal year 2002 were audited for accuracy. Trip charge payments are the Authority's largest revenue source and the Taxicab Authority Board relies heavily on the reported number of trips when determining the number of medallions to allocate to the companies.

The Authority could not demonstrate that the 4,077 citations reported as issued in its fiscal year 2002 performance indicators is accurate. 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 with information to help regulate the industry and manage the investigative and fine-setting processes.

The Authority's revenue collection controls did not ensure it collected and deposited all revenues in compliance with state requirements and internal control standards. 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. Also, receipt, deposit, and driver permit payment activity information was not reconciled, resulting in differences among the three, and at least 23 personal checks totaling \$540 from 8 employees were cashed by the Authority. Furthermore, payments totaling \$229,220 were not deposited timely and 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.

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. The Authority spent \$108,707 without obtaining proper approvals, following state rules for solicitation of bids, or using valid state contracts.

Fixed assets were not adequately safeguarded. The Authority did not conduct an annual inventory, and its fixed asset inventory listing was not complete.