

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)