

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project 15-1-01TC

November 2016



D.C. TAXICAB COMMISSION:

**CONTROLS OVER REVENUE COLLECTION, RECORD MAINTENANCE,
AND VEHICLE REGISTRATION ARE NOT ADEQUATE**



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OIG

Why the OIG Did This Audit

The Office of the Inspector General (OIG) performed this audit to address concerns about revenue collection and licensing practices at the District of Columbia Taxicab Commission (DCTC) (now known as the Department of For-Hire Vehicles (DFHV)).

Our audit objectives were to determine whether DCTC: (1) properly collected, deposited, and recorded fees; (2) issued licenses in accordance with applicable District laws, rules, and regulations governing the DCTC; (3) performed background checks for drivers and operations personnel; and (4) established and implemented internal controls to safeguard against fraud, waste, and abuse.

What the OIG Recommends

We directed five recommendations to the Acting Director, DFHV, that we believe are necessary to address deficiencies identified during the audit. The recommendations focus on strengthening oversight and monitoring of the Driver Services Program.

D.C. TAXICAB COMMISSION: Controls Over Revenue Collection, Record Maintenance, and Vehicle Registration are not Adequate

What The OIG Found

DCTC has inadequate controls over collecting and recording revenue for taxicab drivers' applications and renewals. DCTC did not properly monitor fee collection from payment service providers (PSPs). DCTC does not maintain supporting documentation to validate the types of fees collected, and does not coordinate with the Office of the Chief Financial Officer (OCFO) to ensure that OCFO records the correct fee amounts. DCTC has not established written policies and procedures documenting the process for collecting and validating fees that OCFO records. DCTC also does not have guidance outlining what information should be included in PSP reports. As a result, DCTC officials cannot be sure PSPs are collecting the correct amount of surcharge fees.

DCTC did not maintain required documentation to validate taxicab driver and company licenses and PSP certificates in accordance with applicable regulations. DCTC files did not include required documentation to ensure proper issuance of taxicab driver and company licenses and to validate PSPs operating authority. DCTC also did not establish policies and procedures over maintaining documentation of taxicab driver, company, and PSP files. As a result, DCTC cannot be sure drivers, companies, and PSPs are legally operating in the District.

DCTC performed background checks for taxicab drivers and operations personnel in accordance with established agreements. However, the agency has not implemented a system to ensure taxicab drivers pay their vehicle registration and outstanding fines before renewing licenses.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



November 21, 2016

Ernest Chrappah
Acting Director
Department of For-Hire Vehicles
2041 Martin Luther King Jr. Ave, S.E., Suite 204
Washington, D.C. 20020

Dear Director Chrappah:

Enclosed is our final report entitled *D.C. Taxicab Commission (DCTC): Controls Over Revenue Collection, Record Maintenance, and Vehicle Registration Are Not Adequate* (OIG Project No. 15-1-01TC). DCTC concurred with all five recommendations and outlined actions and target completion timeframes that they believe meet the intent of our recommendation. DCTC's response and actions meet the intent of all five recommendations and, therefore, we consider these recommendations resolved and open pending completion of planned actions.

We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Toayoa Aldridge, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Daniel W. Lucas
Inspector General

DWL/tda

Enclosure

cc: See Distribution List

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ACRONYMS AND ABBREVIATIONS

DCMR	District of Columbia Municipal Regulations
DCTC	District of Columbia Taxicab Commission
DFHV	Department of For-Hire Vehicles
FY	Fiscal Year
MPD	Metropolitan Police Department
MTS	Modern Taximeter System
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
PSP	Payment Service Provider
SOAR	System of Accounting and Reporting

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BACKGROUND

DCTC¹ is responsible for providing the citizens of the District of Columbia and its visitors a safe, comfortable, efficient, and affordable taxicab experience in well-equipped vehicles.² DCTC has the statutory responsibility to preserve the economic viability of the District's public vehicles for hire.

DCTC provides services to approximately 8,500 taxicab drivers including 1,400 independent owner-operators and 116 taxicab companies, who in total operate 6,500 taxis, 103 independent limousine drivers, and 27 limousine companies. DCTC's driver services programs are governed by Title 31 of the District of Columbia Municipal Regulations (DCMR). During fiscal years (FYs) 2013-2014, DCTC did not receive any local funding and its budget was equal to the amount of revenue collected the previous year. DCTC's FY 2014 approved budget was \$4.2M.

Taxicab Company Operating Authority

DCTC grants operating authority to taxicab companies in order for them to conduct business in the District. A certificate of operating authority is required for any person or organization looking to operate a taxicab and/or sedan/limousine company in the District of Columbia.

Public Vehicle Operator's License

DCTC also processes applicants for the taxicab and/or sedan/limousine operator's license examination. In order to take the licensure examination, the applicant must come to the testing site with a completed application form and the required supporting documentation. Failure to provide the required documents results in the applicant not being allowed to take the exam. DCTC provides applicants with the examination results upon completion of the exam. DCTC does not need to obtain an applicant's fingerprints until after successful completion of the examination.

Payment Service Providers (PSPs)

The DCTC contracts with PSPs to collect passenger surcharge fees, monitor the Modern Taximeter System (MTS), and provide weekly reports to DCTC of monitoring activities. An MTS is a complete technology solution for taxicab metering and payment that pairs the equipment. Taxicab companies and independent owners are required to obtain an MTS unit from PSPs who have been approved by DCTC.

PSPs pay the D.C. Treasurer the surcharge it collects from passengers for each trip regardless of how passengers pay the fare. All costs associated with an MTS are the responsibility of the PSP, but a PSP may allocate the cost via written agreements with other parties, including taxicab companies or independent owners to whom the PSP markets its units.

¹ Subsequent to our fieldwork, the D.C. Council renamed the DCTC as the Department of For-Hire Vehicles (DFHV), and changed the governing structure of the agency. See Transportation Reorganization Amendment Act of 2016, D.C. Law 21-0124 (eff. June 22, 2016). However, the responsibilities of DFHV are consistent with the DCTC.

² [Http://dfhv.dc.gov](http://dfhv.dc.gov) (last visited Sept. 8, 2016).

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this performance audit from January 2015 through September 2016 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 based on our audit objectives.

Our audit objectives were to determine whether DCTC: (1) properly collected, deposited, and recorded fees; (2) issued licenses in accordance with applicable District laws, rules, and regulations governing the DCTC; (3) performed background checks for drivers and operations personnel; and (4) established and implemented internal controls to safeguard against fraud, waste, and abuse.

To accomplish our objectives on the collection of fees, the issuance of licenses, and background checks, we interviewed the Driver Services Division manager and employees, IT Project Manager, and DCTC's Budget Officer. To determine whether DCTC had internal controls to safeguard against fraud, waste, and abuse, we interviewed the Chief of Operations, Chief of Enforcement, and the Complaints Manager.

In addition, we reviewed DCTC's purchase card program to determine the agency's compliance with applicable laws, regulations, policies, and procedures, and its implementation of adequate internal controls. However, we subsequently decided to exclude this objective from all OIG audits conducted in FY 2015.

To determine whether DCTC properly collected, deposited, and recorded fees, we randomly selected 2 days (1 in FY 2013 and 1 in FY 2014) to review DCTC's licensing fee collection process. We reviewed batch summaries as well as printed receipts from each Inovah cashier system. For FY 2013 transactions, we reviewed transactions occurring on March 27, 2013; and for FY 2014, we reviewed transactions occurring on June 12, 2014. Further, tests involved reviewing receipts to determine whether Face Card ID numbers and the applicant name associated with the fee paid matched.

We then requested from OCFO monthly Inovah cashier reports for FYs 2013 and 2014, to determine whether OCFO recorded revenue in the System of Accounting and Recording (SOAR). We also requested year-end revenue reports extracted from SOAR detailing monthly revenue collection. We compared each monthly Inovah report to the SOAR year-end revenue report to ensure fees collected were properly recorded.

Lastly, we determined whether and how frequently DCTC received PSP surcharge reports. We randomly selected 2 Mondays during FY 2013 and 1 Monday from each quarter during FY 2014, which is a total of 6 days (July 29, 2013, September 9, 2013, December 16, 2013, March 24, 2014, June 2, 2014, and September 29, 2014). In addition, we requested weekly reports from each PSP: seven reports for each day, totaling 42 reports.

To assess whether DCTC issued licenses in accordance with applicable District laws, rules, and regulations governing the DCTC, we reviewed taxicab drivers, taxicab companies, and PSP applications. We used Audit Command Language (ACL) software to statistically select a sample of taxicab drivers. ACL statistically selected 119 drivers to test the accuracy of DCTC records based on a universe of 9,000 taxicab drivers licensed in the District of Columbia. In determining our sample, we used 95 percent as the confidence level, 10 percent as the upper error limit, and 5 percent as the expected error rate. We reviewed the selected sample of 119 taxicab driver files to determine whether DCTC properly obtained and maintained documents from applicants.

We then randomly selected 30 taxicab company files using Excel Random Generator covering FYs 2013 and 2014. We reviewed two files for each taxicab company for a total of 60 files to check whether DCTC collected and maintained required documentation.

Finally, DCTC awarded 7 PSPs during FYs 2013 and 2014, yielding a total of 14 files for our review. We reviewed these files to ensure compliance with requirements governing certificate of operating authority approval.

To determine whether DCTC performed background checks for drivers and operations personnel, we reviewed the same sample selected for 81³ taxicab drivers.

To assess whether DCTC established and implemented internal controls to safeguard against fraud, waste, and abuse, we reviewed all three DCTC computer systems that store taxicab license information. We also interviewed DCTC officials and conducted a walk-through to determine interface capabilities among the systems.

³ We requested 119 files for review; however, DCTC could not provide 38 of the files and hence our sample size was reduced to 81.

FINDINGS

DCTC HAD INADEQUATE CONTROLS OVER COLLECTING AND RECORDING REVENUE

DCTC did not properly collect and ensure fees were recorded for taxicab driver's applications and renewals and did not properly monitor the collection of fees by PSPs.

DCTC Did Not Properly Collect and Ensure Fees Were Recorded for Taxicab Driver Applications and Renewals

DCTC did not properly collect and ensure fees were recorded for taxicab driver applications and renewals. DCTC is required to assess and collect fees for new and renewal taxicab licenses, late fees, fingerprints, and one-stop registration applications for each public vehicle for hire. DCTC is then required to deposit into the Public Vehicle for Hire Consumer Service Fund all assessments collected from public vehicle-for-hire operators licensed by DCTC. DCTC Driver Services Division is responsible for collecting revenue for the agency. The acceptable forms of payment are credit card, money order, or personal check. Cash is not accepted. Fees are processed through the Inovah cashiering system, which records transactions daily in batch summaries⁴ and also in monthly reports. The fees are deposited with the D.C. Treasurer. DCTC is responsible for collecting and depositing revenue and the Office of the Chief Financial Officer (OCFO) is responsible for recording all transactions.

DCTC does not maintain supporting documentation for the collection of fees.⁵ We reviewed batch summaries and printed receipts⁶ for one date in FY 2013 and one date in FY 2014. We determined batch summaries and receipts for our sample displayed the required transactions. However, when we requested files for the 108 transactions in our sample, DCTC was unable to provide any documentation. DCTC does not have policies and procedures for record maintenance for taxicab fees. According to DCTC officials, the agency's policies and procedures for record maintenance of taxicab fees have been drafted, but not finalized. As a result, there is no way to ensure proper collection of various fees related to taxicab operations.

DCTC does not collaborate with OCFO to validate the recording of taxicab fees. In order to determine whether OCFO recorded revenue properly, we compared monthly Inovah reports to the SOAR year-end revenue report. OCFO could not provide the year-end report for FY 2013. However, our review of FY 2014 reports found that revenue collected was accurately recorded.

⁴ Batch summaries are printed daily from the Inovah cashier system and detail the number of transactions performed, date of transaction, the cashier, the number of voids, and the type of payment.

⁵ According to the Government Accountability Office, for internal controls to be effective, all transactions and significant events should be documented, and that documentation should be readily available and properly managed and maintained. *See STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV'T*, Internal Control Standards at 15 (Nov. 1999).

⁶ Printed cash register receipts detail the cashier's ID, transaction date, applicant's Face Card ID, applicant name, payment type, payment fund code, and amount paid.

GAO Standards for Internal Control in the federal government state that “[t]ransactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.”⁷ DCTC has not established a process to validate fees collected against what OCFO records. As a result, during the period of our review, DCTC could not be sure it received full credit for fees collected, which could have impacted the agency’s budget.

DCTC Did Not Effectively Monitor PSP Fee Collection

DCTC could not provide us all weekly surcharge reports from PSPs that we requested and the reports DCTC did provide varied in detail. According to 31 DCMR §§ 408.9 and 408.15, DCTC is responsible for monitoring PSPs and collecting reports to ensure proper collection of surcharge fees. PSPs are required to certify that payment was made and provide a weekly report (due every Monday by the close of business) to DCTC. We requested 6 weeks of PSP surcharge reports for the seven PSPs. DCTC was only able to provide 22 of 42 reports requested. The reports we reviewed varied in the level of detail. Some reports included bank statements and details of the driver and each ride, while others only had the total number of rides and the amount collected. This condition occurred because DCTC has not established guidance on what information should be included in PSP surcharge fee reports. As a result, DCTC cannot validate the fee information collected in the PSP surcharge reports and cannot be sure that PSPs are collecting the correct amount of surcharge fees.

DCTC DID NOT MAINTAIN REQUIRED DOCUMENTATION TO VALIDATE TAXICAB DRIVER AND COMPANY LICENSES AND PSP CERTIFICATES IN ACCORDANCE WITH APPLICABLE REGULATIONS

DCTC did not maintain all documentation required for new and renewal applications for taxicab driver and company licenses. Further, DCTC could not provide us documentation to validate PSP certificates of operating authority, in accordance with applicable laws and regulations.

DCTC Did Not Maintain All Documentation for Taxicab Licenses

DCTC did not maintain supporting documentation for taxicab driver licenses in accordance with applicable laws, rules, and regulations. DCTC is responsible for issuing licenses to persons seeking to become a taxicab driver or renew an existing license. DCTC requires applicants to its public vehicle for hire program to complete several procedures and forms prior to issuing a taxicab driver license. According to 31 DCMR § 1002 and DCTC’s application form, applicants must submit the following documentation:

1. Fingerprints;
2. Letters of Reference;
3. Clean Hands Form and D.C. Business Tax Registration Number;

⁷ STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOV’T, Internal Control Standards at 15 (Nov. 1999).

4. Proof of Citizenship or Permanent Resident;
5. Driving Record from the District of Columbia;
6. Medical History;
7. License Fee; and
8. Face Card Picture.

DCTC files did not include all required documentation to ensure that taxicab driver licenses were issued properly. DCTC was unable to provide 38 of the 119 taxicab driver files requested. Of the remaining 81 files, at least half were missing several key required documents including missing face cards, Clean Hands Forms and Tax Registration Numbers, and reference letters (see Table 1). All files did contain fingerprint and background documentation, proof of citizenship or permanent residence, driving records, medical history, and documentation of the application fee.

Table 1. Key Missing Taxicab Driver File Documentation

Type of Document	Number of Files Missing Documentation	Total Number of Files
Face Card	57	81
Clean Hands & Tax Registration	66	81
Reference Letters	27	81

DCTC Did Not Maintain All Documentation for Taxicab Company Licenses

DCTC did not maintain supporting documentation for taxicab company licenses in accordance with applicable regulations. According to 31 DCMR § 501.1, no person shall operate “a taxicab company, association, or fleet in the District without first obtaining a Certificate of Operating Authority” issued by DCTC. Pursuant to 31 DCMR § 501.3 and DCTC’s application form, applicants must submit several types of documents:

1. Completed Application;
2. Occupancy Permit;
3. Federal Tax Return Transcript;
4. Clean Hands Certificate;
5. Proof of Business Licensure (e.g., Articles and Certificate of Incorporation);
6. Prior Year’s Filed Federal and Local Income Tax Returns;
7. Itemized Schedule of Customer Fees;
8. Current Color Scheme Pictures;
9. Vehicle List Report; List of All Licensed Drivers (non-taxicabs);
10. Bureau of Traffic Adjudication Report;
11. Business Tax Registration; and
12. Current Certificate of Good Standing.

DCTC was unable to provide 8 of the 60 taxicab company files requested for review. Of the remaining 52, the taxicab company files were missing several key documents to ensure proper issuance of a certificate of operating authority, including certificates of good standing, traffic adjudication reports, and tax registration (see Table 2).

Table 2. Key Missing Taxicab Company Certificate of Operating Authority Documentation

Type of Documentation	Number of Files Missing Documentation	Total Number of Files
Occupancy Permit	4	52
Certificate of Good Standing	8	52
Proof of Business Licensure	18	52
Prior Years Filed Federal and Local Income Tax	3	52
Customer Fees	21	52
Color Scheme	47	52
Vehicle List	23	52
Traffic Adjudication Report	24	52
Clean Hands Certification	7	52
Tax Registration	16	52

DCTC Did Not Maintain All Documentation to Validate PSP Certificates of Operating Authority

DCTC did not maintain all documentation to validate PSPs operating authority. According to 31 DCMR § 403.1, “[n]o person shall operate as a PSP, process an in-vehicle payment for a taxicab trip, market MTS units, or allow another person to use its MTS units, unless such person is a PSP with current approval of its MTS. . . .” According to 31 DCMR § 403.2 and DCTC’s application form, PSPs must submit the following documentation to DCTC in order to be awarded as a PSP:

1. \$1,000 Application Fee;
2. Surety Bond (\$50,000);
3. MTS Architecture Diagram;

4. Section 508 Compliance;
5. Passenger Console;
6. Occupancy Permit;
7. Certificate of Good Standing;
8. Clean Hands Certification;
9. Business Tax Registration;
10. Bona Fide Administrative Office Address;
11. Customer Service Number; and
12. Sample Agreement.

DCTC was able to provide all 14 FY 2013 and FY 2014 PSP files. Of the 14 files reviewed, there were 13 types of required documentation missing (see Table 3).

Table 3. Key Missing Requirements for Payment Service Providers Documentation

Type of Missing Documentation	FY 2013	FY 2014	Total
\$1,000 Application Fee	1	0	1
Surety Bond(\$50,000)	0	1	1
MTS Architecture Diagram	1	0	1
Section 508 Compliance	2	0	2
Passenger Console	4	5	9
Cashless Payment	2	1	3
Occupancy Permit	3	0	3
Certificate of Good Standing	3	4	7
Clean Hands	4	2	6
Business Tax Registration	3	1	4
Bona fide Administrative Address	3	2	5
Customer Service Number	2	2	4
Sample Agreement	1	0	1

DCTC does not have policies and procedures for maintaining taxicab driver, taxicab company, and PSP files. Without supporting documentation for taxicab driver and company licenses and PSP certificates, DCTC cannot provide reasonable assurance entities are legally operating in the District.

DCTC PERFORMED BACKGROUND CHECKS FOR DRIVERS AND OPERATIONS PERSONNEL IN ACCORDANCE WITH ESTABLISHED AGREEMENTS

DCTC performed background checks for drivers and operations personnel in accordance with a Memorandum of Understanding (MOU) with the Metropolitan Police Department (MPD). According to DCTC's taxicab driver application, the fingerprint fee is \$41.50; once paid, the applicant takes a receipt to MPD to initiate the background check. DCTC collects the fingerprint fees for public vehicle-for-hire operator and vehicle licenses. MPD forwards the background results to the DCTC Driver Services Department within 6 to 12 weeks. Background check documentation was present for 81 of the 119 taxicab drivers' files we reviewed.

DCTC DID NOT ESTABLISH AND IMPLEMENT CONTROLS TO CHECK OUTSTANDING FINES AND VALIDATE VEHICLE REGISTRATION

DCTC does not have controls to verify outstanding fines and validate vehicle registration. DCTC uses three different computer systems to store taxicab driver information:

1. E Forms – maintains information from taxicab applications.
2. VIVO – stores taxicab driver complaints, tag registration, and Notice of Infractions (NOIs).
3. Inovah – records daily collection of revenue.

These systems contain information on taxicab drivers and companies, but do not interface. According to DCTC officials, an applicant should not have outstanding fines and should have current vehicle registration before getting DCTC approval for a new license or renewal.

During our review of DCTC operations and processes, we identified that not all DCTC employees have access to all three systems, systems cannot share real-time data, and these systems do not interface to one another. For example, if a renewal applicant's tags have expired or the applicant has other outstanding violations, the Driver Services Division would not be aware of these issues when processing and issuing a renewal taxicab license. In addition, the DCTC cashier does not check any of the three systems regarding fines and registration to verify that the applicant is in good standing with the District. According to a DCTC official, DCTC is in the process of integrating all systems to enhance access to taxicab information. However, as of September 2016, DCTC had not implemented a system to ensure taxicab drivers paid their vehicle registration before renewing licenses. As a result, DCTC cannot verify that drivers have paid outstanding fines and have current vehicle registration prior to issuing or renewing a taxicab driver or company license.

CONCLUSION

DCTC's mission is to provide a safe and comfortable taxicab experience in well-equipped vehicles operated by qualified individuals. DCTC conducts required background checks of drivers. However, inadequate controls over collecting and recording fees; maintaining required taxicab driver, company, and PSP information; and verifying outstanding fines and vehicle registration limits DCTC's ability to ensure taxicab passengers' safety in the District. Until DCTC takes action to address these weaknesses, DCTC and the public cannot be confident that taxicab drivers and companies are operating in compliance with District laws and regulations.

RECOMMENDATIONS

We recommend that the Acting Director, DFHV:

1. Develop and implement written policies and procedures over record maintenance of taxicab fees.
2. Develop and implement written policies and procedures documenting the process to validate fees collected against OCFO records.
3. Establish and implement guidance to standardize the reporting format for surcharge fees for PSPs and comply with Title 31 DCMR requirements for PSPs.
4. Develop and implement policies and procedures for maintaining taxicab driver, taxicab company, and PSP files.
5. Finalize integration of the taxicab driver information systems.

AGENCY COMMENTS AND OFFICE OF THE INSPECTOR GENERAL RESPONSE

We provided DCTC with our draft report on September 23, 2016, and received its response on November 7, 2016, which is included as Appendix A to this report. DCTC concurred with all five recommendations and outlined actions and target completion timeframes that they believe meet the intent of our recommendations. DCTC's response and actions meet the intent of all five recommendations and, therefore, we consider these recommendations resolved and open pending completion of planned actions.

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF FOR-HIRE VEHICLES**

OFFICE OF THE DIRECTOR

November 6, 2016

By email to: daniel.lucas@dc.gov
Inspector General Daniel W. Lucas
Office of the Inspector General (OIG)
717 14th Street, NW, Suite 500
Washington, DC 20005

Re: **OIG No 15-1-01TC Audit of DC Taxicab Commission**

Dear Inspector General Lucas:

The District of Columbia's Department of For-Hire Vehicles (DFHV), formerly the DC Taxicab Commission (DCTC), appreciates this opportunity to respond to the Office of Inspector General's (OIG) draft audit report. This letter is supported by our Agency's formal response to your findings and recommendations.

In addition to our outlined responses to your findings, we too want to underscore for you, this administration's understanding and commitment to improving our operational efficacy and compliance with the applicable laws, policies and procedures. In FY 2016, DFHV undertook several significant activities that are both noteworthy and relevant to this response. More specifically, DFHV:

1. Completed a comprehensive initiative to rewrite the Title 31 of the DCMR to areas needing improvement;
2. Conducted a proactive, internal review of our key policies and procedures, we identified areas needing improvement. Based upon this work, we undertook an initiative to develop a rule and risk-based internal controls audit and compliance program. The results of which were shared with staff, to provide both context, and content regarding the importance for the changes;
3. Proactively consolidated our disparate databases containing both driver and vehicle licensing information that provides our staff with an official system of record that enables us to manage and monitor our customer relationships; and
4. Commenced a digitization project aimed at reducing our paper files and created searchable metadata which helps to improve both, our operational efficiency and effectiveness.

2235 Shannon Place, S.E. | Suite 2001 | Washington, D.C. 20020 | (202) 645-7300

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

Also of importance to note since the commencement of this audit in 2013 is a significant, planned change to our PSP Program. In fiscal year 2017, we plan to phase out the existing PSP Program and erect a [Digital Taxicab Solution \(DTS\)](#)¹ Program that will incorporate many of the same requirements. Consistent with this programmatic change, we expect to integrate many of the findings from our internal reviews as well as those cited in this OIG report, to ensure that the new DTS program is implemented properly and in compliance with the applicable rules, regulations and policy standards.

We appreciate your recommendations to help improve our operations and internal controls. If you have any questions, please contact me or [REDACTED] Chief Operating Officer, at [REDACTED]. Thank you.

Sincerely,

DEPARTMENT OF FOR-HIRE VEHICLES

By:

Ernest Chrappah

Ernest Chrappah
Acting Director

CC: Rashad M. Young, City Administrator

¹ NOTICE OF EMERGENCY AND PROPOSED RULEMAKING - Digital Taxicab Solution (DTS) Program

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

DFHV Management Response

Based upon our review of the OIG's draft report, entitled "D.C. Taxicab Commission (DCTC): Controls Over Revenue Collection, Record Maintenance, and Vehicle Registration Are Not Adequate (OIG Project No. 15-1- 01TC)," we request that you respectfully accept the following as our Agency's formal management response to your findings and recommendations.

DCTC Had Inadequate Controls Over Collecting and Recording Revenue

Finding #1: DCTC Did Not Properly Collect and Ensure Fees Were Recorded for Taxicab Driver Applications and Renewals

Applicable OIG Recommendations: Based upon its draft findings, the OIG provided the following, applicable recommendations for DFHV's consideration:

1. Develop and implement written policies and procedures over record maintenance of taxicab fees; and
2. Develop and implement written policies and procedures documenting the process to validate fees collected against OCFO records.

DFHV Management Response: While it is significant to note that the OIG's report concluded that its "review of FY 2014 reports found that revenue collected was accurately recorded," we acknowledge that there is room for improvement in our Agency processes. Consistent with DFHV's regulatory requirements to assess and collect fees for new and renewal taxicab licenses, late fees, fingerprints, and one-stop registration applications for each public vehicle for hire, we will take steps to properly collect and ensure fees were recorded for taxicab driver applications and renewals. More specifically, we will commit to:

1. Completing an internal review of our existing policies and procedures and create/update our documentation to improve our processes for recording taxicab fees and validating their collection in concert with the OCFO;
2. Publish finalized policies and procedures, and provide education to the appropriate DFHV personnel on the updated documentation requirements and records management standards; and
3. Evaluate implementing checklists and performing a periodic 3-way reconciliation to confirm the completeness and accuracy of fees to be collected against recorded payments and monies received by the OCFO.

Targeted Completion Date: By March 31st, 2017, we anticipate completing the listed actions.

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

Finding #2: DCTC Did Not Effectively Monitor PSP Fee Collection

Applicable OIG Recommendations: Based upon its draft findings, the OIG provided the following, applicable recommendations for DFHV's consideration:

1. Develop and implement written policies and procedures documenting the process to validate fees collected against OCFO records; and
2. Establish and implement guidance to standardize the reporting format for surcharge fees for PSPs and comply with Title 31 DCMR requirements for PSPs.

DFHV Management Response: We acknowledge that, based upon the OIG's test papers and findings, that we could not consistently provide the required, weekly surcharge reports from all PSPs, and that for those that we could provide, the information varied in the level of details.

In Fiscal Year 2017, we anticipate phasing out the existing PSP Program, and replacing it with the new DTS Program. Therefore, instead of dedicating resources to complete the recommended remediation action activities, we plan to incorporate the OIG's recommendations into our newly established policies and procedures to be developed for the DTS Program, such that we will ensure that we develop, finalize and publish relevant policies, procedures and reporting requirements.

Targeted Completion Date: By September 30th, 2017, we anticipate completing the listed actions.

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

DCTC DID NOT MAINTAIN REQUIRED DOCUMENTATION TO VALIDATE TAXICAB DRIVER AND COMPANY LICENSES AND PSP CERTIFICATES IN ACCORDANCE WITH APPLICABLE REGULATIONS

Finding #1: DCTC Did Not Maintain All Documentation for Taxicab Licenses

Applicable OIG Recommendations: Based upon its draft findings, the OIG provided the following, applicable recommendations for DFHV's consideration:

1. Develop and implement policies and procedures for maintaining taxicab driver, taxicab company, and PSP files.

DFHV Management Response: We acknowledge the findings and agree to take steps to develop/update existing policies and procedures for maintaining taxicab driver files.

More specifically, we will commit to:

1. Completing an internal review of our existing policies and procedures and create/update our documentation to improve our processes for maintaining taxicab driver files;
2. Publish finalized policies and procedures, and provide education to the appropriate DFHV personnel on the updated documentation requirements and records management standards; and
3. Evaluate implementing checklists to aid staff in the ensuring that all required documentation is gathered and retained in the Office files.

Targeted Completion Date: By September 30th, 2017, we anticipate completing the listed actions.

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

Finding #2: DCTC Did Not Maintain All Documentation for Taxicab Company Licenses

Applicable OIG Recommendations: Based upon its draft findings, the OIG provided the following, applicable recommendations for DFHV's consideration:

1. Develop and implement policies and procedures for maintaining taxicab driver, taxicab company, and PSP files.

DFHV Management Response: We acknowledge the findings and agree to take steps to develop/update existing policies and procedures for maintaining taxicab company files.

More specifically, we will commit to:

1. Completing an internal review of our existing policies and procedures and create/update our documentation to improve our processes for maintaining taxicab company files;
2. Publish finalized policies and procedures, and provide education to the appropriate DFHV personnel on the updated documentation requirements and records management standards; and
3. Evaluate implementing checklists to aide staff in the ensuring that all required documentation is gathered and retained in the Office files.

Targeted Completion Date: By September 30th, 2017, we anticipate completing the listed actions.

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

Finding #3: DCTC Did Not Maintain All Documentation to Validate PSP Certificates of Operating Authority

Applicable OIG Recommendations: Based upon its draft findings, the OIG provided the following, applicable recommendations for DFHV's consideration:

1. Establish and implement guidance to standardize the reporting format for surcharge fees for PSPs and comply with Title 31 DCMR requirements for PSPs
2. Develop and implement policies and procedures for maintaining taxicab driver, taxicab company, and PSP files.

DFHV Management Response: While we acknowledge the findings outlined in the OIG's draft report, given our plans to phase out the existing PSP Program in Fiscal Year 2017, and replacing it with the new DTS Program, we plan to incorporate the OIG's recommendations into our newly established policies and procedures. Instead of dedicating resources to complete the recommended remediation action activities now, we will be sure to use these recommendations to help guide our efforts to develop the DTS Program, which will ensure that we develop, finalize and publish relevant policies, procedures and documentation requirements.

Targeted Completion Date: By September 30th, 2017, we anticipate completing the listed actions.

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

DCTC PERFORMED BACKGROUND CHECKS FOR DRIVERS AND OPERATIONS PERSONNEL IN ACCORDANCE WITH ESTABLISHED AGREEMENTS

Finding #1: DCTC performed background checks for drivers and operations personnel in accordance with a Memorandum of Understanding (MOU) with the Metropolitan Police Department (MPD).

Applicable OIG Recommendations: None

DFHV Management Response: While the OIG's draft report states that we "performed background checks for drivers and operations personnel in accordance with a Memorandum of Understanding (MOU) with the Metropolitan Police Department (MPD)," based upon the results of their testing, we've proactively identified areas for improvement. While, through its sample testing, the OIG cited that "background check documentation was present for the 81 of the 119 taxicab drivers' files we reviewed," we are focused to improve these results to ensure that background documentation is available in taxicab driver files.

Based upon the findings, we plan to: (1) Review these results with our Driver Services team; (2) Remind staff of the requirement and their responsibility for obtaining and maintaining proper supporting documentation of compliance within the appropriate files; and (3) Perform periodic, independent sampling testing of our files to confirm compliance with the documentation requirements.

Targeted Completion Date: By March 31st, 2017, we anticipate completing the listed actions.

APPENDIX A. DCTC'S RESPONSE TO THE DRAFT REPORT

DCTC DID NOT ESTABLISH AND IMPLEMENT CONTROLS TO CHECK OUTSTANDING FINES AND VALIDATE VEHICLE REGISTRATION

Finding #1: DCTC does not have controls to verify outstanding fines and validate vehicle registration.

Applicable OIG Recommendations: Based upon its draft findings, the OIG provided the following, applicable recommendations for DFHV's consideration:

1. Finalize integration of the taxicab cab driver information systems.

DFHV Management Response: Except for the finding that DFHV did "not have controls to verify outstanding fines," we agree with the OIG's recommendation.

In fact, the District has both primary and secondary controls in place to verify the existence of outstanding fines. Neither DFHV, nor the District, relies upon any of the systems listed in the OIG's draft report (i.e., E Forms, VIVO, Inovah) to verify the existence of outstanding fines. DFHV specifically, and the District Government more generally, relies upon the Clean Hands Database, to verify the existence of outstanding fines. As well, the secondary control that exists resides within the DC Department of Motor Vehicles (DMV), which checks the Clean Hands Database. Therefore, we are confident that DFHV has appropriate controls in place for verifying the existence of outstanding fines prior to approving a new/renewal application.

Based upon the stated findings regarding the existence and operations of the DFHV's disparate systems, we agree to:

1. Complete our systems integration efforts;
2. Publish finalized policies and procedures, and provide education to the appropriate DFHV personnel about the steps to be undertaken to verify that outstanding fines and vehicle registrations are both cleared and active; and
3. Provide appropriate DFHV staff with the training and appropriate access to District systems and information to confirm compliance requirements before issuing a new/renewal license.

Targeted Completion Date: By March 31st, 2017, we anticipate completing the listed actions.