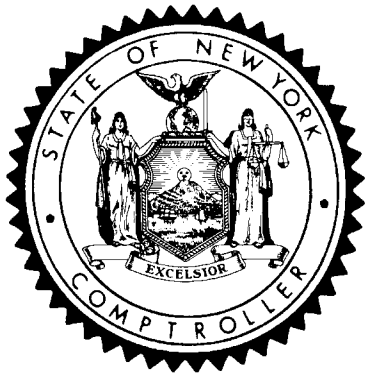


State of New York
Office of the State Comptroller
Division of Management Audit
and State Financial Services

**NEW YORK CITY
TAXI AND LIMOUSINE COMMISSION
NEW YORK CITY POLICE
DEPARTMENT**

**MONITORING DRIVERS OF
MEDALLION TAXIS AND FOR-HIRE
VEHICLES**

REPORT 99-N-7



H. Carl McCall
Comptroller



State of New York Office of the State Comptroller

Division of Management Audit and State Financial Services

Report 99-N-7

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Commissioner
New York City Taxi and Limousine Commission
40 Rector Street 5th Floor
New York, NY 10006

Mr. Bernard Kerik
Commissioner
New York City Police Department
One Police Plaza
New York, NY 10038

Dear Ms. McGrath-McKechnie and Mr. Kerik:

The following is our report on selected operating practices of the New York City Taxi and Limousine Commission and the New York City Police Department related to monitoring drivers of medallion taxis and for-hire vehicles.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law. We list the major contributors to this report in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

November 1, 2000

Executive Summary

New York City Taxi and Limousine Commission New York City Police Department Monitoring Drivers of Medallion Taxis and For-Hire Vehicles

Scope of Audit

The New York City Taxi and Limousine Commission (TLC) licenses and regulates medallion taxis and other for-hire vehicles used by private car services, such as limousines, paratransit vans and commuter vans. As of August 12, 1999, the TLC had issued active licenses to about 42,000 taxi drivers and 55,000 drivers of other for-hire vehicles. The TLC also establishes and enforces rules and regulations intended to promote the safety of the riding public. During the fiscal year ended June 30, 1999, the TLC had about 400 employees and spent about \$20.8 million. The New York City Police Department (NYPD) is authorized to help enforce the rules and regulations pertaining to medallion taxis.

Our audit addressed the following questions about the activities of the TLC and the NYPD for the period July 1, 1998 through December 31, 1999:

- ! Did the TLC effectively identify and take corrective actions against drivers who violated TLC rules and regulations?
- ! Did the NYPD effectively enforce the TLC rules and regulations pertaining to medallion taxis?

This audit was suspended in 1997 when our audit staff was asked to leave the audit site by TLC and NYPD management. At that time, the City of New York challenged the State Comptroller's legal authority to conduct non-financial audits of City agencies. The State Comptroller's authority to conduct these audits was confirmed by the New York State Court of Appeals in a decision rendered April 1, 1999.

Audit Observations and Conclusions

We found that TLC did not always maintain accurate information about its license holders' driving violations and, as a result, did not identify potentially unsafe drivers whose TLC licenses should be suspended or revoked. We also identified a number of drivers who were licensed by the TLC even though they may not have satisfied important licensing requirements such as being checked for a criminal history, tested for the use of a controlled substance, or certified by an approved taxi school. We made several recommendations that, if implemented by TLC, should improve TLC's monitoring and licensing practices.

The TLC is required to monitor the driving violations committed by its licensed drivers. If an excessive number of violations are committed by a driver within a certain period of time, the driver's TLC license is to be suspended or revoked. However, we found that TLC does not always identify such drivers on a timely basis and, in some cases, not at all. For example, we identified ten drivers who, over a period of seven months, accumulated at least six points on their New York State driver's license as a result of convictions for driving violations. However, TLC's records did not show any points for these drivers during the same period. We recommend TLC improve its information processing practices and, in particular, its process for sharing information with the New York State Department of Motor Vehicles. (See pp. 7-15)

Operators of taxis and for-hire vehicles must meet certain requirements before they can be licensed by TLC. We randomly selected 203 TLC license holders to determine whether they had met certain of these requirements. We found that 149 of the 203 license holders may not have met at least one of the requirements. For example, we found no indication in TLC's records that 129 of the license holders had been checked for a criminal history or that 78 of the 94 taxi drivers had been certified by an approved taxi school. In total, we identified 276 instances where a driver's compliance with an important requirement was not documented in TLC's records. We therefore conclude that the licensing process used by TLC does not always provide assurance that all applicable licensing requirements are met. We attribute the weaknesses in TLC's licensing process, to some extent, to the lack of written procedures that can be used by TLC employees to help ensure the applicable requirements are checked for each driver. (See pp. 17-22)

According to TLC records, during the year ended June 30, 1999, it distributed a total of 108,550 blank summonses to TLC inspectors and to the NYPD. These summonses are to be issued when TLC rules and regulations are violated. If the summonses are not adequately controlled, they could be used for unauthorized purposes, such as soliciting bribes from violators. We identified weaknesses in TLC's and NYPD's controls over these summonses. For example, TLC does not periodically attempt to account for the blank summonses to make sure they are used for authorized purposes only. We identified a number of such summonses that could not be accounted for. (See pp. 23-25)

Comments of TLC and NYPD Officials

We provided TLC and NYPD officials draft copies of this report for their review and comment. Their comments were considered in preparing this final report and are included as Appendices B and C.

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Introduction

Background

The mission of the New York City Taxi and Limousine Commission (TLC) is to license and regulate the for-hire vehicle industry in New York City (City). This industry comprises medallion taxis and the for-hire vehicles used by private car services, such as limousines, paratransit vans and commuter vans. Only medallion taxis may accept passengers who hail rides from the street (a medallion is affixed to the hood of the taxi to indicate to passengers that the taxi is authorized to operate in this manner). The other types of for-hire vehicles regulated by TLC are permitted to provide service only through pre-arrangement (these vehicles are collectively referred to as “for-hire vehicles” throughout this report).

The TLC licenses and regulates vehicle operators, the owners of vehicle dispatching bases, and the agents of the operators and owners. It is also responsible for setting taxi fare rates. (The rates charged by the other types of for-hire vehicles are not set by TLC.) In addition, under Chapter 65, Section 2303 of the City Charter and under Sections 19-503 and 19-505 of the Administrative Code of the City of New York, TLC is empowered to establish and enforce the rules and regulations necessary to protect the riding public.

As of August 12, 1999, TLC had issued approximately 97,000 active licenses to drivers. About 42,000 were licensed to operate medallion taxis, and about 55,000 were licensed to operate for-hire vehicles. During the fiscal year ended June 30, 1999, TLC had about 400 employees and spent about \$20.8 million.

On April 1, 1995, the New York City Police Department (NYPD) was authorized to help TLC enforce City rules and regulations pertaining to medallion taxis. In January 1996, the NYPD created its Taxi Unit for this purpose, and by July 1999, the Taxi Unit included 45 uniformed officers. The officers in the Taxi Unit enforce the general laws and regulations relating to the operation of any motor vehicle, such as speed limits, as well as the particular TLC rules and regulations relating to the operation of medallion taxis, such as the requirements relating to the acceptance of passengers. Violations of general motor vehicle laws and regulations are monitored by the New York State Department of Motor Vehicles (DMV), and are referred to as DMV violations throughout this report.

TLC rules and regulations are also enforced by 176 uniformed TLC enforcement inspectors. The inspectors are responsible for inspecting an average of 300 medallion taxis a day, and are authorized to seize for-hire vehicles that are operating without a TLC license. For the fiscal year ended

June 30, 1999, the inspectors issued a total of 34,786 summonses for violations of TLC rules and regulations (such as unsafe driving or driving without a valid TLC license), and seized 6,459 for-hire vehicles that were being operated without a valid TLC license. During this same year, Taxi Unit police officers issued a total of 42,166 summonses for violations of TLC rules and regulations. Violations of TLC rules and regulations (referred to as TLC violations in this report) are adjudicated in hearings conducted by TLC administrative law judges.

TLC relies primarily on two programs to monitor vehicle operators: the Persistent Violator Program and the Critical Driver Program. The Persistent Violator Program monitors TLC violations committed by drivers. The Critical Driver Program monitors the DMV violations committed by drivers. Under both programs, TLC may suspend or revoke the TLC license of drivers who commit an excessive number of violations.

In May 1998, TLC approved a package of industry reforms in the form of rule changes designed to enhance passenger and public safety, hold drivers and owners accountable for violations, and ensure their compliance with the rules and regulations of the City as well as the State's vehicle and traffic laws. These reforms, which became effective on July 26, 1998, included a one-year probationary period for all newly-licensed drivers, mandatory filing of accident reports, and amendments to the Persistent Violator Program that expanded the program to include drivers of for-hire vehicles.

Audit Scope, Objectives and Methodology

We audited selected operating practices of TLC and the NYPD for the period July 1, 1998 through December 31, 1999. The objectives of our performance audit were to determine whether TLC effectively identified and took corrective actions against vehicle operators who violated TLC and DMV rules and regulations, and whether the NYPD effectively enforced TLC rules and regulations pertaining to medallion taxis. To accomplish these objectives, we interviewed officials at TLC, the NYPD, and selected vehicle dispatching bases. We also reviewed records maintained by TLC and the NYPD. In addition, because the DMV maintains the authorized records relating to drivers' DMV violations, we interviewed officials and reviewed records at DMV. We reviewed the computer files obtained from DMV using a computer assisted audit technique, called Audit Command Language (ACL) software. ACL allows us to query the computerized records and select those records that meet specific criteria.

In our review of the records maintained by TLC, we selected a random sample of 203 drivers, out of a population of 94,773 listed as licensed per TLC records in October 1999. To determine whether these 203 drivers met certain TLC licensing requirements, we reviewed records maintained by TLC in individual driver folders as well as information maintained on TLC's automated City Agency Management Information System (CAMIS). We also

selected a random sample of 203 of the blank TLC summonses from a population of 108,550 summonses that were distributed for issuance during the year ended June 30, 1999. We also reviewed automated TLC records for the Persistent Violator Program and the Critical Driver Program, and manual TLC and NYPD records relating to the distribution of TLC summonses.

As is our practice, we notify agency officials at the outset of each audit that we will be requesting a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. In the representation letter, agency officials assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. Agency officials further affirm that either the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors.

However, officials at the New York City Mayor's Office of Operations have informed us that, as a matter of policy, Mayoral agency officials will not provide representation letters in connection with our audits. As a result, we lack assurance from TLC and NYPD officials that all relevant information was provided to us during this audit. We consider this refusal to provide a representation letter to be a scope limitation on our audit. Therefore, readers of this report should consider the potential effect of this scope limitation on the findings and conclusions presented in this report.

In addition, during the course of our audit, TLC management did not always provide us with access to the information we requested. For example, even though we requested a list of all TLC-licensed vehicle dispatching bases, TLC management refused to provide us with such a list. In addition, some of the information requested was provided after unreasonably long delays. While we were able to satisfy our overall audit objectives, we often had to develop alternative audit methodologies, and the audit progress was delayed. We consider this lack of cooperation on the part of TLC management to be a scope limitation on our audit. Therefore, readers of this report should consider the potential effect of this scope limitation on the findings and conclusions presented in this report.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of TLC and NYPD which are included in our audit scope. Further, these standards require that we understand TLC's and NYPD's internal control structure and compliance with

those laws, rules and regulations that are relevant to the operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities for audit. We therefore focus our audit efforts on those activities we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. We devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our audit reports on an “exception basis.” This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Comments of TLC and NYPD Officials

We provided TLC and NYPD officials draft copies of this report for their review and comment. Their comments were considered in the preparation of this final report and are included as Appendices B and C.

TLC officials do not agree they need to make a number of improvements in their monitoring and licensing practices. They believe that both the Critical Driver Program and the Persistent Violator Program are operating efficiently and effectively. They dismiss the findings related to vehicle dispatching bases by claiming that it has no relevance to the enforcement of sanctions against the licensed drivers. Also, TLC officials claimed that a large number of the exceptions found for licensing vehicle operators were for drivers licensed prior to July 1998, and therefore prior to the audit scope. TLC officials also replied they are reasonably assured that all summonses are used for authorized purposes only.

We believe that both the Critical Driver Program and the Persistent Violator Program are good for monitoring vehicle operators and improving public safety. However, one of the characteristics of an effective licensing process is its ability to keep potentially unsafe drivers from being licensed to operate a vehicle. Therefore, we maintain that TLC management needs to formally assess the accuracy and completeness of the information in their records and on CAMIS before they take the position that the programs are effective. For example, TLC’s response indicated that the Critical Driver Program’s records did not have information for about 340 drivers who, according to DMV, had multiple violations. Regarding the audit scope, TLC officials have rejected our results that show their licensing requirements were not always

met based on their narrow interpretation of scope. The fact is that during the time frame covered by the audit, these individuals were licensed by TLC without evidence that the requirements were met.

Within 90 days after final release of this report, we request the Commissioner of the New York City Taxi and Limousine Commission and the Commissioner of the New York City Police Department to report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons therefor.

Monitoring Vehicle Operators

The TLC is required to monitor the driving violations committed by vehicle operators who are licensed by TLC. If an excessive number of violations are committed by a driver, the driver's TLC license is to be suspended or revoked. However, we found that, because of TLC weaknesses in communicating with the DMV and in processing information about driving violations, TLC is less likely to identify drivers who commit a number of violations in a relatively short period of time and whose TLC licenses should be suspended or revoked. We also found that, because of weaknesses in communicating with vehicle dispatching bases, TLC is less able to enforce sanctions against drivers whose TLC licenses have been suspended or revoked.

Critical Driver Program

The DMV maintains a database of drivers who hold a TLC license. Prior to February 15, 1999, if one of these drivers committed a violation that resulted in the suspension or revocation of his or her New York State driver's license, the DMV would notify TLC of the suspension or revocation. The TLC would then decide whether to suspend or revoke the driver's TLC license, as well.

With the implementation of the Critical Driver Program, which became effective on February 15, 1999, TLC's monitoring of drivers' DMV violations was strengthened. Under this program, covered by Sections 2-07 and 6-17 of Title 35 of the City Rules and Regulations, if one of the drivers in the DMV database of TLC license holders commits a violation that adds points to their New York State driver's license, DMV reports the number of points to TLC. TLC monitors the number of points accrued by each of its drivers, and if a driver accrues six points within a 15-month period, TLC should suspend the driver's TLC license. If the driver accrues ten points within a 15-month period, the driver's TLC license is revoked.

To keep DMV's database of TLC drivers up-to-date, TLC must inform DMV when new licenses are issued and when existing licenses expire or are revoked. TLC officials told us that they send this information to the DMV on a monthly basis. The officials also told us that the DMV informs TLC when points are added to the licenses of TLC drivers on a daily basis, and TLC processes these updates into its system on a weekly basis.

The purpose of the Critical Driver Program is to alert TLC to potentially unsafe drivers. If the program is to be effective, TLC must maintain accurate information about the violation points accrued on TLC license holders' New York State driver's licenses. To evaluate the accuracy of the violation point information maintained by TLC, we compared it to the information maintained by DMV.

According to the DMV database of TLC drivers, as of September 23, 1999, a total of 1,074 TLC drivers had accumulated six or more points on their DMV licenses since February 15, 1999. The most current information provided by TLC officials for the Critical Driver Program was a report dated August 12, 1999. This report showed that between February 15 and July 8, 1999 only 161 TLC drivers had accumulated six or more points on their DMV licenses. We were able to match all 161 of these drivers to the DMV database. However, 913 of the 1,074 TLC drivers from the DMV database were not identified by the report for the Critical Driver Program.

In addition to the file matches, we selected a judgmental sample of 22 of the 1,074 drivers from the DMV database and compared the number of violation points recorded by the DMV as of September 23, 1999 to the number of points recorded on the CAMIS for these 22 drivers as of November 24, 1999. We found that DMV records agreed with CAMIS records for only 2 of the 22 drivers. Both sets of records showed that these two drivers had accumulated six or more points on their DMV license since February 15, 1999, and both drivers were included on the Critical Driver Program report that was current through July 8, 1999. However, for 20 of the 22 drivers, the DMV and CAMIS records did not agree, as follows:

- ! For ten drivers, there was no indication on CAMIS that they had accumulated any points on their DMV license since February 15, 1999. (DMV's records show all ten drivers had accumulated six or more points since that date.)
- ! For six drivers, the number of points recorded on CAMIS was lower than the number of points recorded by DMV.
- ! Four drivers did not renew their TLC licenses, and should not have been in DMV's database as of September 23, 1999.

To determine the number of drivers on the September 23, 1999 database with six or more points on or before July 8, 1999, we analyzed the database using July 8, 1999 as the cutoff date. This analysis showed there were 502 drivers with six or more points. Therefore, 341 drivers from DMV's database were not identified on TLC's report for the Critical Driver Program.

In light of the discrepancies we identified between the information maintained by TLC and the information maintained by the DMV, we conclude that TLC did not always maintain accurate information about drivers' DMV violations. As a result, the Critical Driver Program is less likely to provide the benefits intended by law, because TLC is less likely to identify potentially unsafe drivers whose TLC licenses should be suspended or revoked.

TLC officials acknowledged that they had problems providing DMV with timely information about the drivers who should be added to or deleted from the DMV's database of TLC drivers. Even though TLC officials told us they provide this information to DMV on a monthly basis, we found that the information was actually provided less often. The Critical Driver Program became effective on February 15, 1999, but TLC did not provide DMV with updated information about TLC license holders until May 1999, and did not provide the next update until September 1999. If DMV is not informed about the drivers who are to be monitored in the Critical Driver Program, many of the drivers will not be monitored. We note that, for the year ended June 30, 1999, TLC issued a total of 2,384 new licenses to taxi drivers and 12,747 new licenses to for-hire vehicle drivers; therefore, in the absence of timely updates from TLC, thousands of new drivers may not be monitored on a timely basis.

TLC also did not always update its own records with the information provided by DMV in a timely manner. To evaluate TLC's timeliness in this area, we selected 100 of the 203 TLC drivers in our sample who held active licenses in October 1999. We then reviewed CAMIS as of October 1999 to determine whether certain general information that is to be routinely obtained from DMV was available on CAMIS for these 100 drivers. We found that, for 7 of the 100 drivers, no DMV information was recorded on CAMIS, and for 12 drivers, DMV information had not been updated.

TLC officials told us that, for four of the seven drivers, DMV information was not recorded on CAMIS because the driver's motorist identification number (as recorded on the DMV driver's license) had either been entered incorrectly by TLC at the time of licensing or had changed since the TLC license was issued. In addition, DMV information was not recorded on CAMIS because one driver was never issued a license by TLC. We believe these five examples further indicate that improvements are needed for the information maintained by TLC to be accurate and reliable. TLC officials also told us that they believe DMV information was updated for 5 of the 12 drivers we identified, and the information provided to us by DMV was not accurate.

We note that TLC management could not provide us with written procedures for the processes used by TLC to send information to, and receive information from, DMV. In the absence of such procedures, TLC management has less assurance that information will be sent to DMV on a timely basis, as well as less assurance that information will be processed on a timely basis after it is received from DMV.

TLC officials also told us that DMV is often months behind in updating its records of convictions. We note, however, that DMV database we

reviewed, which was dated September 23, 1999, contained convictions that had occurred in September of 1999.

Recommendations

To the TLC:

1. Provide DMV with timely information about the drivers who should be added to and deleted from DMV's database of TLC drivers, and update TLC records on a timely basis with the information provided by DMV. To help ensure that TLC and DMV communicate effectively with one another, periodically reconcile TLC records with DMV database of TLC drivers.

(Responding to our draft report, TLC officials indicated that during our field work they were in the process of upgrading and converting their entire information technology (IT) systems from 27 separate PC applications connected via end-of-day data uploads to one live system known as CAMIS. They also indicated revisions were made to the DMV program. TLC officials claim that all information is forwarded to DMV in a timely manner and that the error noted in the audit occurred during the implementation phase and, since then, all driver information is accurate. They also provided an analysis of the 1,074 DMV records that indicates TLC's took the correct action in all cases they handled. For the 310 cases that were not processed TLC attributed these to a DMV error.)

Auditors' Comments: We do not accept that the discrepancies in the information in DMV's and TLC's databases were due to the conversion to a new system because TLC's explanation for some of these cases is incorrect. For example, TLC indicated that in 75 cases the auditors miscounted the points. However, we did

Recommendations (Cont'd)

not count any points, the values were assigned by DMV. We used ACL, an automated audit tool, only to select those cases with a certain number of points. In addition, TLC reported that it properly identified and suspended 147 licenses and revoked 36 licenses, totaling 183. This is not logical since TLC only had 161 drivers on its Critical Driver Program database. We also point out that our sample of 22 drivers on CAMIS as of November 24, 1999 showed that for only 2 of the 22 cases did DMV and CAMIS agree. We recognize that TLC officials have taken action to make its data accurate and suggest that they continue to do so.

2. Develop and issue written procedures for the exchange of information between TLC and DMV.

(TLC officials reply to our draft report that the written procedures for the exchange of information exist as part of the TLC/DMV Data Transfer Agreement.)

Auditors' Comments: On August 11, 1999, we requested a copy of the TLC/DMV Data Transfer Agreement (Agreement) but TLC officials refused to provide the document. Therefore, we cannot comment about the contents of the Agreement. However, based on the discrepancies found between DMV and TLC information for licensed drivers, we conclude that TLC officials need to determine whether the procedures are adequate and monitor employee compliance with the process. If this does not correct the condition, then they need to determine why the data is inaccurate.

3. Accurately identify on a timely basis all the drivers whose licenses should be suspended or revoked under the Critical Driver Program and take appropriate action.

(In response to the draft report, TLC officials indicated that during the audit, it was discovered that data between DMV and TLC was inaccurately transferred in at least 310 cases. They added that they are working with DMV to correct the problems.)

Persistent Violator Program

In the Persistent Violator Program, covered by Sections 2-70 and 6-23 of Title 35 of the City Rules and Regulations, TLC monitors drivers' violations of TLC rules and regulations, such as refusing to pick up passengers or the failure to maintain a clean taxi. The program, implemented in 1989, applied only to taxi drivers until July 1998, when it was extended to other for-hire vehicles. Under the program, drivers are assigned a certain number of points for violations, and if a driver accrues more than six points within a 15-month period, TLC is supposed to suspend the driver's TLC license. For a driver who accrues more than 10 points within a 15-month period, the driver's TLC license should be revoked. Points are automatically assigned to the drivers by a computerized system developed by TLC. In addition to violations that carry a certain number of points, there are violations that individually have no point value, but will have one point assigned if a driver accumulates three of these violations during a period of time. As a result of having this point assessed, the driver may reach the next level; i.e., six points for a license suspension. We found that the assignment of points for recurring no point violations was not working properly.

To determine whether points are accurately assigned by TLC's computerized system, we reviewed the points assigned during July and August 1999. We found that the points often were not assigned accurately, as we identified 60 instances involving 34 drivers where one or two points should have been assigned to a driver as a result of certain violations, but no points were assigned to the driver. As a result, the Persistent Violator Program is less likely to provide the benefits intended by law, as TLC is less likely to identify on a timely basis drivers whose TLC license should be suspended or revoked.

We shared our findings with TLC Legal Unit. They agreed with our observations and stated that they will follow up with TLC's Management Information Services Unit to correct the problems we identified.

Recommendation

To the TLC:

4. Review the internal controls in the Persistent Violators Program to ensure that points are appropriately assigned to drivers who commit violations, and correct all errors.

(TLC replied to our draft report that although the computer runs for the Persistent Violator Program did contain some incorrect information concerning point assignments, they indicated this does not present a problem because the Administrative Law Judges do not base their review on computer-generated point runs. As a result, the effect of the incorrect points is lessened. They added that there is a complete independent analysis of the record and CAMIS is not relied upon. TLC officials stated that the Program is working effectively and efficiently and any errors in the program tables will be corrected through continuous CAMIS modifications.)

Auditors' Comments: The absence of a properly functioning system has the potential to affect the accurate calculation of points and, as such, may decrease the effectiveness of the Persistent Violator Program. Under the current practice all cases have to be manually reviewed to determine whether a driver has accumulated no point value violations that are the equivalent of one point. Until the error is detected by manual review or the automated process is repaired, there is a chance that a driver's points are understated.

Vehicle Dispatching Bases

For the fiscal year ended June 30, 1999, TLC reported that there was a total of 704 licensed owners of for-hire vehicle dispatching bases (taxis are not dispatched from such bases). Section 6-08 of Title 35 of the City Rules and Regulations, requires all owners of vehicle dispatching bases licensed by TLC to send TLC, on a quarterly basis, a list of all affiliated drivers and affiliated for-hire vehicles operating from their sites. We were told by TLC officials that they had neither received nor requested these lists. If TLC received this information from the bases, it could match the information to its database of licensed drivers and identify drivers who were operating for-hire vehicles without a valid TLC license. The matching process would be facilitated if the information were maintained electronically. However, since TLC does not receive this information, it is less able to identify unlicensed drivers and less able to enforce sanctions against drivers with suspended or revoked licenses.

According to Section 6-12 (k)(1 & 2) of Chapter Six of the *TLC Rules and Regulations*, TLC is required to mail a list of TLC drivers with suspended or revoked licenses to all licensed owners of dispatching bases and for-hire vehicles, and these owners may be fined or have their licenses revoked if they use any of the drivers on the list. TLC officials told us they mail this list only to industry associations or base owners who request the list, because it is too voluminous to mail to all owners and industry associations. While this practice helps TLC enforce sanctions against some of the drivers who violate TLC rules and regulations, it does not help TLC enforce sanctions against drivers who are affiliated with bases or associations that do not request the list. In light of the problems presented by the voluminous mailings, TLC should determine whether the process could be facilitated by the use of technology such as the electronic transmission of information to base owners.

We requested a list of TLC drivers with suspended or revoked licenses as well as a list of all the vehicle dispatching bases licensed by TLC. TLC officials refused to provide us with these lists, because they believe the information requested was outside the scope of our audit. We disagree; TLC's effectiveness in monitoring drivers is explicitly addressed by our audit scope. Sharing information about TLC drivers with suspended or revoked licenses is one method for monitoring drivers. We also asked TLC officials for the names of the licensed bases that had requested the list of TLC drivers with suspended or revoked licenses. TLC officials also refused to provide this information. Instead, the officials gave us a list containing 21 names of industry associations or companies that were authorized to get the list of suspended drivers.

In the absence of a comprehensive list of licensed bases, we reviewed the listing of vehicle dispatching bases in the yellow pages of a telephone book, and judgmentally selected ten bases (two bases in each of the five boroughs) for review. We visited the ten bases to determine whether they had a valid TLC operating license. We found that eight of the ten bases did have such a license. However, TLC operating license for two of the bases had expired in June 1997.

Recommendations

To the TLC:

5. Determine whether the process of communicating with vehicle dispatching bases and vehicle owners could be facilitated by the use of electronic technologies. If not, either comply with the requirements for (1) obtaining information about affiliated drivers and vehicles from the dispatching bases and (2) informing base and vehicle owners of the drivers with suspended or revoked licenses, or propose that the requirements be changed.

(TLC officials response indicates that on-line access to TLC drivers' database will be made available to any subscribing base owner.)

Auditors' Comments: We believe this is a step in the right direction, but since no target date was mentioned in TLC's response, we believe that in the meantime, TLC should comply with the requirements of the law.

6. Periodically take actions to determine whether vehicle dispatching bases are operating with a valid TLC license.

(TLC officials claim that their Enforcement Division regularly conducts base enforcement operations. In their response, TLC officials stated "Concerning the mailing of suspension lists to licensed bases pursuant to Section 6-12 (k)(2)...this rule was established years ago to prevent a base owner from asserting an affirmative defense that he/she unknowingly dispatched a driver who may be on suspension. This list has absolutely no relevance to the enforcement of any sanctions against drivers in any way.")

Auditors' Comments: We disagree with TLC's conclusions. In fact, working with the licensed bases may have provided better program results. It is interesting that TLC officials indicate that a process that is meant to keep owners from allowing drivers whose license is suspended from operating one of their vehicles is not relevant to enforcing sanctions. Clearly, placing an owner on notice would help to enforce the suspension.

Licensing Vehicle Operators

Title 35 of the Rules and Regulations of the City of New York, stipulates that drivers of medallion taxis and other for-hire vehicles must meet certain requirements before they can obtain or renew their TLC operator license. For example, applicants for a taxi license must pass a medical examination, be certified by an approved taxi school, and meet continuing education requirements. In addition, applicants for a license to operate either a taxi or other for-hire vehicle must be tested for drug use, must be checked for a criminal history, and must complete an authorized course in defensive driving. If an applicant meets all the licensing requirements, documentation of this compliance should be maintained by TLC's Licensing Unit and recorded on CAMIS.

To evaluate whether the licensing process used by TLC provides adequate assurance that drivers meet all applicable licensing requirements, we randomly selected 203 of the 94,773 licensed drivers listed as current on CAMIS in October 1999 (94 taxi drivers and 109 drivers of for-hire vehicles). We reviewed CAMIS to determine whether they met the following six requirements (where applicable):

- ! certified by an approved taxi school
- ! continuing education requirements
- ! completed an authorized course in defensive driving
- ! tested for drug use
- ! checked for a criminal history
- ! passed a medical examination

We found that 149 of the 203 license holders may not have met at least one of the first five requirements, as their compliance with these requirements was not documented on CAMIS. For example, we found no indication that 129 of the license holders were checked for a criminal history, 37 of the license holders had been tested for drug use, and no indication that 78 of the 94 taxi drivers had been certified by an approved taxi school. In total, we identified 276 instances in which a driver's compliance with one of these requirements was not documented on CAMIS, as follows:

Requirement	Compliance With Requirement Documented	Compliance With Requirement Not Documented	Compliance With Requirement Not Applicable
Taxi School Certification	16	78	109
Continuing Education	86	6	111
Defensive Driving Course	177	26	0
Drug Test	166	37	0
Criminal History Check	74	129	0
	519	276	220

We therefore conclude that the licensing process used by TLC does not provide assurance that all applicable licensing requirements are met. If these requirements are not met by the drivers of taxis and for-hire vehicles, the safety of the riding public could be jeopardized. We note that TLC officials could not provide written procedures for their licensing process. We believe the weaknesses we identified in the licensing process are caused, to some extent, by this lack of written procedures.

TLC officials disagree with most of our findings relating to the taxi school certification and criminal history requirements, which together account for 207 of the 276 instances of noncompliance identified by our audit. According to TLC officials, since these two requirements must be met only when a driver first applies for a TLC license, and most of the drivers in our sample were first licensed prior to the beginning of our audit period (July 1, 1998), any noncompliance with these two requirements is not relevant to our audit, because any weaknesses in the licensing process prior to July 1, 1998 were outside the scope of our audit. TLC officials also believe that the licensing requirements are no longer relevant for 81 of the 149 potentially noncompliant drivers in our sample, because CAMIS indicates that TLC licenses of these 81 drivers have expired.

We do not agree with TLC's position regarding the relevance of some of our findings because they relate to a licensing requirement that the driver had to meet prior to our audit period. This is a limited view of how the requirement should be applied because the fact remains that all 203 of the drivers in our sample were actively licensed during our audit period, and if any of these drivers were not checked for a criminal history or certified by an approved taxi school, the safety of the riding public was at risk. Therefore, it is important that TLC officials properly address the instances of potential noncompliance identified by our audit and take appropriate action if a requirement was not met. In addition, they should make every effort to improve procedures intended to make sure licenses are issued or renewed only for applicants who have met all licensing requirements.

Regarding the TLC licenses that have expired, we note that these drivers were able to obtain a license even though they may not have met an important licensing requirement. We also note that it is not unusual for a TLC license to be renewed three or more months after it has expired, so some of the 81 drivers identified by TLC may have renewed their licenses. Moreover, if actions are not taken by TLC to correct the weaknesses we identified, TLC officials cannot be assured that future licenses will be issued only to applicants who have met all licensing requirements.

Compliance with Licensing Requirements

Instruction from a Taxi School

According to Section 2-02(9) of Title 35 of the City Rules and Regulations, an applicant for a license to operate a medallion taxi must hold a certificate of attendance for the required hours of instruction in taxi-related subjects at a school approved by TLC. The applicants are required to undergo a minimum of 80 hours of taxi-driver training at one of the two schools approved by TLC.

However, our review of the records maintained on CAMIS found no indication that 78 of the 94 taxi drivers in our sample had ever attended a taxi school. All 78 drivers held a valid TLC license at the time of our review. TLC officials could not explain why a license was issued when there was no indication that they had met this important requirement. On the basis of our test, we conclude that TLC officials cannot be reasonably assured that licensed taxi drivers received the required instruction from an authorized taxi school.

Continuing Education

According to Section 2-11 of Title 35 of the City Rules and Regulations, all licensed drivers of medallion taxis who have renewed their licenses at least once should have taken a four-hour continuing education course in taxi-related subjects. This course is authorized by TLC and is provided by La Guardia Community College.

Two of the 94 taxi drivers in our sample were new drivers who had yet to renew their licenses at the time of our review. We reviewed the records maintained on CAMIS for the other 92 drivers to determine whether they had fulfilled the continuing education requirement. We found no indication that 6 of the 92 drivers had fulfilled this requirement. Two of the six drivers had their license renewed, on October 30, 1998.

Defensive Driving Course

According to Sections 2-02a(10), 2-11d, 6-02a(5), and 6-02a(6) of Title 35 of the City Rules and Regulations, all applicants seeking to obtain or renew a license to operate either a taxi or other for-hire vehicle must complete a course in defensive driving. The course must be authorized by TLC and certified by DMV. For new applicants, the course must be completed at least six months before the date of application. For renewal applicants, the course must be completed no more than three years before the date of application. The CAMIS records for 26 of the 203 drivers in our sample showed no indication that the drivers had completed the required course successfully.

When we shared our findings with TLC officials, they told us that an applicant's completion of the defensive driving course may not be recorded on CAMIS, because the date of completion is not always recorded on the certificate awarded to the applicant. In such circumstances, TLC officials check with DMV officials about the status of this course. If DMV officials indicate that the applicant completed the course, TLC officials accept the application; however, the date of completion may not be recorded on CAMIS. Therefore, to determine whether the applicants in our sample completed the defensive driving course, TLC officials advised us to contact DMV. We asked DMV to determine whether 50 of the 203 drivers in our sample had passed a defensive-driving course, as required. DMV personnel told us that 6 of the 50 drivers had never taken such a course and three others needed to retake the course.

Based on our review of CAMIS and the information provided by DMV, we conclude that TLC's licensing process does not always assure that licenses will be issued or renewed only for drivers who have completed the required defensive driving course.

Drug Test

Sections 2-02i and 6-15a(3) of Title 35 of the City Rules and Regulation require that all applicants seeking to obtain or renew a license to operate either a taxi or other for-hire vehicle be tested for the presence of controlled substances. TLC management informed us that the results of these drug tests are received electronically at the end of each day after they are reviewed by TLC's Medical Review Officer. The records maintained on CAMIS did not indicate that 37 of the 203 drivers were tested for controlled substances. The files for these 37 drivers did not contain either the results or the dates of any drug tests.

Criminal History Check

Sections 2-02 (c) and 19-505(b)(4) of Title 35 of the City Rules and Regulation require all applicants seeking a license to operate either a taxi or other for-hire vehicle be fingerprinted by TLC. The fingerprint information is sent to the New York State Division of Criminal Justice Services, to determine whether the applicant has a criminal history. Applicants who have a criminal history are directed to appear before TLC's Licensing Standards Committee, who decides whether a license will be issued to the applicants. Our review of CAMIS disclosed no indication that 129 of the 203 drivers in our sample had been fingerprinted.

Recommendations

To TLC:

7. Improve the procedures that are intended to ensure that licenses are issued or renewed only for applicants who have met all requirements for licensure.
8. Follow up on the 276 instances identified by our audit in which a driver's compliance with a licensing requirement was not documented on CAMIS. If it is determined that the driver has not met the requirement, take appropriate action.

(Responding to Recommendations 7 and 8, TLC officials indicated they are confident that their current procedures of checks and balances ensure that applicants and renewals meet the requirements of licensure.)

Auditors' Comments: We believe that the results of our review of the records for 203 taxi and for-hire drivers indicate that TLC's procedures could be improved. Despite TLC's attempt to discount the number of instances of noncompliance by focusing on the audit scope, they should take note of the fact that the sample was selected from CAMIS' database of licensed drivers. Therefore, these drivers were licensed to operate a vehicle as defined in the audit scope and should have met the applicable licensing requirements. In addition, in its response TLC agreed that in some cases that licenses were issued to drivers who did not meet all of the requirements.

Written Procedures for the Licensing Process

Written procedures provide an organization with assurance that every person involved in a process within the organization understands the tasks that are to be accomplished and the acceptable methods to be used in performing these tasks. Despite repeated requests TLC officials did not provide a copy of their written licensing procedures. If written procedures have not been developed for the licensing process, TLC management has less assurance that the tasks in the process will be performed as intended. We believe the results of our review of records on CAMIS for 203 randomly selected drivers indicates that several of the tasks in the licensing process may not be performed as intended.

Recommendation

To the TLC:

9. Develop and issue written procedures for the licensing process and monitor the process to ensure that the procedures are followed.

(TLC officials concurred that written standard operating procedures are important for efficient and effective operations. They agreed to formalize licensing procedures shortly.)

Issuing Summonses for Violations

We reviewed selected operating practices to determine whether the NYPD effectively enforced TLC rules and regulations pertaining to medallion taxis. We found that, generally, the NYPD is effective in its enforcement of these rules and regulations. However, better controls are needed, at both the NYPD and TLC, over the blank summonses that are to be issued when TLC rules and regulations are violated.

Violations of TLC rules and regulations are adjudicated in hearings conducted by TLC administrative law judges. A violator of a TLC rule or regulation is issued a summons directing him or her to appear at a hearing. These summonses are issued by TLC enforcement inspectors and certain NYPD officers. We examined whether these summonses are adequately controlled by TLC and the NYPD. If the summonses are not adequately controlled, they could be used for unauthorized purposes, such as soliciting bribes from violators. In addition, because a TLC violation may not be recorded on CAMIS unless a copy of the issued summons is submitted to TLC for processing, TLC needs to ensure that all issued summonses are submitted for processing. The absence of violations on CAMIS could preclude TLC from identifying drivers who should be sanctioned based on violations and points.

TLC distributes blank summonses to its enforcement inspectors and the NYPD. The blank summonses are contained in packets of 25 summonses each. Each summons is numbered and consists of four copies: a white copy, submitted to TLC for input on CAMIS; a yellow copy, issued to the violator; a blue copy, retained by the enforcement inspector or police officer; and a pink copy, submitted to the inspector's or officer's supervisor.

TLC records for the year ended June 30, 1999, indicate 108,550 blank summonses (37,600 to TLC inspectors, and 70,950 to the NYPD) were distributed. We selected a sample of 203 of these summonses. We determined that 174 of the 203 summonses were issued and entered on CAMIS. However, the remaining 29 summonses (14 percent) could not readily be accounted for. Some of these summonses may not have been issued, while others may have been issued, but were not entered on CAMIS.

If TLC officials are to have reasonable assurance that all summonses are used for authorized purposes only and are recorded on CAMIS after issuance, they must periodically reconcile the summonses distributed to the summonses entered on CAMIS, and account for any differences. TLC officials told us that they do not perform such a reconciliation, because they do not believe it would be beneficial. We disagree. In the absence of such a reconciliation, any unauthorized use of a summons, and any failure to

record an issued summons on CAMIS, are less likely to be detected in a timely manner by TLC officials. We note that such a reconciliation is needed because 14 percent of our sample of summonses were not entered on CAMIS and could not be accounted for.

To further evaluate the controls, we reviewed TLC distribution logs and summons release sheets for the 1998-99 fiscal year. These two documents are used to record information about the blank summons packets that are distributed (such as the date of distribution, the identification numbers of the summonses distributed, the number of packets distributed, and to whom the packets were distributed). If proper control is to be maintained, the summons packets should be distributed in numerical order, according to the sequential identification number on each summons. We determined that the summonses were not distributed in numerical order, as there were several breaks in the sequential order of the summonses distributed to TLC inspectors. We also found that the total quantity indicated on the summons release sheets was less than the quantity of summonses indicated by the identification numbers listed on the summonses distributed. In total, the quantity listed on the summons release sheets understated the number of summonses distributed to the NYPD by 950 summonses (38 packets).

During our review of the Taxi Unit records indicating the summons packets received from TLC and distributed to its officers, we were told that three packets (containing a total of 75 blank summonses) could not be accounted for. Further, on July 29, 1999, while reviewing packets of completed TLC summonses issued by the officers of the Taxi Unit (the pink copies, which are submitted to the supervisor), we found two blank pink copies in a completed and certified packet of 25 summonses. The packet was certified as completed by the police officer on January 28, 1999. On August 2, 1999, we determined that the two summonses were not recorded on CAMIS and concluded they had not been issued.

We informed Taxi Unit management of our findings, and on September 14, 1999, we were informed by Unit officials that these two summonses were issued on August 10, 1999, twelve days after we brought the matter to the attention of Taxi Unit management. The officials told us that, after they requested an explanation from the officer's supervisor, the supervisor asked the officer to issue the two summonses. They also told us that disciplinary actions were taken against the officer and the supervisor. The officials told us they believe the two unissued summonses were not detected because of an oversight by the supervisor. They indicated actions were taken to strengthen internal controls to prevent the recurrence of such an incident. The officials found one of the three unaccounted for packets, but could not explain what happened to the other two packets.

Recommendations

To the TLC:

10. Periodically reconcile the summonses that have been distributed to the summonses that have been entered on CAMIS, and account for the disposition of any differences.
11. Distribute all summons packets in sequential numerical order, and ensure that the number of summons packets distributed is accurately recorded on the summons release sheets.

(Responding to Recommendations 10 and 11, TLC officials mentioned they are confident in their current summons inventory controls and distribution procedures.)

Auditors' Comments: In response to our findings, TLC identified whom the accounted for summonses were issued to. However, they failed to support their statement that they are "reasonably assured that all summonses are used for authorized purposes only and are recorded on CAMIS after issuance," because 23 of the 29 summonses were still outstanding.

To the NYPD:

12. Account for the disposition of the two unaccounted for summons packets.
13. Reinforce the system of internal controls relating to TLC summonses.

(NYPD officials agreed with our recommendations and have taken corrective action.)

Major Contributors to This Report

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DIANE McGRATH-McKECHNIE
Commissioner/Chairperson

June 18, 2000

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
A.E. Smith State Office Building
Albany, New York 12236

Dear Ms. Maldonado,

Enclosed for your review is the New York City Taxi and Limousine Commission's (TLC) response to the draft audit report, 99-N-7, entitled "Monitoring Drivers of Medallion Taxis and For-Hire Vehicles".

We appreciate the auditors' efforts during the audit in minimizing disruptions to the operations of the TLC and being mindful of the additional administrative burden on its staff. During the audit period the TLC was challenged with the tasks of refining the implementation of the most comprehensive industry reforms in its history, the upgrade and conversion of its information technology systems and, of course, Y2K preparations.

If you have any questions regarding the TLC response, please have your staff contact Deputy Commissioner Susan Del Percio at (212) 676-1035.

Sincerely,

Diane McGrath-McKechnie
Commissioner

Cc: Eileen Reilly, Mayor's Office of Operations
Santo Rendon, Audit Supervisor

City of New York
Taxi and Limousine Commission

Response to Draft Audit Report 99-N-7
State of New York, Office of the State Comptroller

June 18, 2000

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
A.E. Smith State Office Building
Albany, New York 12236

Dear Ms. Maldonado,

The following is the New York City Taxi and Limousine Commission's (TLC) response to the draft audit report, 99-N-7, entitled "Monitoring Drivers of Medallion Taxis and For-Hire Vehicles".

The TLC welcomes independent and objective review of its programs and any valid recommendations to improve their efficiency and effectiveness. This audit began in June, 1999. The stated scope of the audit was to "examine and evaluate the effectiveness of TLC's programs for identifying unsafe for-hire vehicle operators as well as the effectiveness of NYPD's monitoring of medallion taxicab drivers, including compliance with pertinent New York City rules and regulations." (Audit engagement letter dated June 15th, 1999.) Audited were selected operating practices of the TLC for the stated audit period of July 1, 1998 through December 31, 1999.

In the Executive Summary of draft report 99-N-7, it is declared that much of the information maintained by the TLC about its licensees' driving violations was not accurate and, as a result, the TLC is *less likely* to identify potentially unsafe drivers whose TLC licenses should be suspended or revoked. It is also declared that the audit identified a number of drivers who were licensed by the TLC even though they *may have not* satisfied important licensing requirements. Program audits, by definition, are audits that determine (a) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, (b) the effectiveness of organizations, programs, activities, or functions, and (c) whether the entity has complied with significant laws and regulations applicable to the program. In fact, nearly every licensee in the auditors' samples had satisfied all pertinent licensing requirements and nearly every licensee that should have been suspended or revoked pursuant to TLC rules, and according to data provided to the TLC, was properly addressed.

Most of the auditors' findings contained in draft report 99-N-7 were part of several prior preliminary findings reports and discussed at several meetings with the auditors throughout the audit process. The TLC presented the records of each licensee identified by the auditors and that fell within the scope of the audit to show that proper action was taken in almost every case pursuant to TLC rules and in accordance with data provided to the TLC. Yet, the TLC findings were either ignored or dismissed.

The TLC generally concurs with most of the information provided in the "Background" section of the draft report. The TLC takes issue, however, with several statements made in the section entitled "Audit Scope, Objectives and Methodology". The report cites "unreasonably long delays" in providing some of the information requested by the auditors and the TLC's refusal to provide a list of all TLC licensed dispatching bases. In fact, many of the auditors' requests for information were overly broad and would have required the creation of new computer programs to extract the information from the TLC database. As stated in a letter dated September 22, 1999, to one of the auditors, the TLC did not have the personnel resources to devote to these types of requests without negatively impacting agency operations. The auditors were asked to revise their requests and to be specific as to content and purpose so that the TLC would be able to find a more efficient way to furnish the requested data relevant to the audit. It should be noted that during the audit period the TLC was challenged with the tasks of refining the implementation of the most comprehensive industry reforms in its history, the development of new monitoring programs, the upgrade and conversion of its information technology systems and, of course, Y2K preparations.

The request for a list of licensed bases was outside the stated scope of the audit and, as it will be demonstrated later in this report, of no relevance to the TLC's efforts to monitor and identify unsafe drivers.

Our detailed analysis and response to draft report 99-N-7 is provided below.

Critical Driver Program

The Critical Driver Program rule proposal was passed by the TLC on November 19, 1998, and became effective for all taxicab and for-hire vehicle operators on February 15, 1999. (The rule became effective for Paratransit and Commuter Van operators in October, 1999.) However, immediately following the Commission's vote, legislation (Intro 472-C) was introduced in the City Council to modify the TLC rule. Intro 472-C was passed by the City Council on May 11, 1999, and signed into law (Local Law 20, 1999) on May 26, 1999. Due to this pending legislation, which contained significant modifications to the proposed Critical Driver Program, the TLC was unable to implement the program until Intro 472-C was signed into law. Subsequently, the TLC's Critical Driver computer program required significant modifications to meet the new criteria. During this time the TLC was working with the New York State Department of Motor Vehicles (DMV) to automate regular DMV data transfers from the DMV's database to the TLC's database via a DMV computer program called Lens Proc.

On January 14, 1999, the TLC sent a cartridge of active drivers to the DMV as part of the data transfer protocol, and on January 17, 1999, the TLC received its first Lens Proc report from the DMV. In February, an additional 12,000 newly licensed drivers were sent to the DMV to add to their TLC database. Additional testing of the program was conducted and on March 15, 1999, the TLC sent a cartridge of all active licensed drivers (approximately 94,000 licensees) to the DMV and asked for a re-certification and history file on all TLC drivers. On March 23, 1999, the TLC was informed by the DMV that the Lens Proc program had failed and would take several weeks to repair. On May 10, 1999, the DMV history cartridge was sent to the TLC and the first Critical Driver report was produced in June, 1999.

It should be noted that during this time, the TLC was in the process of upgrading and converting its entire information technology (IT) systems, as stated earlier in this report, from 27 separate PC applications connected to a mainframe via end-of-day data uploads to one live system known as CAMIS. CAMIS went on-line in March, 1999, and was not completed as designed until November, 1999. As with any major IT database conversion, many program modifications were being made during this period and continue to be made as required. Of course, some CAMIS program modifications necessitated some revisions to the DMV's Lens Proc program.

After reviewing the 1,074 DMV records (which were not part of any preliminary findings) that the auditors used to assess the TLC's Critical Driver Program, the findings of the TLC are as follows:

- 147 licensees were correctly identified for suspension action and 36 licensees were correctly identified for revocation action.
- 271 licensees, representing 25% of the audit sample, were previously expired, in that their licenses were expired or not renewed prior to the accumulation of points that would have led to Critical Driver action.
- 54 licensees were subsequently expired, in that their licenses were expired or not renewed subsequent to the accumulation of points that would have led to Critical Driver action.
- 16 licensees were suspended or revoked for other reasons, in that their licenses were revoked, or remained continuously on suspension for a reason other than DMV points. Action was taken prior to the accumulation of points that would have led to Critical Driver action.
- 165 licensees had taken a voluntary point reduction course, pursuant to current TLC rules, and were not subject to Critical Driver action.
- In 75 cases the auditors miscounted the points, in that the licensee did not, in fact, accumulate a minimum of six points to subject the licensee to Critical Driver action.

The most common errors on the part of the auditors were the counting of multiple offenses arising from the same incident and counting points for violations that occurred prior to the effective date of the program.

- In 310 cases, the DMV, via the Lens Proc program, did not notify the TLC that drivers had received points, therefore, the TLC could not have taken any action. As a result of this review, however, the TLC has taken the appropriate suspension or revocation action against these licensees.

In response to the first audit recommendation, the TLC does provide DMV with timely information for its licensees. Every month the TLC updates the DMV with all new drivers. The auditors, in this case, seized upon the timeframe between March 15, 1999, and August 13, 1999, to draw their conclusions even after the TLC explained that the DMV Lens Proc program had failed in March 1999, and no new information could be sent to the DMV. The TLC sent all new driver files to the DMV from February 1999, through August 13, 1999, once the problem was fixed, tested and certified. From that point on, the TLC has sent a file for new drivers every month. The entire TLC database is re-certified annually by the DMV whereby all inactive licensees are purged from the system.

In response to the second recommendation, written procedures for the exchange of information between the TLC and the DMV exists as part of the TLC/DMV Data Transfer Agreement which was executed in connection with the Lens Proc program.

In response to the third recommendation, it was discovered, during the audit process, that the DMV's Lens Proc program periodically did not accurately transfer data from the DMV's database to the TLC's database, as noted in the 310 cases above. The TLC has been working with the DMV to ensure that all DMV violation information is sent to the TLC via the Lens Proc program. Nevertheless, in all of the cases that were properly updated by the Lens Proc program, the TLC had taken the proper Critical Driver action.

Persistent Violator

The draft audit report indicates the auditors found that Persistent Violator points were often not assigned accurately and, as a result, concludes that the Persistent Violator Program is less likely to provide the benefits intended by law, as the TLC is less likely to identify on a timely basis drivers whose TLC license should be suspended or revoked. The auditors cite 35 drivers' records to support their conclusion.

A review of the records of each of these licensees was performed pursuant to the Persistent Violator Rules. The TLC discovered that the sample actually consisted of only 34 drivers. It appears that the auditors counted one driver twice, once under the suspension heading and then again under revocation heading. It should be noted that this driver was properly suspended and then revoked under the Persistent Violator Program.

Of the thirty-four (34) drivers identified by the auditors, all were subjected to the appropriate Persistent Violator action by either the Administrative Law Judges (ALJ) or the Persistent Violator Unit.

The draft report's conclusion that "the Persistent Violators Program is less likely to provide the benefits intended by law, as the TLC is less likely to identify on a timely basis drivers whose TLC licenses should be suspended or revoked," is without merit. The auditors did not identify a single driver who should have been suspended or revoked under the Persistent Violator Program and was not subject to these actions.

The auditors observed a deficiency in the Persistent Violator program tables in that certain violations carrying Persistent Violator points were not assigned points by the computer. The auditors reviewed computer runs and concluded that point assignments were often incorrect. Usually, the error consisted of a misreading of the record on the auditor's part; however, the computer runs did contain some incorrect information concerning point assignments, primarily caused by CAMIS data conversion issues (discussed earlier in the report). The auditors focused on the operation of the Persistent Violator Unit, and failed to consider the function of the ALJ in assessing Persistent Violator penalties. The auditors were told repeatedly that the Persistent Violator Program is administered primarily by ALJs. ALJs use a licensee's violation history to conduct the Persistent Violator analysis, and do not base their review on computer generated point runs. In fact, the "60 instances involving 35 drivers" cited in the draft audit report refer to computer runs which were manually reviewed by the Persistent Violator Unit after hearings were conducted by ALJs. The judges did not use these computer runs at their hearing when assessing Persistent Violator penalties; the runs are prepared by MIS after judges have rendered a decision as part of the quality control function. It is in only those relatively rare instances that the ALJ fails to assess the correct penalty, or in those instances where licensees have defaulted and more than 120 days has elapsed, that the Persistent Violator Unit becomes involved.

The Persistent Violator Unit conducts a complete independent analysis of each record and does not rely upon the point assignments supplied in CAMIS. The auditors were repeatedly advised of this.

In response to the fourth recommendation, the operation and internal controls of the Persistent Violator Program are regularly reviewed. The Program is operating efficiently and effectively. Any errors in the program tables will be corrected through continuing CAMIS modifications.

Vehicle Dispatching Bases

The draft audit report cites Section 6-08 of Title 35 of the Rules and Regulations of the City of New York which requires all owners of vehicle dispatching bases licensed by the TLC to send the TLC, on a quarterly basis, a list of all affiliated drivers and affiliated for-hire vehicles operating from their sites. The report states that the auditors

were told that the TLC had neither received nor requested these lists. On the contrary, the auditors were repeatedly told that the TLC has a current record of base affiliation for each licensed vehicle. Base affiliation is a condition of vehicle licensing. In addition, many bases submit their affiliated vehicle and driver lists pursuant to the foregoing rule, but there is little value in administering this rule. The draft report states that if the TLC received this information it could identify drivers who were operating for-hire vehicles without a valid TLC license by reconciling this information with TLC's suspension/revocation data and enforce sanctions against drivers with suspended or revoked licenses. The TLC cannot establish that a driver is operating a for-hire vehicle without a valid license simply because his/her name appears on a suspension list. Nor can the TLC enforce sanctions against a base simply because a driver who appears on a base affiliation list happens to be on suspension. The TLC must establish the requisite elements of a violation by actually observing a driver operating a for-hire vehicle while on suspension through field enforcement operations.

Concerning the mailing of suspension lists to licensed bases pursuant to Section 6-12 (k) (2) (not to vehicle owners as stated in the draft audit report), this rule was established years ago to prevent a base owner from asserting an affirmative defense that he/she unknowingly dispatched a driver who may be on suspension. This list has absolutely no relevance to the enforcement of any sanctions against drivers in any way. The auditors were advised of this repeatedly. As stated earlier, the auditors' focus on this subject matter was misguided and irrelevant to the scope of the audit.

In response to the fifth recommendation, the TLC is in the process of providing on-line live electronic access to its driver database to any subscribing base owner as a customer service initiative to assist them in their business operations.

In response to the sixth recommendation, the TLC's Uniformed Services Bureau, Enforcement Division regularly conducts base enforcement operations.

Licensing Vehicle Operators

In this section the auditors sought to evaluate whether the licensing process used by the TLC provides adequate assurance that drivers meet all applicable licensing requirements. The auditors randomly selected 203 drivers whom they determined to be currently licensed at the time of their sample and then reviewed CAMIS to determine whether the drivers met the requirements.

The auditors' sample was defective at the outset because they guided themselves by the wrong data field in CAMIS to determine whether a license was current. Even though the auditors were repeatedly advised to be guided by the license's expiration date to determine whether a license was current, they inexplicably used the "status" field for which CAMIS programming was not completed. Accordingly, the auditors failed to note that, of the sample, 46 drivers failed to renew their license and one driver applicant was

never issued a license. Therefore, 47 drivers, or 23% of the audit sample were not active drivers and no longer hold a TLC license.

It is also important to note that as stated on page two of the draft audit report the scope of the audit was limited to selected operating practices of the TLC for the period July 1, 1998, through December 31, 1999. This was agreed upon by both the TLC and the auditors at the initial audit meeting, as well as at subsequent meetings, to limit the disruption to TLC operations and to reduce the administrative burden that the audit would place on TLC staff. Therefore, the TLC was prepared to show that all new driver applicants beginning July 1, 1998, had met all licensing requirements at the time and thereafter, and that all renewal applicants beginning July 1, 1998, had met all the renewal requirements at the time and thereafter.

Where the audit states that there was no information on 78 drivers that they had attended taxi school and that 129 drivers were not fingerprinted, it must be noted that all of these drivers were properly licensed prior to July, 1998. To prove to the auditors that these requirements were met at the time of licensure, TLC staff would have had to retrieve archived files from its records retention facility. This would have placed an undue burden on TLC staff and interrupted agency operations. For example, in many cases drivers had been licensed for several years, in some cases 20 plus years. To prove that a 20-year licensee met the licensing requirements of 20 years ago has little relevance to current TLC operating practices. Of course, upon renewal after July 1, 1998, the TLC would prove that this licensee met all the license requirements upon renewal and thereafter. Accordingly, the auditors did not find one case where a new applicant did not comply with the fingerprint or taxi school requirement.

In response to the finding that six licensees did not complete their continuing education requirement, five of the six drivers did not renew their TLC license. One licensee was issued a renewal license in error without having met this requirement. When directed to do so, he subsequently declined to renew his license and no longer holds a TLC license.

Under the Defensive Driving Course category, the auditors stated they found 26 cases in which licensees did not complete a defensive driving course. Of those 26 cases, 22 licensees failed to renew. Of the four remaining licensees, one licensee took the course at the appropriate time. Two licensees received their license in error without taking the defensive driving course. They were instructed to take the class and complied. Proof of compliance was given to the auditors. One licensee received his renewal license in error without taking the defensive driving course, was instructed to take the course, but failed to comply. He subsequently declined to renew his license and no longer holds a TLC license.

The audit claims that the TLC did not have drug test results or dates of any drug tests for 37 drivers. There would be no evidence of drug testing for 36 of the 37 drivers, because they did not renew their TLC license, hence there is no reason that a drug test

would be noted on CAMIS. As for the one remaining driver, his file shows that he did take and pass his drug test on February 13, 1999.

In summary, of the 276 instances where the report claims that drivers were not in compliance with various requirements, 207 were outside the scope of the audit. An additional 63 instances were the result of drivers not renewing their licenses. In two cases the drivers were in compliance. In another two instances, the drivers were not in compliance at the time of the audit but later complied. In the last two cases the drivers were not in compliance at the time of the audit and were instructed to meet the requirement. Instead they failed to renew, and no longer hold a TLC license.

In response to the Licensing Vehicle Operators recommendations seven, eight and nine, the TLC is confident in its current procedures, checks and balances to ensure that new and renewal licensees meet the requirements of licensure. There have been several improvements since the CAMIS system was completed in November, 1999. Among those improvements are computer blocks that will not permit a license to be issued unless all requirements are met. As far as ensuring that the 276 instances in which the auditors claim requirements were not met, it is clear by the foregoing TLC analysis that every current licensee met every requirement. In the only two cases in which the requirements were not met, the drivers no longer hold a TLC license.

Finally, we concur with the report's commentary that written standard operating procedures are important for efficient and effective operations. The auditors were told that written licensing procedures were being developed. Written task checklists exist and will be formalized into written licensing procedures shortly. Vigilant supervisory and management review ensures that licensing procedures are followed.

Issuing of Summonses for Violations

According to the draft audit report, the auditors determined that better controls are needed over the blank summonses that are to be issued when TLC rules and regulations are violated. The report states that of the auditors' sample of 203 summonses, 29 summonses could not be readily accounted for. The auditors, however, only checked the CAMIS system to find these summonses. If the auditors had asked the appropriate TLC personnel they would have been informed that 21 of the 29 summonses were issued to the NYPD. As for the remaining eight summonses, four were not printed by the vendor and therefore not delivered (as noted on the distribution log and purchase orders), and the other four summonses were in the possession of TLC inspectors (two of which have since been issued).

In response to the audit recommendations numbered 10 and 11, the TLC is confident in its summons inventory controls and distribution procedures. Through the TLC's monitoring efforts, which include supervisory and managerial oversight, the TLC is reasonably assured that all summonses are used for authorized purposes only and are recorded on CAMIS after issuance.



POLICE DEPARTMENT

Office of Management Analysis and Planning
One Police Plaza, Room 1403

June 21, 2000

Mr. Carmen Maldonado
Audit Director
The State of New York
Office of the Comptroller
A.E. Smith Office Building
Albany, N.Y. 12236

**Re: Monitoring Drivers of
Medallion Taxis (99-N-7)
Draft Report**

Dear Mr. Maldonado:

We are responding to the above report. We are gratified with the results of your review of the Department's operations at our Surface Transportation Enforcement District. In general, the audit team concluded that the Department is effective in its enforcement of TLC rules and regulations pertaining to medallion taxis. The report contains only two findings with recommendations that pertain to the NYC Police Department. Both involve relatively minor breaches of existing department controls over the internal distribution and collection of summons packets. We agree with both recommendations; see the attached Audit Implementation Plan for additional information.

We appreciate the Comptroller's efforts to conduct the audit and prepare the report. We hope your office found that the Department demonstrated its policy of cooperation with the Comptroller's office during the course of the audit.

COURTESY • PROFESSIONALISM • RESPECT

If you have any questions concerning this response, please call
Deputy Audit Coordinator Michael Manzolillo at 374-2408.

Sincerely,



Maureen E. Casey
Deputy Commissioner
Policy and Planning

ATTACHMENT
Copy: M. Manzolillo
Mayor's Office of Operations
08-99-10

New York City Police Department

Office of Management Analysis and Planning

Maureen E. Casey
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TO	DATE	23 Jun 00	TIME	3:30 PM
	NAME	Carmen Maldonado		
	TITLE	Audit Director		
	AGENCY	NYS Comptroller		

FROM	NAME	Michael Manzolillo
	TITLE	Deputy Audit Coordinator
	PHONE #	(212) -374-2408

SUBJECT	NYSC Audit: Monitoring Medallion Taxis (99-N-7)
COMMENTS	The following is our reply to the draft report for the above audit. If you have any questions, please call. Please inform me if you want original mailed to Albany Office or NYC.
# OF PAGES	This Cover Page +5

Job #

NYPD AUDIT IMPLEMENTATION PLAN

Auditing Agency	NYS Comptroller	
Audit Title/Subject	Monitoring Drivers of Medallion Taxis and For Hire Vehicles	
Audit #	99-N-7	

AUDIT REPORT STATUS	Draft Report	Report Dated	18 May 00
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PD EVALUATION OF RECOMMENDATIONS BY CATEGORY

Category		Recommendation Numbers	Total Recommendations
A	We agree with the recommendation and have implemented or will attempt to implement.	12, 13	2
B	We agree with the recommendation but are unable to implement.		
C	We disagree with the recommendation and will not implement.		
D	The recommendation is unnecessary because it calls for an action, policy or practice that was planned or existed independent of the audit.		
E	We must further analyze/evaluate the recommendation.		
TOTAL			2

LIST OF RECOMMENDATIONS AND PD EVALUATION OF EACH						
#	Recommendation	Category				
		"A" Agree. Will Imple- Ment.	"B" Agree. Can't Imple- Ment.	"C" Disagree. Won't Imple- Ment.	"D" Not Necessary . A Planned /Existing Practice.	"E" Requires Study.
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						
9.						
10.						
11.						
12.	Account for the disposition of the two unaccounted for summons packets.	X				
13.	Reinforce the system of internal controls relating to TLC summonses.	X				

Category "A"	We agree with the recommendation and have implemented or will attempt to implement.
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Recommendation #	12	Report Page #	20
Recommendation			
Account for the disposition of the two unaccounted for summons packets.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
This issue was resolved before the completion of the audit. As was discussed at the exit meeting, a review of the command's summons distribution records indicated that the two packets were removed by a specific Police Officer. This individual could not locate these packets, and they are presumed lost. As a result, the officer has been disciplined.			

Category "A"	We agree with the recommendation and have implemented or will attempt to implement.
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Recommendation #	13	Report Page #	20
Recommendation			
Reinforce the system of internal controls relating to TLC summonses.			
Implementation Methods/Procedures and Projected/Actual Implementation Date			
Management has taken the following actions to reinforced existing internal controls: a Taxi Unit memorandum has been distributed, and roll call training has been conducted designating only supervisors and specific staff personnel as authorized to distribute un-issued summons books.			

08-99-12