



Audit of Taxicab & Transportation Network

May 29, 2020

Mark S. Swann, City Auditor

Mayor

Eric Johnson

Mayor Pro Tem

Adam Medrano

Deputy Mayor Pro Tem

B. Adam McGough

Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

David Blewett

Jennifer S. Gates

Lee M. Kleinman

Cara Mendelsohn

Omar Narvaez

Jaime Resendez

Casey Thomas, II

Chad West



Table of Contents

Executive Summary	1
Audit Results	2
Observation A: Ongoing Compliance.....	2
Observation B: Revenue Assurance.....	3
Appendix A: Background and Methodology	4
Background.....	4
Methodology	5
Major Contributors to the Report.....	5
Appendix B: Management’s Response	6

Objective and Scope

The objective of this audit was to evaluate the City's processes to regulate and enforce taxicab and transportation network drivers and companies to ensure compliance with City Code, regulations and fees. The audit scope included Aviation Transportation Regulation and Ground Transportation Divisions' management and monitoring activities from October 1, 2018 through September 30, 2019.

What We Recommend

To maintain ongoing compliance, the Aviation Transportation Regulation Division should:

- Perform website verification on at least twenty-five percent of the operating authorities quarterly and document the verification.

To attain revenue assurance, the Aviation Ground Transportation Division should:

- Establish data sharing agreements with transportation network companies to obtain detailed airport trip fee activity reports.
- Request airport trip fee reports with sufficient information to perform revenue assurance analysis.

Background

The City of Dallas regulation and enforcement of ground transportation is managed by Aviation Transportation Regulation and Ground Transportation Divisions. The Aviation Transportation Regulation Division collects revenues from issuing and renewing permits for transportation-for-hire service providers. The Aviation Ground Transportation Division collects airport trip fees from both transportation-for-hire service providers and transportation network companies. The airport trip fees from transportation network companies make up 73 percent of the Fiscal Years 2018 and 2019 revenues.

Transportation network companies are Uber and Lyft and transportation-for-hire service providers are local taxicab, limousine, and shuttle companies. In 2017, *Texas House Bill 100* stipulated that the State of Texas will regulate and monitor transportation network companies, limiting Aviation Transportation Regulation and Ground Transportation Divisions' ability to impose compliance standards.

What We Found

The Aviation Transportation Regulation Division is not effectively monitoring for ongoing compliance:

- Three transportation-for-hire companies did not maintain websites after permit approval.

The Aviation Ground Transportation Division is not effectively monitoring for revenue assurance:

- Revenue from transportation network companies could not be validated.

Audit Results

As required by *City Council Resolution 88-3428*, departments will establish internal controls in accordance with the standards established by the Comptroller General of the United States pursuant to the *Federal Managers' Financial Integrity Act of 1982*. Administrative Directive 4-09, *Internal Control* prescribes the policy for the City of Dallas to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Ongoing Compliance

Three of the 25 operating authorities tested did not maintain an active remotely accessible website as required by Dallas City Ordinance. Without a website, customers will not be able to report poor service quality, make special requests for disabled customers, and be transparent consistently. All tested operating authorities did have their websites available prior to the City granting operating authorities licenses. Per management, some operating authorities may not maintain the websites due to cost restrictions.

Criteria

- ❖ The City Code Chapter 47A, Sec. 47A-2.1.7., *Publicly Remotely Accessible Data Site* states each operating authority shall maintain a publicly remotely accessible data site that contains the operating authority's rate information, zero-tolerance policy for intoxicating substances, contact information, wheelchair accessible vehicles are available upon request; and information on how to report complaints to the City.
- ❖ Standards for Internal Control in the Federal Government, *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Low

We recommend the **Director of Aviation**:

- A.1:** Perform website verification on at least 25 percent of the operating authorities quarterly and document the verification.

Observation B: Revenue Assurance

For Fiscal Years 2018 and 2019, 99 percent of the transportation network companies' revenue cannot be validated for completeness. Therefore, Aviation Ground Transportation Division cannot be certain that revenues collected from the transportation network companies are complete, correct, and reasonable.

The Aviation Ground Transportation Division imposes a \$2.50 airport trip fee to transportation network companies for picking up customers from Dallas Love Field airport. The airport trip fees are collected by transportation network companies and remitted to Aviation Ground Transportation Division monthly, along with documentation to support the revenues.

Three of the five transportation network companies provided Aviation Ground Transportation Division detailed trip reports when remitting their monthly payments. The remaining two transportation network companies (Uber and Lyft), which account for 99 percent of the revenues, cited confidentiality rights and did not provide sufficient information for independent verification. A contributing factor is that the City of Dallas does not have data sharing agreements with Uber and Lyft for obtaining detail airport trip data.

Criteria

- ❖ The Texas House Bill 100 § 2402.154, *Data Sharing with Municipality* states, "A municipality and a transportation network company may voluntarily enter into an agreement under which the company shares the company's data with the municipality."
- ❖ Standards for Internal Control in the Federal Government: *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Low

We recommend the **Director of Aviation**:

- B.1:** Establish data sharing agreements with transportation network companies to obtain detailed airport trip fee activity reports.
- B.2:** Request airport trip fee reports with sufficient information to perform revenue assurance analysis.

Appendix A: Background and Methodology

Background

The City of Dallas regulation and enforcement of ground transportation is managed by Aviation Transportation Regulation and Ground Transportation Divisions. The Aviation Transportation Regulation Division collects revenues from issuing and renewing permits for transportation-for-hire service providers. The Aviation Ground Transportation Division collects airport trip fees from both transportation-for-hire service providers and transportation network companies.

Transportation-for-hire service providers are local taxicab and other for hire services such as limousines and shuttles. In 2019, the City issued 246 operating authority permits, 2,917 driver permits, and 1,517 vehicle permits. Primary transportation network companies are Uber and Lyft. See [Exhibit 1](#) below for the summary of airport revenues for the past two fiscal years.

Exhibit 1:

Summary of Actual Revenues

Description	Fiscal Year 2017-2018	Fiscal Year 2018 - 2019
Transportation Network Companies – Airport Trip Fee	\$2,105,415	\$2,490,055
Transportation for Hire – Airport Trip Fee	\$963,133	\$746,591
Transportation for Hire – License and Permit Fees	\$225,796	\$197,697
Totals:	\$3,294,344	\$3,434,343

Source: City of Dallas Budget.

In 2017, the State of Texas passed *House Bill 100*, removing all ability for Aviation Transportation Regulation to set the rates and collect permit fees from transport network companies. Revenues for the airport trip fees are remitted to Aviation Ground Transportation Division by transportation network companies and North Texas Toll Authority for transportation-for-hire companies.

Two Dallas City ordinances apply to the Aviation Department — Dallas City Code Chapter 5 Article II, *Ground Transportation Services at Love Field Airport* and Chapter 47A, *Transportation for Hire* enforced by the Aviation Transportation Regulation Division. Dallas City Code Chapter 5 is a summary of the establishment of companies operating at the Dallas Love Field airport. Dallas City Code Chapter 47A explains that all transportation-for-hire services must abide by four components including:

- An operating authority's permit
- A driver's permit
- A vehicle's permit
- Minimum insurance requirement

Methodology

The audit methodology included:

- (1) Interviewing personnel from Aviation Transportation Regulation Division and Ground Transportation Division.
- (2) Reviewing policies and procedures, applicable Administrative Directives and City Ordinances, and state regulations.
- (3) Performing sample testing.

This performance audit was conducted 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Lee Chiang, CIA, CISA – Project Manager
Mamatha Sparks, CIA, CISA, COSO, CRISC – Audit Manager

Appendix B: Management's Response

Memorandum



DATE: May 22, 2020
TO: Mark S. Swann, City Auditor
SUBJECT: Response to Audit of Taxicab & Transportation Network

This letter acknowledges the City Manager's Office received the *Audit of Taxicab & Transportation Network* and submitted responses to the recommendations in consultation with the Department of Aviation.

We recognize the importance of ensuring compliance with City Code and other regulations and collecting all airport trip fees, to which the City is entitled.

The Department of Aviation agrees to document a quarterly review of at least 25% of the operating authorities' websites, to ensure they remain active.

Additionally, the Department of Aviation has made progress on obtaining detailed airport trip fee activity reports.

The Department of Aviation discussed data sharing agreements with Uber and Lyft. Initial discussions have resulted in an agreement in principal on not disclosing the companies' data and on the types of data the companies would provide to the City for revenue assurance analyses. However, further negotiations are needed with the companies regarding the frequency they will provide data. Currently, the companies have stated a willingness to provide the City data one time per year, which the Department of Aviation believes is not sufficient to determine the completeness of the airport trip fees.

The Department of Aviation will continue to work with transportation network companies, including Uber and Lyft, to reach cost effective data sharing agreements that provide adequate data for the Department of Aviation to perform periodic revenue assurance analyses.

In addition, AVI continues to explore methods to internally collect the data necessary for ensuring transportation network companies are timely remitting all airport trip fees, to which the City is entitled.

Sincerely,

"Our Product is Service"
Empathy | Ethics | Excellence | Equity



T.C. Broadnax
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff
M. Elizabeth Reich, Chief Financial Officer
Mark Duebner, Director, Department of Aviation

"Our Product is Service"
Empathy | Ethics | Excellence | Equity

This page is intentionally blank

Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date
Low	We recommend the Director of Aviation:			
	A.1: Perform website verification on at least 25 percent of the operating authorities quarterly and document the verification.	Agree: AVI will document a quarterly review of at least 25% of the operating authorities' websites, to ensure they remain active.	12/31/2020	09/30/2021
Low	We recommend the Director of Aviation:			
	B.1: Establish data sharing agreements with transportation network companies to obtain detailed airport trip fee activity reports.	Agree: AVI recognizes the importance of verifying the City collects all airport trip fee to which it is entitled. AVI will work with transportation network companies to reach cost effective data sharing agreements that provide adequate data for AVI to perform periodic revenue assurance analyses.	6/30/2021	12/31/2021
	B.2: Request airport trip fee reports with sufficient information to perform revenue assurance analysis.	Agree: AVI will work with transportation network companies to reach cost effective data sharing agreements that provide adequate data for AVI to perform periodic revenue assurance analyses.	12/31/2021	6/30/2022