AUDIT REPORT

CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Internal Controls Of the Taxi and Limousine Commission Over the Collection of Fines

MH02-182A

November 24, 2003

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341
- - - - - - - - - - - - -
WILLIAM C. THOMPSON, JR.
COMPTROLLER

November 24, 2003

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the internal controls over the collection of fines at the Taxi and Limousine Commission. The audit covered Fiscal Year 2002.

The results of our audit, which are presented in this report, have been discussed with the Taxi and Limousine Commission, and their comments were considered in the preparation of this report.

Audits such as this provide a means of ensuring that the Taxi and Limousine Commission correctly bills and makes adequate efforts to collect all funds due the City.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

William C. Thompson, Jr.

Report: **MH02-182A**
Filed: **November 24, 2003**

Table of Contents

The City of New York
Office of the Comptroller
Bureau of Management Audit

Audit Report on the Internal Controls of the Taxi and Limousine Commission Over the Collection of Fines

MH02-182A

AUDIT REPORT IN BRIEF

This audit of the Taxi and Limousine Commission (TLC) determined whether the TLC maintains adequate controls over the collection of fines imposed for violations. It also determined whether the TLC established and implemented procedures to track and account for unpaid fines, and to identify and write-off unpaid fines deemed uncollectible.

Audit Findings and Conclusions

The TLC has adequate controls over the handling of cash at its adjudication centers. The controls and procedures followed by cashiers and cashier supervisors, from the processing of payments to the handling and reconciliation of cash, provide reasonable assurance that cash collections are properly accounted for. However, the TLC neglects its responsibility to ensure that summonses are enforced and that fines assessed against violators of TLC rules and regulations are collected. As a result, as of February 3, 2003, TLC records showed fines owed the City totaling $97.3 million[1] that the agency allowed to remain uncollected. If the TLC made the collection of unpaid fines a priority and implemented strong collection efforts, *we estimate that it could collect between $3.89 million and $7.79 million of the outstanding fines*.

TLC procedures are ineffective in tracking and accounting for unpaid fines and in identifying and writing-off unpaid fines deemed uncollectible. The integrity, reliability, and completeness of the TAMIS (TLC Agency Management Information System) database are questionable because of inadequate data entry controls that result in dating problems, omission of required licensee data, and unnecessary and unused data fields. Consequently, TLC management cannot be assured that the TAMIS database reflects complete and accurate information necessary for the agency to effectively manage its accounts. In addition, the TLC does not maintain adequate controls over blank summonses distributed to the New York Police Department's Taxi and Bus Unit and the record keeping and storage of summons files; and it lacks written policies and procedures.

---

[1] The $97.3 million in outstanding fines as of February 3, 2003, is based on a report generated by the TLC.

As noted in this current audit and previous audits, TLC management has consistently failed to address these weaknesses and to take appropriate corrective action. Such chronic disregard and neglect of official responsibilities meet the definition of "abuse" by management, as contained in Generally Accepted Government Auditing Standards (GAGAS, § 6.35): "Abuse is distinct from illegal acts and other noncompliance. . . Rather, the conduct of a government program falls far short of societal expectations for prudent behavior." The abuse by TLC management is that its failure to institute and exercise strong internal controls results in the failure of this public agency to collect revenue expected and needed by the City and to protect against potential material error or fraudulent activity.

Audit Recommendations

To address these issues, we make 18 recommendations. The major recommendations are that the TLC should:

- Improve and document controls to ensure that TLC licenses are not approved or renewed for applicants who have unpaid fines.
- Develop and implement aggressive internal collection procedures that include mailing of dunning notices to violators, placing debtors in judgment, and submitting outstanding receivables to the Sheriff's Office and the Law Department when internal collection efforts have been exhausted.
- Consider seeking legislative approval from the City Council for assessing monetary penalties and interest on licensee accounts that have outstanding fines and for the legal authority to place judgments against TLC licensees with unpaid fines.
- Implement procedures to find and contact respondents by using resources available to the agency, such as telephone directories, the New York State Department of Motor Vehicles, the New York State Division of Corporations Web site, etc.
- Comply with Comptroller's Directive #21 by developing procedures to report its accounts receivable balance monthly, identify or estimate and write-off fines deemed uncollectible, and report its write-off procedures, along with any write-off amounts, to the Comptroller's Office.
- Conduct a comprehensive review of the TAMIS database with assistance from the Department of Information, Technology and Telecommunications to identify necessary data tables and data fields, remove or label unused data tables and data fields, assess and identify existing programmatic problems and errors, and develop a systematic plan and timeframe for correcting these problems.
- Periodically reconcile all summonses that are distributed to both TLC enforcement agents and NYPD Taxi and Bus Unit officers with the summonses entered on TAMIS and account for any differences.

- Meet with NYPD Taxi and Bus Unit officials to develop procedures to account for all TLC summonses distributed to the Unit. This should include an accounting of summonses distributed but not yet returned to the TLC for processing.

- Establish a filing system and record management policy that will ensure that summons files are properly organized, stored, safeguarded, and preserved.

- Develop a comprehensive policies and procedures manual that addresses all internal processes and functions throughout the agency and distribute the manual to appropriate TLC departments and personnel.

TLC Response

The matters covered in this report were discussed with TLC officials during and at the conclusion of this audit. A preliminary draft report was sent to TLC officials on August 13, 2003, and was discussed at an exit conference held on August 28, 2003. We submitted a draft report to TLC officials with a request for comments on September 10, 2003. We received a written response from TLC officials on September 30, 2002, in which the TLC generally agreed with 16 of the 18 recommendations made in this audit and disagreed with two.

The full text of the TLC response is included as an addendum to this report.

Auditors' Comments

Despite the TLC's general agreement with most of the audit recommendations, in its response, the TLC attempted to bolster the appearance of the effectiveness of its limited collection procedures by focusing on "current licensees" instead of on all those who were issued summonses and assessed fines. Also, in its response, the TLC addressed selected elements of the audit, and made assertions contradictory to our audit findings without providing evidence to substantiate those assertions.

Also, in its response the TLC acknowledged the challenge of collecting fines assessed against non-TLC-licensed individuals. Nevertheless, as reflected in this current audit, and in two prior audits of TLC collection practices, issued by the Comptroller's Office in 1993 and 1996, respectively, the TLC continues to subscribe to the contention that little, if anything, can be done to collect fines from non-licensees.

Although the TLC attempts to ensure that "current licensees" comply with TLC rules and regulations, by failing to aggressively pursue collection activities and enforce fines levied against non-licensees, the TLC fails to provide an effective deterrent against unlicensed individuals and entities that continue to operate in violation of the rules and regulations the agency has established and for the industry it is mandated to regulate and improve.

INTRODUCTION

Background

The Taxi and Limousine Commission (TLC) was created in 1971 by Local Law 12 to regulate and improve taxi and livery services in New York City. The mission of the TLC is to protect the riding public from dishonest or unprofessional owners and drivers, and to promote safe, clean, and reputable transportation services. The TLC licenses and regulates approximately 12,000 medallion (yellow) taxicabs, 47,000 for-hire vehicles (community-based liveries and black cars), 400 commuter vans, 2,200 paratransit vehicles (ambulettes), and certain luxury limousines. It also licenses and regulates the owners and the nearly 102,000 operators (drivers) of these vehicles as well as and the central facilities, or "bases," for these vehicles. In addition, the TLC licenses and regulates medallion brokers who assist buyers and sellers of taxicab medallions, agents who operate taxicabs on behalf of owners, and businesses that manufacture, install, or repair taximeters used in taxicabs operated within the City.

Chapter 65, §2303 of the City Charter mandates that the TLC set taxicab fare rates, establish criteria and standards for professional conduct, vehicle and public safety, and business accountability. The TLC also enforces and adjudicates rules and regulations established by the Commission to govern the industry, promote safety, and protect the riding public.[2]

TLC inspectors and enforcement agents are empowered to enforce TLC rules and regulations and to issue summonses to violators. The Police Department (NYPD) Taxi and Bus Unit and the Port Authority Police also enforce and issue summonses for violations of TLC rules and regulations. The TLC Consumer Complaint Department may also issue and serve summonses by mail, based on complaints received from the riding public.

The TLC conducts hearings and collects fines at its four licensing and adjudication centers.[3] Fines can ran ge from $15 to $10,000 for each violation, depending on the licensee (e.g., owner or driver) and the type of violation. Each summons is assigned a hearing date and adjudication site. If a personal appearance is not required, a respondent can plead guilty and pay the fine indicated on the summons either by mail or at the TLC office indicated on the summons. Otherwise, the respondent must appear in person at the scheduled hearing.

On the day of the scheduled hearing the respondent appears before an Administrative Law Judge (ALJ) to address the summons. The ALJ hears the case and then renders a decision. If found guilty and assessed a fine, the respondent is required to pay the fine at the cashier's window. Upon payment, the respondent receives a computer-generated, numbered receipt. All

---

[2] These rules and regulations include: Taxicab Driver Rules, Taxicab Owners Rules, Taxicab Broker Rules, Taxicab Agent Rules, For-Hire Vehicle (FHV) Rules, and §19-506 of the New York City Administrative Code relating to the unlicensed operation of for-hire vehicles.

[3] Long Island City (Queens), JFK Airport (Queens), Manhattan, and Staten Island.

payment transactions, as well as ALJ decisions, summons dispositions, license information, etc., are recorded on the TLC Agency Management Information System (TAMIS) database.[4]

If the respondent fails to appear at the scheduled hearing, the maximum allowed fine is imposed and the respondent's TLC license is suspended. An inquest letter, or notice, is then sent notifying the respondent of the imposed fine and license suspension. The respondent has 30 days in which to pay the fine or to provide an explanation for failing to appear. If the ALJ accepts the explanation, a new hearing date is scheduled for the respondent to appear. Otherwise the respondent must pay the fine.

TLC Rule 8-11(e) requires that respondents pay all imposed fines immediately following a hearing unless the violation is dismissed. Respondents who appeal hearing decisions are required to pay the fine pending the outcome of the appeal. For those violations that have not been paid, dismissed, or appealed, the TLC suspends the respondent's license and denies approval, reinstatement, or renewal of the respondent's license until all outstanding fines are paid.

The TLC may also impound vehicles that are found to be operating for hire without an approved TLC license. An unlicensed violator whose vehicle is impounded may retrieve the vehicle after paying an imposed fine along with the towing and impound fees. The TLC can also padlock unlicensed bases found operating illegally.

The TLC reported that during Fiscal Year 2002, its enforcement inspectors issued 40,795 summonses to licensed and unlicensed individuals (owners, bases, drivers, etc.) for violating TLC rules and regulations. For the same year, the TLC reported collecting $7.2 million in fines.

The TLC expense budget for Fiscal Year 2002 totaled $23.3 million, consisting of $18.1 million for personal services and $5.2 million for other than person services. For the same year, the TLC reported revenue (from all sources) totaling $38.8 million. The TLC is overseen by a board of nine members—eight unpaid Commissioners and the Chair, a salaried Commissioner who is the head of the agency—who are appointed by the Mayor with the advice and consent of the City Council. Five of the nine members, one resident from each of the five boroughs of New York City, is recommended for appointment by a majority vote of the council members of each respective borough.

[4] TAMIS is a modified version of the City Agencies Management Information System (CAMIS) mainframe system. TAMIS resides on the City's mainframe computer operated by the Department of Information Technology and Telecommunications and is accessed and used solely by the TLC.

Objectives

The objectives of this audit were to determine whether the TLC:

- Maintains adequate controls over the collection of fines imposed for violations.
- Established and implemented procedures to track and account for unpaid fines and to identify and write-off unpaid fines deemed uncollectible.

Scope and Methodology

The audit scope covered Fiscal Year 2002. Audit fieldwork was conducted from May 2, 2002, through May 16, 2003. We interviewed TLC officials to gain an understanding of the overall processes involved in the processing and adjudication of summonses and collection of fines. We also reviewed the Mayor's Management Report, the Executive Budget, Chapter 65 of the Charter of the City of New York, Rules of the City of New York, TLC rules and regulations, the TLC 2002 Annual Report to the City Council, and other relevant information obtained from the TLC Web site and other sources.

To assess TLC internal controls over the processing of summonses and collection of fines, our review included on-site interviews with administrative personnel and observations of the four TLC administrative and adjudication sites to assess the manual and automated processes involved, as well as the controls and procedures in place.

We evaluated the physical safeguards and controls over cash, from the procedures in force over the processing of payment at the cashier through the daily procedures of reconciling and depositing of cash. We reviewed and analyzed reconciliation records for Fiscal Year 2002. We also evaluated the controls and procedures that the TLC maintains over its supply of blank summonses and its record keeping and storage of adjudicated summonses (those with a hearing date) files. We reviewed the agency's self assessment of its internal controls for Fiscal Years 2001 and 2002, performed in compliance with Comptroller's Directive #1, *Internal Control Checklist*, and submitted to the Comptroller's Office.

We interviewed TLC officials and requested copies of TLC policies and procedures regarding the collection of assessed fines to determine whether the agency had adequate procedures to collect all possible revenues from assessed fines, and whether those procedures were enforced on a consistent basis. We also reviewed the reconciliation of the $7.2 million in fines that the TLC reported collecting in Fiscal Year 2002, evaluated the age of those fines at the time they were paid, and documented our findings.

We requested a complete list of all adjudicated summonses (summons with a hearing date) in Fiscal Year 2002, along with the total amount of fines assessed for those summonses. The TLC provided us a computer printout and a compact disk (CD) that it represented as containing all the information we requested. The data contained in the printout and on the CD were purportedly identical.

To verify that the data on the printout and the CD were the same, we compared entries on the printout and the disk. To test the reliability and completeness of the data on the CD, we randomly selected from the files at the Long Island City adjudication center 30 respondent cases that had hearing dates in Fiscal Year 2002. These 30 cases consisted of 43 actual summonses. We compared information from the original 43 summons to the data contained on the CD. We also compared information on 30 additional summonses randomly selected from data on the CD to the original summonses contained in the files

Our preliminary evaluation of the data on the printout and the CD provided by TLC determined that the data did not match. The printout included summonses that had hearing dates outside the scope period, which were not included on the CD. Moreover, we determined that data records were missing from the CD. Seven (16.3%) of the 43 summonses adjudicated in Fiscal Year 2002 that were pulled from TLC files were omitted from the data on the CD. Based on these results, we could not be assured that the data on either the printout or the CD was a complete and accurate accounting of all summonses adjudicated in Fiscal Year 2002. Therefore, we deemed the data on both the printout and the CD to be unreliable for audit purposes. For example, we could not rely on those data to select a random sample for audit testing that would allow us to statistically project our sample results.

As an alternative method for sample selection, we randomly selected from TLC files 135 respondent cases that had hearing dates scheduled in Fiscal Year 2002 from eight randomly selected business days in Fiscal Year 2002. These 135 respondent cases consisted of 237 summonses.

To conduct further analysis of the summonses in our sample, we requested access to TAMIS. The TLC provided us "restricted" (i.e., ALJ access) access to TAMIS that allowed us to look up TAMIS accounts one at a time. TAMIS accounts include both licensee accounts and non-licensee accounts, and detail the history of violations, license information, etc. Subsequently, on November 25, 2002, we asked the TLC for access to all TAMIS data. On February 20, 2003, the TLC provided us access to a full backup copy of the TAMIS data files. With the assistance of our Electronic Data Processing (EDP) Audit Group, we reviewed the TAMIS database to identify the tables and fields necessary for our review.

The EDP Audit Group evaluated the TAMIS database and conducted preliminary testing of the TAMIS system parameters (i.e., dates, record size, field relationships, etc.) to determine whether adequate application controls (i.e., input controls and data validation checks) existed to ensure the reliability, completeness, and accuracy of TAMIS data.

In addition, the EDP Audit Group, using the TAMIS data provided by the TLC, generated various reports to determine the total amount and age of outstanding fines as of February 3, 2003. We then met with TLC officials and management information system (MIS) personnel to review the results of our queries and the results the agency itself generated, using the same parameters we used. We agreed upon the results the TLC obtained as the total amount of outstanding fines.

Furthermore, as part of our evaluation of TAMIS, using the 135 respondents in our sample, we reviewed the accounts of these respondents in TAMIS to determine whether required licensee information was reflected in the database. Of the 135 total respondents, 102 were individual (owner or operator) licensees, and 33 were business or corporate entities. For the individual licensees, we determined whether the TAMIS accounts reflected the licensees' taxpayer identification numbers, date of birth, and DMV license number. For business entities, we determined whether TAMIS reflected their tax identification numbers.

To determine whether information written on the summonses in our sample was accurate and complete, we compared the respondents' information recorded on the hardcopies of the summonses to the TAMIS database. We then compared the information recorded on each summons to the respondent's New York State driver's license and/or vehicle registration records in the New York State Department of Vehicles (DMV) database, and noted any discrepancies. We relied on the DMV database since the TLC, as well as other (enforcement and non-enforcement) agencies and organizations, use the DMV database as the main source of identification when issuing a summons or verifying driver's license or vehicle registration information.

Furthermore, using the 135 respondents in our sample, in addition to the DMV database, we searched New York City telephone directories and the New York State Division of Corporations—sources readily available to the TLC for finding respondents—to determine the effort required to use these no- or low-cost resources. We then noted the frequency with which we were able to find respondents using one or more of these three resources.

To determine whether the TLC approved new or renewal licenses to applicants with unpaid fines, on October 25, 2002, we requested from the TLC a list of all new and renewed licenses approved and issued in Fiscal Year 2002. After repeated requests and long delays, the TLC finally provided us this information on January 31, 2003. Because of the TLC's long delays, rather than sampling all license types (owner, operator, broker, agents, bases, etc.), we limited our tests to for-hire vehicle bases.

Between November 2002 and January 2003, we obtained various lists from the TLC Web site that contained a total of 955 for-hire vehicle bases, including those for licensed black car, paratransit, community car service, luxury limousine, and commuter vans. To determine whether the TLC approved new or renewed base licenses for applicants with outstanding fines, we compared all of the licenses from these lists to the TAMIS database. We later compared all of the licensees on these Web-site lists to the list of new and renewed licenses approved in Fiscal Year 2002 provided by the TLC and documented our findings.

We contacted officials of the Law Department and the Sheriff's Office to ascertain whether the TLC had conveyed to either of these agencies any past due accounts for collection proceedings. We also contacted the Department of Finance (DOF) to determine whether the TLC had arrangements with DOF to pursue collection activities against debtors.

To evaluate TLC controls over the collection of fines, we used the following sources as audit criteria:

- Comptroller's Directive #1, *Internal Control Checklist*
- Comptroller's Directive #11, *Cash Accountability and Control*
- Comptroller's Directive #21, *Revenue Monitoring*

To evaluate the reliability and integrity of the TLC computer-processed data as it pertains to the tracking and accounting of imposed fines, we used the following sources as criteria:

- Comptroller's Directive #18, *Guidelines for the Management, Protection and Control of Agency Information and Information Processing Systems.*
- U.S. Department of Commerce, Technology Administration, National Institute of Standards and Technology, Special Publication 500-223, *A Framework for the Development and Assurance of High Integrity Software.*
- U.S. General Accounting Office, Publication GAO-03-273G, *Assessing the Reliability of Computer-Processed Data*, issued October 2002.

We also reviewed previous audits of the TLC conducted by the New York City Comptroller's Office and the New York State Comptroller's Office and noted findings and conditions that addressed our audit objectives or other matters relevant to this audit. These previous audits include:

- New York City Comptroller's Office, *Audit Report on the Internal Controls Over Cash Revenue at the Taxi and Limousine Commission* (#MC90-203), issued March 4, 1992.
- New York City Comptroller's Office, *Audit Report on New York City Taxi and Limousine Commission's Ineffective Collection Practices Result in Millions of Dollars Being Uncollected* (#4C91-05), issued June 29, 1993.
- New York City Comptroller's Office, *Follow-up Review of the New York City Taxi and Limousine Commission's Internal Controls over Cash Revenue* (#4F94-11), issued June 29, 1994.
- New York City Comptroller's Office, *Follow-up Audit on New York City Taxi and Limousine Commission's Collection Practices* (#FM96-158F), issued June 1996
- New York State Comptroller, *New York City Taxi and Limousine Commission, New York City Police Department Monitoring Drivers of Medallion Taxis and For-Hire Vehicles* (#99-N-7), issued November 1, 2000.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and included tests of records and other auditing procedures considered necessary. This audit was performed in accordance with the New York City's Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Scope Limitations

During this audit, TLC management was uncooperative in providing us access to the information we requested. Only after long delays and the intervention of the Mayor's Office of Operations were we provided with most of the requested information.

However, the TLC failed to provide us complete and accurate information about all summonses adjudicated (summons with a hearing date) and corresponding fines assessed in Fiscal Year 2002, despite our repeated requests. Therefore, we could not project the results of our tests on the total population. Nevertheless, the results of our testing were useful in indicating conditions relating to summonses for the audit period.

Although we were able to satisfy our overall audit objectives, we frequently had to develop alternative audit methodologies to perform our tests and, as a result, the progress of our audit was delayed. In addition, we were concerned about the reliability and completeness of information provided us, especially computer-processed data, since despite repeated requests, the TLC failed to provide us the total dollar amount of uncollected fines until the end of the audit. Overall, we viewed the TLC's lack of cooperation and our concerns about the reliability of data as scope limitations to this audit.

Discussion of Audit Results

The matters covered in this report were discussed with TLC officials during and at the conclusion of this audit. A preliminary draft report was sent to TLC officials on August 13, 2003, and was discussed at an exit conference held on August 28, 2003. We submitted a draft report to TLC officials with a request for comments on September 10, 2003. We received a written response from TLC officials on September 30, 2002, in which the TLC generally agreed with 16 of the 18 recommendations made in this audit and disagreed with two (#2 and #4).

Despite the TLC's general agreement with most of the audit recommendations, in its response, the TLC attempted to detract from and diminish the audit's primary finding: the chronic failures of TLC management to address and correct continuing weaknesses in the collection of fines that resulted in $97.3 million in unpaid assessed fines owed the City. Throughout its response, the TLC attempted to bolster the appearance of the effectiveness of its limited collection procedures by focusing on "current licensees" instead of on all those who were issued summonses and assessed fines. Also, in its response, the TLC addressed selected elements of the audit, and made assertions contradictory to our audit findings without providing evidence to substantiate those assertions

For example the TLC stated:

> "With respect to the collection of outstanding fines, the response demonstrates that the TLC already has in place a solid procedure for the collection of fines owed by licensees, and since 1988 has collected nearly ninety-nine (99%) of the fines assessed against current licensees. The remainder of the outstanding debt is owed by persons not currently licensed by the TLC."

The "solid procedure" referred to is the suspension of licensees for unpaid fines. This procedure may be effective to some degree, but since it applies to TLC licensees only, it fails to address *all entities* (licensees and non-licensees) issued summonses and assessed fines, as addressed by the audit. Moreover, even this procedure is not consistently enforced. This was clearly demonstrated by the results of our audit test involving for-hire base licenses. We found that 69 (20%) of the 341 new or renewed base licenses that TLC issued during Fiscal Year 2002, *were approved or renewed while the registrants had unpaid fines*. In addition, the TLC provided no evidence, either during or at the conclusion of the audit, or in its response, to support its claim that "nearly ninety-nine (99%) of the fines assessed against current licensees" has been collected since 1988.

We recognize that a large portion of outstanding fines may be owed by parties found operating without a TLC license; however, in our audit, we did not distinguish between fines owed by TLC licensees and non-licensees. Instead, our testing addressed the *overall* efforts of the TLC to collect fines owed by entities (licensees or non-licensees) found in violation of TLC's rules and regulations.

Also, in its response the TLC acknowledged the challenge of collecting fines assessed against non-TLC licensed individuals and entities. Nevertheless, as reflected in this current audit, and in two prior audits of TLC collection practices, issued by the Comptroller's Office in 1993 and 1996, respectively, the TLC continues to subscribe to the contention that little, if anything, can be done to collect fines from non-licensees. In its response, the TLC stated:

> "The Commission acknowledges that is has, over time, limited success in collecting fines assessed against non-licensees, many of whom have not provided the TLC with accurate identifying and other information that could be used to collect this debt. Steps heretofore taken to collect fines imposed against individuals and entities that do not have TLC licenses have generally not worked."

Although the TLC attempts to ensure that "current licensees" comply with TLC rules and regulations, by failing to aggressively pursue collection activities and enforce fines levied against non-licensees, the TLC fails to provide an effective deterrent against unlicensed individuals and entities that continue to operate in violation of the rules and regulations the agency has established and for the industry it is mandated to regulate and improve.

The full text of the TLC response appears as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

We determined that the TLC has adequate controls over the handling of cash at its adjudication centers. The controls and procedures followed by cashiers and cashier supervisors, from the processing of payments to the handling and reconciliation of cash, provide reasonable assurance that cash collections are properly accounted for. However, the TLC is neglecting its responsibility to ensure that summonses are enforced and that fines assessed against violators of TLC rules and regulations are duly collected. As a result, as of February 3, 2003, TLC records showed fines owed the City totaling $97.3 million[5] that the agency allowed to remain uncollected. If the TLC made the collection of unpaid fines a priority and implemented strong collection efforts, as discussed later in this report, *we estimate that it could collect between $3.89 million and $7.79 million of the outstanding fines*.

TLC procedures are ineffective in tracking and accounting for unpaid fines and in identifying and writing-off unpaid fines deemed uncollectible. The integrity, reliability, and completeness of the TAMIS database are questionable because of inadequate data entry controls that result in dating problems, omission of required licensee data, and unnecessary and unused data fields. Consequently, TLC management cannot be assured that the TAMIS database reflects complete and accurate information necessary for the agency to effectively manage its accounts. In addition, the TLC does not maintain adequate controls over blank summonses distributed to the New York Police Department's Taxi and Bus Unit, record keeping and storage of summons files, and it lacks written policies and procedures.

As noted in this current audit and previous audits, TLC management has consistently failed to address these weaknesses and to take appropriate corrective action. Such chronic disregard and neglect of official responsibilities meet the definition of "abuse" by management, as contained in GAGAS, § 6.35: "Abuse is distinct from illegal acts and other noncompliance. . . Rather, the conduct of a government program falls far short of societal expectations for prudent behavior." The abuse by TLC management is that its failure to institute and exercise strong internal controls results in the failure of this public agency to collect revenue expected and needed by the City and to protect against potential material error or fraudulent activity. The following sections of this report discuss these concerns.

> ***TLC Response:*** "We would like to address in this letter the allegation of 'management abuse' set forth in the audit report. While not a specific audit recommendation, the auditors have stated that 'TLC management has consistently failed to address these [prior] weaknesses and to take appropriate corrective action.' Reference is made to the failure on the part of the TLC to implement specific recommendations contained in the Comptroller's 1993 and 1996 audit reports, as well as the TLC's failure to exercise adequate internal controls.
>
> "The Commission acknowledges that it has, over time, had limited success in collecting fines assessed against non-licensees, many of whom have not provided the TLC with accurate identifying and other information that could be used to collect debt. Steps

[5] The $97.3 million in outstanding fines as of February 3, 2003, is based on a report generated by the TLC.

heretofore taken to collect fines imposed against individuals and entities that do not have TLC licenses have generally not worked. The lack of success in collecting such debt, while serious, does not constitute 'management abuse' unless there is an unwillingness on part of management to accept responsibility and make necessary programmatic changes."

Auditor Comment: Given the above response, it is clear that the TLC management remains unwilling to accept responsibility for allowing millions of dollars in assessed fines owed the City to go unpaid, and for failing to take corrective action. As reflected in this current audit and in previous audits (discussed herein), these conditions have existed for many years. The TLC has and continues to contend that there is little that can be done to enforce fines assessed against non-licensees found in violation of TLC rules and regulations. Rather than accept responsibility for failing to employ rigorous collection procedures, the TLC blames unlicensed violators for not providing "accurate identifying" information at the time a violation is issued. It is disturbing that the TLC is unable to provide evidence that it has taken any steps to cure this deficiency.

We maintain that TLC management's continuous failure to institute and exercise strong internal controls to collect unpaid fines meets the definition of "abuse."

$97.3 Million in Uncollected Fines

The TLC is allowing significant revenue owed by respondents who have unpaid fines to remain uncollected. It has consistently failed to implement adequate procedures to ensure that outstanding fines imposed for violations of TLC rules and regulations are collected. As a result, the TAMIS database system showed outstanding fines totaling $97.3 million as of February 3, 2003, including $7.55 million outstanding for two years or less and $89.78 million outstanding for more than two years, as shown in Table I, following.

Table I
Taxi and Limousine Commission
Analysis of Unpaid Fines as of February 3, 2003

(1) Total Amount of Fines	(2) Total Payments Collected	(3) Uncollected Amount *(Col. 1 –Col. 2)*	*Uncollected Fines by Age*		
			0-12 months Feb 4, 2002 to Feb 3, 2003	***13-24 months*** Feb 4, 2001 to Feb 3, 2002	***Over 24 months*** Feb 4, 2001 and earlier *(as far back as 1988)*
$161,248,407	$63,921,205	**$97,327,202**	$3,504,499	$4,040,895	$89,781,808

Although the TLC issues summonses to violators of TLC rules and regulations, with $89.7 million in fines outstanding between two years and as old as 13 years, it is evident that the TLC has consistently ignored its responsibility to ensure that fines are collected and that violators are therefore held accountable. The failure by the TLC to implement strong policies and procedures to ensure that outstanding fines are collected results in the City's losing a significant amount of revenue. Under these circumstances, violators of TLC rules and regulations are not penalized.

In addition, by failing to have adequate controls over the collection of past due fines, TLC management has no assurance that material errors or fraudulent activities will be prevented or detected. If the TLC made the collection of unpaid fines a priority and implemented strong collection efforts, as discussed later in this report, *we estimate that it could collect between $3.89 million and $7.79 million of the outstanding fines*.

According to TLC Rule 8-11 (e), respondents must pay assessed fines immediately following a hearing. However, respondents often fail to pay the imposed fines, or fail altogether to appear at scheduled hearings, resulting in revenue remaining uncollected. Although the TLC has some procedures to collect unpaid fines, such as requiring that before approving or renewing licenses all outstanding fines must be paid, these procedures do not always provide sufficient assurance that outstanding fines will be collected.

Similar to this current audit, two previous audits conducted by our office of TLC collection practices noted that major weaknesses existed in TLC collection practices and that the agency had consistently failed to take appropriate corrective action to ensure that fines were collected.

Those audits noted that in the past, the TLC employed greater collection efforts than it currently employs. For example, the 1993 audit reported that TLC collection efforts included the mailing of dunning notices to violators, placing debtors in judgment, and submitting outstanding receivables to the Sheriff's Office for collection. The TLC no longer employs these or similar efforts to collect outstanding fines.

Until August 1, 2002, the TLC had required that prior to a scheduled hearing, respondents post a cash bond equal to the maximum fine amount that could be imposed for the cited violation(s). If a respondent was found not guilty or the summons was dismissed, the bond would be released. However, if a fine was imposed, the bond was held by the TLC to cover the amount of the imposed fines. If the bond amount was greater than the fine amount, the difference would be returned to the respondent. This procedure provided the TLC a control to ensure that respondents who showed up for their hearing paid their fines. TLC officials told us that the agency rescinded this requirement as part of its efforts to streamline operations and enhance customer service.

We spoke with TLC officials who stated that the total amount of outstanding fines due the City is minimal and therefore does not warrant the expense that would be incurred to find outstanding debtors and pursue collection proceedings. They also stated that collection proceedings would not be cost effective. This statement is unsubstantiated since TLC records reflect $97 million in outstanding fines.

According to Comptroller's Directive #21, § 4.7, "Agencies should make every effort to collect all debts due the City with effective, vigorous, well-documented internal collection procedures. Once internal collection methods have failed, overdue accounts should be transmitted to the Law Department for litigation or to an outside collection agency."

By failing to maintain adequate collection procedures, TLC management is neglecting its responsibility to make every effort to ensure that fines assessed against violators are collected. During the current fiscal crisis, the City cannot afford to allow the TLC to ignore its responsibility in collecting fines.

Approval and Renewal of Licenses for Applicants Who Have Unpaid Fines

The TLC relies primarily on its licensing process to flag those individuals and bases that have unpaid fines. The agency requires all applicants to pay outstanding fines prior to receiving their new or renewed license. TLC licenses must be renewed every two years. When an application for a new TLC license or for renewal of a license is submitted, the TLC determines whether the applicant has any outstanding TLC fines by accessing information about the applicant on TAMIS. We found that, contrary to its policy, the TLC approves and renews licenses for applicants who have unpaid fines.

Because of the TLC's long delays in providing us a list of all new and renewed licenses approved and issued in Fiscal Year 2002, as an alternative to sampling all license types, we compared all 955 licensed for-hire vehicle bases (community car services, luxury limousine, black car, commuter van, and paratransit) that appeared on the listings posted on the TLC Web site to the list of new and renewed licenses issued by the TLC in Fiscal Year 2002.

As shown in Table II, following, we determined that 341 of the 955 total bases had their licenses renewed or approved in Fiscal Year 2002. Despite the TLC's assertion that the above procedure is an effective means to collect outstanding fines, we found that 69 (20%) of the 341 bases had their licenses approved or renewed by the TLC without paying their unpaid fines, totaling $26,255. These results clearly indicate that the TLC is lax in ensuring that the procedure is followed.

Table II

Licenses Approved or Renewed for Bases with Unpaid Fines In Fiscal Year 2002

Type of For-Hire Vehicle Base	# of Base Licenses Approved or Renewed	# of Base Licenses Approved or Renewed with Unpaid Fines	% of Base Licenses Approved or Renewed with Unpaid Fines
Community Car Service	89	36	40%
Luxury Limousines	48	9	19%
Black Car	23	15	65%
Commuter Vans	54	4	7%
Paratransit or Ambulette	127	5	4%
Total	**341**	**69**	**20%**

Since 20 percent of the for-hire vehicle base licenses renewed in Fiscal Year 2002 were approved or renewed despite the applicants' owing fines, it is apparent that this procedure either does not provide assurance that all unpaid fines will be collected or TLC personnel are failing to consistently follow required licensing procedures. If the latter, there is a high risk that material errors and fraudulent activities may exist in the licensing process. Since TLC procedures are clearly inadequate, TLC management has no assurance that such activities are prevented or detected.

Inadequate Procedures to Find Respondents

The TLC has inadequate procedures to find or contact respondents to collect unpaid fines. The TLC mails inquest notices to respondents who fail to appear for a hearing, but makes no further effort to contact respondents whose fines are past due. Over time, individuals and businesses can relocate and be difficult to find, or they can file for bankruptcy and have few or no assets from which to recoup unpaid fines. Therefore, it is important for the TLC to make every effort to contact respondents as soon as possible.

TLC officials stated that, in general, the amount of fines outstanding for each respondent is too small to warrant the costs involved in pursuing the fines. The fines assessed on the 237 summonses for the 135 respondents in our sample ranged between $15 and $3,215; however, more than half of these summonses were assessed fines of $500 or more. Contrary to the TLC's assertion, clearly the amount of these fines warrants the agency's use of procedures to contact respondents. Furthermore, the Comptroller's Directive #21 requires that "Agencies should make every effort to collect all debts due the City with effective, vigorous, well-documented internal collection procedures."

In addition, based on the 135 respondents in our sample, we determined that with minimal effort and using no- or low-cost resources available to the agency—the DMV database, telephone directories, and the New York State Division of Corporations Web site—the TLC could find and contact respondents who have unpaid fines. As of October 2002, these 135 respondents owed fines totaling $299,990. This amount included $136,435 in fines assessed in Fiscal Year 2002 and $163,555 in additional fines previously assessed to these accounts.

As shown in the Table III, we were able to verify information (i.e., names and addresses) for 95 (64%) of the 135 respondents in our sample using only one source per respondent. This represents $217,310 (72.4%) of the total unpaid fines of all 135 respondents.

Table III

Results of Search for Respondents with Unpaid Fines
Using Resources Available to the TLC

Resources Used To Locate Respondents	**Number of Respondents Verified**	***Percent of Total (135) Respondents***	**Amount of Unpaid Fines**	***Percent of Total Fines ($299,990) Owed by 135 Respondents***
NYS DMV database	70	*52%*	$171,385	*57%*
NYS Division of Corporations	21	*16%*	$42,600	*14%*
Telephone Directories	4	*3%*	$3,325	*1%*
Total	95	*70%*	$217,310	*72%*

Using a combination of two or more of these resources per respondent, we were able to verify information (i.e., names and addresses) for 115 (85.2%) of the 135 respondents—representing $259,180 (86.4%) of the total $299,990 in unpaid fines.

Finding and contacting respondents who owe fines will not guarantee the collection of those fines, but it is one procedure that the TLC could employ to strengthen its overall collection activities.

Lack of Coordination with City or Outside Agencies To Collect Outstanding Fines

According to various TLC staff members with whom we met during the audit, the TLC does not coordinate with other City agencies that could assist in TLC collection efforts. However, the TLC Web site contained information that stated otherwise; it listed an initiative to coordinate with DOF to place liens on "the medallions of owners who are delinquent in their payments to the City." This inconsistency, coupled with the lack of written TLC procedures that would contain guidelines for such coordination, prompted us to contact officials of the Law Department and the Sheriff's Office. We also determined that the TLC does not coordinate the collection of outstanding TLC fines with either of these agencies. For the Law Department or the Sheriff's Office to pursue collection proceedings or litigation, a case must first be docketed and placed into judgment by the TLC. According to the Deputy Commissioner, the TLC has the legal authority to place into judgment only respondents who are not licensed by the TLC. Once in legal judgment, the Law Department and the Sheriff's Office could help collect the unpaid fines.

We also contacted DOF officials to determine whether the TLC worked with DOF to collect unpaid fines or to assess the potential collectibility of outstanding TLC fines. DOF is responsible for collecting various City taxes, fines, and fees as well as collecting money owed to other City agencies. According to DOF officials, the TLC and DOF do not currently coordinate collection activities, although DOF does communicate tax clearances to the TLC. By enlisting the assistance of DOF in collecting past due accounts or by turning those accounts over to the Sheriff's Office or the Law Department, the TLC could improve its ability to collect outstanding fines.

Regarding the collectibility of the outstanding TLC fines, according to the DOF Deputy Director of Field Collections, the TLC could employ the services of a private collection agency to help maximize the collectibility of the $97.3 million in existing unpaid fines. He stated that even though there is no historic baseline upon which to assess the collectibility of the outstanding TLC fines, TLC violations are similar to those of the Parking Violations Bureau (PVB) and are therefore comparable.

According to this DOF official, the PVB has "aggressive" collection practices: fines that remain outstanding after all internal collection attempts are exhausted are assigned to an outside collection agency. Traditionally, the PVB collects approximately five percent of this assigned debt. According to the official, it would therefore be reasonable to assume that the TLC could collect five percent of its outstanding fines. He also asserted that it is possible that the TLC could collect as much as ten percent, since the agency makes no effort whatsoever to collect outstanding fines. Therefore, based on this information, even after providing a private collection agency a 20 percent commission, *it is reasonable to estimate that the TLC could collect between $3.89 million and $7.79 million of the outstanding fines*.

As demonstrated, the TLC does not maintain adequate controls over the collection of fines imposed for violations as noted in this current audit and in previous audits; and TLC management has consistently failed to address these weaknesses or taken appropriate, corrective action. As a result, the TLC allows significant amount of revenue owed the City to remain uncollected. In addition, without adequate controls, the TLC has no assurance that material errors or fraudulent activities are prevented or detected.

By failing to employ rigorous collection efforts to ensure that fines are collected, the TLC sends a message of indifference toward and tolerance of consistent infraction of the rules and regulations for the industry it is mandated to regulate and improve. As stated and defined previously, the failure by the TLC to fulfill its responsibilities is indicative of abuse by management.

Recommendations

TLC management should:

1. Improve and document controls to ensure that TLC licenses are not approved or renewed for applicants who have unpaid fines.

TLC Response: "ACCEPTED AND IMPLEMENTED. There are controls in place to ensure that licensees (whether individuals or businesses) with unpaid fines are not approved or renewed. The TLC licensing division reviews each renewal and checks the TLC's TAMIS records to ensure that licenses are not approved whenever the licensee has unpaid summonses. The TLC has reviewed the specific audit report findings and is confident that during Fiscal Year 2002, no base license renewals were approved where the base had unpaid summonses."

Auditor Comment: We recognize that the TLC has a procedure whereby a license will not be renewed or issued to an individual or business having outstanding fines. Nevertheless, as reflected in the results of our audit testing, this procedure is not consistently enforced.

At the exit conference, the TLC requested that we provide them a list of the 69 for-hire bases licenses that we found were approved (new and renewed) during Fiscal Year 2002, although the applicants had unpaid fines. We provided this list to the TLC for its review. The TLC refuted our finding, and claimed that no base licenses were renewed with outstanding fines in Fiscal Year 2002; however, it provided no proof to substantiate this claim.

2. Reinstate its procedure that requires respondents to post cash bonds prior to hearings.

TLC Response: "NOT ACCEPTED. Prior to January 2003, a licensee was required to either post his/her license or a cash bond equal to the amount of the fine before being permitted to appear at a hearing. The cash bond was applied to any assessed fine and the excess was returned to the respondent. If the summons was dismissed, the entire cash bond was returned. The TLC discontinued this practice to improve efficiency, eliminate unnecessary cash transactions, and remove the perception of unfairness that collection of a fine before adjudication of a summons created. Inasmuch as the TLC maintains the power to suspend licenses for unpaid fines, there is a satisfactory procedure in place to collect fines from licensees, and the benefits of eliminating this policy outweigh its minimal effect on overall collections."

Auditor Comment: We disagree. Aside from the suspension of licenses for unpaid fines, the TLC has no formal collection procedures. The cash bond requirement provided the TLC one control to ensure that respondents who showed up for hearings paid their fines immediately. The TLC should reconsider reinstating this procedure as part of its overall collection activities.

3. Develop and implement aggressive internal collection procedures that include mailing of dunning notices to violators, placing debtors in judgment, and submitting outstanding receivables to the Sheriff's Office and the Law Department when internal collection efforts have been exhausted.

4. Consider seeking legislative approval from the City Council for assessing monetary penalties and interest on licensee accounts that have outstanding fines and for the legal authority to place judgments against TLC licensees with unpaid fines.

TLC Response: "NOT ACCEPTED. There are already additional penalties imposed in accordance with TLC rules upon a default by a licensee. A more effective legislative solution, as described in the response to recommendation No. 3 and already implemented by the TLC, would be to seek amendments to the Vehicle and Traffic law (VTL) that would authorize the suspension of DMV licenses and/or registrations for unpaid TLC summonses. The TLC was successful last year in introducing such legislation, which would have amended section 510 of the VTL to achieve this result. The bill passed the State Senate but did not pass the Assembly prior to the end of the legislative session.

Auditor Comment: Despite TLC's statement that "additional penalties" exist, during the audit TLC officials stated that no monetary penalties and interest are imposed on respondents with outstanding fines. By obtaining approval to impose monetary penalties against past due accounts, the TLC would enhance its collection efforts. Such penalties could provide an incentive for respondents to remit payments on a timely basis in order to avoid additional charges.

5. Implement procedures to find and contact respondents by using resources available to the agency, such as telephone directories, the New York State Department of Motor Vehicles, the New York State Division of Corporations Web site, etc.

TLC Response: "ACCEPTED AND PARTIALLY IMPLEMENTED. The TLC already uses the DMV database to identify licensees. Obtaining current addresses for non-licensees owing fines will continue to be pursued as part of an overall collections program, which will include utilization of the DMV and other databases."

6. Establish a cut-off period after which TLC management will no longer attempt to collect outstanding fines itself. Such outstanding fines could then be turned over to a private collection agency for further collection efforts.

TLC Response: "ACCEPTED IN PART. With respect to debt held by current licensees, the TLC believes there should be no write-off policy. However, the TLC will implement a write-off policy for debt held by non-licensees, and will again explore the use of a private collection agency to collect outstanding debt. In addition, the TLC will work through the Department of Finance to explore the feasibility of collecting outstanding amounts."

Lack of Adequate Procedures To Track Unpaid Fines

Inadequate Accounts Receivable Records

The TLC records and reports revenue from fines on a cash basis—the amount of fines collected. Unpaid fine amounts are considered revenue receivables, according to Comptroller's Directive #21, but the TLC does not maintain adequate accounts-receivable records to monitor, track, and organize by age past due accounts as required. As a result, the TLC does not track accounts that have unpaid fines or track by age the amounts in its accounts receivable.

Comptroller's Directive #21 requires that accounts receivable be recognized and recorded, and be subject to proper internal controls. Revenues such as rentals, fines, inspection, license, and permit fees are included. This directive outlines record keeping measures for agencies to follow concerning billing, accounts receivable control, and accounts receivable write-off. It also requires agencies to record such receivables in the City's central accounting records.

We reviewed the agency's self assessment of its internal controls for Fiscal Years 2001 and 2002, performed in compliance with Comptroller's Directive #1, *Internal Control Checklist*, and submitted to the Comptroller's Office. We noted that the TLC considered the control objectives related to its accounts receivable as "not applicable" to the agency.

Our 1993 audit of TLC collection practices also found that the agency failed to maintain adequate accounts receivable records. It noted that the Management Information Systems (MIS) department generated an accounts receivable balance and report by age when requested by the Budget Office, but did not compute or age its account receivable on a monthly basis, as required by Directive #21. That audit also noted that the TLC did not consider fines assessed at hearings as accounts receivable; consequently, accurate accounts receivable records were not maintained, contrary to Comptroller's Directive #21.

Our 1996 follow-up audit found that the TLC recorded the amount of outstanding judgment debt as accounts receivable. At the time of the previous audit, when a respondent failed to answer a summons, the TLC placed the debt into judgment and the summons under inquest, and had the maximum fine imposed. If the respondent failed to file a "Motion to Vacate" within 120 days of the inquest, the full amount of the fine was entered into judgment, thereby giving the TLC the legal authority to pursue satisfaction of the outstanding debt. In addition, that audit noted that the TLC was "in the process of developing a new computer system that would provide accounts receivable reporting components that would reflect the accounts receivable balance [and] reflect the full amount of fines assessed, paid, and outstanding."

In our current review, we found that the TLC does not record unpaid fines as accounts receivable nor "age" them on a monthly basis. Furthermore, based on representations made to us by TLC management, the TLC does not generate periodic reports of unpaid fines organized by the ages of the fines. Therefore, these unpaid fines are not adequately tracked.

We reviewed TAMIS accounts for the 135 respondents in our sample, as well as for each of the 955 licensed bases (black car, paratransit, community car service, luxury limousines, and commuter vans) from lists we obtained from the TLC Web site. Our review disclosed that for each account, TAMIS reflected the full amount of fines assessed, paid, and outstanding, as well as relevant hearing dates, dispositions, etc. Based on these findings, as well as the report of outstanding fines by age generated for us by the TLC MIS department, we determined that the TLC has the capability to generate a monthly accounts receivable report according to the age of the fines. This type of report could be used to track and monitor past due accounts and track them by the age of the fines. Ultimately, by maintaining and reviewing accounts receivable records, the TLC could improve its ability to collect past due fines.

The TLC has no write-off policy for bad or uncollectible debts. Such a policy is required by Comptroller's Directive #21. Moreover, the agency has failed to seek assistance from the Comptroller's Office in the treatment of bad or uncollectible debts that should be written-off. The lack of a write-off policy was also noted in previous Comptroller's Office audits of TLC collection practices.

Comptroller's Directive #21 states: "Each agency should establish sound write-off policies appropriate to its internal operations. . . . If agencies need counsel with regard to specific circumstances, such as an historical accumulation of bad debts that were never written off" they should contact the Office of the Comptroller.

At a meeting held on June 11, 2002, TLC officials stated the agency has a "no amnesty policy"—i.e., unpaid fines are not forgiven—therefore, the agency does not write-off uncollected fines. Rather, outstanding balances are kept on the TLC database for an indefinite period. TLC officials asserted that if someone wants to renew or to receive a new TLC license, the applicant must pay any outstanding fines. They reasoned that if summonses were written off, then a driver would be able to wait until after the write-off and then apply for a new TLC license. Therefore, the "no amnesty" policy prevents this from happening. This is contrary to practice given the data presented in Table II (shown previously).

By appropriately augmenting its computer database, the TLC could write-off fines deemed uncollectible and still flag those applicants who did not pay their fines. Thus, if a new applicant is found not to have paid TLC fines and the amount was previously written-off, the TLC could reinstate the old debt on its database, collect it and any new fees, and record the payments prior to issuing a new TLC license.

By failing to adequately keep track of the age of its receivables, identify bad or uncollectible debts, and appropriately write-off such amounts, the TLC cannot be assured that its records accurately reflect enforceable debts.

Recommendations

The TLC should:

7. Comply with Comptroller's Directive #21 by developing procedures to report its accounts receivable balance monthly, identify or estimate and write-off fines deemed uncollectible, and report its write-off procedures, along with any write-off amounts, to the Comptroller's Office.

TLC Response: "ACCEPTED. The TLC will develop a write-off policy for non-licensee debt and submit it to the Comptroller's office as well as create regular reports of current accounts receivables from TAMIS records. These reports will be provided to TLC management as well as OJE [TLC Office of Justice Enforcement]. The TLC is happy to meet with the Bureau of Accountancy to ensure TLC compliance with the accounting for government-wide receivables procedures described in Directive No. 21."

Auditors Comment: TLC should consider establishing a write-off policy applicable for both licensees and non-licensees. Over time, individuals and businesses may relocate and be difficult to find, or they may file for bankruptcy and have few or no assets from which to recoup unpaid fines. When all collection efforts have been exhausted and the collectiblility of the fine becomes unlikely, the outstanding amount should be written off, regardless of whether the entity was licensed or unlicensed.

8. Develop a monthly accounts receivable reporting component for TAMIS.

TLC Response: "ACCEPTED IN PART. TLC agrees with this recommendation and will implement it in connection with the response to Audit Report Recommendation No. 7. The report should be generated on a regular basis; however, the TLC's Office of Judgment Enforcement (OJE) may request that it generate the report with a frequency other than monthly."

9. Augment the TAMIS database to flag accounts that are written-off and allow for the reinstatement of the write-off amount in the event payment is later obtained.

TLC Response: "ACCEPTED. TLC agrees with this recommendation and will work with its MIS Unit as well as the Department of Information, Technology and Telecommunications (DoITT) to determine if it can be accomplished."

Database Integrity and Reliability Problems

TAMIS is the primary computer system used by the TLC to coordinate and track information regarding licensees, fines, etc. In our review, we learned that the MIS Director and the single MIS programmer are relatively new to the agency and that there is a limited amount of technical information available on TAMIS.

Our tests of the Fiscal Year 2002 data on the CD provided by the TLC determined that the data on the CD was unreliable. Specifically, we found that seven (16.3%) of the 43 summonses with hearing dates in Fiscal Year 2002 that we randomly selected from files stores at TLC's Long Island City center were missing from the CD. We requested an explanation for the missing summons files, but never received a response. Since TLC officials did not provide an explanation for the missing information, we alternatively requested access to all TAMIS data files so that we could evaluate the data. After repeated delays, TLC management finally provided us full access to TAMIS data files, effective February 3, 2003.

Our tests determined that the integrity, reliability, and completeness of the TAMIS database are questionable. Some of the major weaknesses discussed in the following sections, include inadequate input controls that result in dating problems, missing required licensee data, and unnecessary and unused data fields. Because of these concerns, the TLC cannot be assured that the TAMIS database reflects complete and accurate information necessary for the agency to effectively manage its accounts.

Lack of Adequate TAMIS Input Controls

TAMIS does not have adequate input controls to ensure that data is entered completely and accurately. Moreover, data validation checks were either not functioning properly or do not exist on TAMIS.

Comptroller's Directive #18, § 8.2, requires that "agencies must insure that adequate application controls are in place to eliminate input, processing, and output risks." Application software controls are defined as "automated controls built into application programs [that] ensure that every transaction entering the information processing environment is authorized, recorded, and processed completely and accurately, protected from physical loss, theft, or unauthorized manipulation, and that the data file integrity is preserved."

As part of our evaluation of TAMIS, we looked at licensing information that applicants must provide to the TLC, such as tax identification numbers (TIN), date of birth (DOB) and DMV license number (DMV#), all of which are supposed to be entered into TAMIS. We found that TAMIS is missing required licensee information. We reviewed the TAMIS accounts of the 135 respondents in our sample. Of the 135 respondents, 102 were individual (owner or operator) licensees, and 33 were business or corporate licensees. Table III, shown below, reflects the results of our analysis.

Table IV

Analysis of Missing Licensee Information

Missing Licensee Information	**Individual Licensees**		**Business (or Corporate) Licensees**	
	Number of Licensees	***Percent***	**Number of Licensees**	***Percent***
TIN Missing	5	*4.9%*	7	*21.2%*
DOB Missing	1	*1.0%*	Not Applicable	
DMV# Missing	1	*1.0%*		
Both DOB and DMV# Missing	20	*19.6%*		
Both DOB and TIN Missing	23	*22.5%*		
Both DMV# and TIN Missing	0	*0%*		
All items Missing	25	*24.5%*		
Sub-Total	**75**	***73.5%***	**7**	***21.2%***
No Items Missing	27	*26.5%*	26	*78.8%*
Total	**102**	***100%***	**33**	***100%***

As shown in Table IV, 75 (73.5%) of the 102 individual licensee accounts we reviewed were missing one or more of the required information (TIN, DOB, or DMV number). Only 27 (26.5%) had all of the required information. In addition, 7 (21.2%) of the 33 business licensee accounts we reviewed were missing the required TIN. These results reflect the lack of reliability and completeness of TAMIS data.

In addition, we identified 449 summonses listed on the TAMIS printouts and the CD provided by the TLC that had scheduled hearing dates that were *prior* to the issue date of the summons. For example, summons number "329951C" had a hearing date of January 9, 1999, nearly three years before the summons issue date of November 9, 2001. In a second example, summons number "5655530A" had a hearing date of June 15, 2000, and an issue date of March 1, 2020. Not only was the hearing date earlier than the issue date, the issue date is 19 years in the future. This problem could be prevented if the TLC ensured that TAMIS had adequate input controls or validation checks for dates.

Our EDP Audit Group's preliminary tests of the TAMIS data files found dating problems similar to those just discussed. For example, the EDP Group evaluated the TAMIS "COMPCASE" data file and found the following:

- Data fields contained dates as early as 1600 and as late as 2322.

- Several records showed multiple hearing dates more than 10 years apart for the same summons (violation) number. For example, TAMIS identification number 40000001 (License Number B00014) showed the following:

Violation #	First Hearing Date	Second Hearing Date
EE606224A	12/07/1990	03/09/2001
EE618161A	01/11/1991	12/06/2001
EE707032A	09/12/1991	03/15/2002

We discussed our findings with representatives of TLC management and the MIS department. They initially stated that data validation checks were written into the system program, but later, after repeated discussions, agreed that subsequent corrections to TAMIS were needed to address these problems.

At a meeting on April 22, 2003, TLC officials and MIS personnel agreed that problems existed in TAMIS. However, they stated that a complete study of TAMIS would have to be conducted to further evaluate and identify the problems. Therefore, the frequency of the dating problems we identified cannot be fully assessed until the TLC completes a full review of TAMIS.

Nevertheless, the results of our tests were sufficient for us to conclude that the completeness, reliability, and accuracy of TLC information is questionable. Specifically, we could not be assured that all summons and fine information is properly recorded on TAMIS.

We recognize that the MIS Director and the single MIS programmer are relatively new to the agency and that they were unaware of these problems until we brought them to their attention. Nevertheless, for TLC management to have confidence in the integrity, reliability, and completeness of data in TAMIS, it must make sure that the appropriate checks and controls are functioning.

Unnecessary and Unused TAMIS Data Fields

Based on our preliminary review of the TAMIS data tables, we determined that there are several data fields that are not applicable or are unused by the TLC.

Section 4 and 5 of NIST Publication 500-223, *Software Engineering Practices*, states, "Software engineering practices are those techniques recommended either to prevent errors from being entered into the software during development, or are properties to be built into high integrity software . . . . The way in which the software is designed contributes greatly to its quality. Software activities are dependent on the system engineering function, which include attribute requirements, quality assurance, configuration management, reliability, and availability."

TAMIS was engineered for sole access by the TLC, using the CAMIS architecture and modifying many, but not all, CAMIS data tables and fields to TLC needs. However, when TAMIS was implemented in 1999, many of the original CAMIS data tables and data fields applicable to other City agencies but not applicable to the TLC remained unmodified in the TAMIS program. Table IV, below, highlights a small sample of the data fields in TAMIS that we identified as ones most likely not used by the TLC but nonetheless remaining in the program.

Table V

Sample of TAMIS Data Fields Most Likely Not Applicable or Used by the TLC

Data Table	Data Field Name	Field Description	Agency to Which Most Likely Applicable
TLC-TAM-OPENITEM	F2-2027-FAIRTAX-PAY-DATE	"Date that CAMIS has accepted FAIRTAX payment record"	DOF
TLC-TAM-ENTITY	F1-1056-NYS-BINGO-ID	"The New York State BINGO ID number granted by the Race & Wagering Board"	DCA
TLC-TAM-ENTITY	F1-0000-HEALTH-PEDIGREE	"Animal pedigree info"	DOH
TLC-TAM-ENTITY	F1-0000-TRANS-VAL-DATE	"Contents: Assessed value of real estate"	DOF
TLC-TAM-ENTITY	F1-0000-STRT-FAIR-FRP	"Location details of street fair locations will be contained in these fields"	DCA
TLC-TAM-PLATE	F8-8011-CUBIC-YARDS	"CUB-YDS Capacity of vehicle compactor"	DCA

To maintain a high level of quality and integrity and to ensure that the system is properly documented, the unused and unnecessary data fields should be removed or labeled as "unused" in the field definition. By properly identifying and removing the unnecessary data fields, the TLC can improve the integrity of TAMIS and the efficiency of program changes and maintenance.

Recommendations

The TLC should:

10. Identify and correct the data fields noted as having inadequate input controls or inadequate data validation checks to ensure that no further data entry errors are allowed. Program changes should include: ensuring that personnel are prevented from entering erroneous dates, requiring personnel to enter required licensee information, and correcting existing dating problems.

TLC Response: "ACCEPTED. The TLC will undertake the programming changes necessary to implement this recommendation.

11. Conduct a comprehensive review of the TAMIS database with assistance from the Department of Information, Technology and Telecommunications to identify necessary data tables and data fields, remove or label unused data tables and data fields, assess and identify existing programmatic problems and errors, and develop a systematic plan and timeframe for correcting these problems.

TLC Response: "ACCEPTED. The TLC MIS Unit believes that these fields do not adversely impact upon TAMIS system operations; however, TLC will make these modifications to make the system more efficient and to remove redundant information. These changes are likely to be made as other program changes are made to the system.

12. Document the TAMIS system's technical specifications upon completion of the comprehensive system review and all corrections made so as to ensure that adequate documentation is available to identify system attributes, relationships, etc. This documentation should be updated with each program update and used for reference by the MIS department.

TLC Response: "ACCEPTED AND PARTIALLY IMPLEMENTED. The TLC MIS Unit will continue the ongoing process of updating all reference materials related to the programming, use and modification of the TAMIS database system.

Other Internal Control Weaknesses

As part of our review of TLC internal controls, we determined that the agency has adequate controls over its cash operations. The controls and procedures followed by cashiers and cashier supervisors, from the processing of payments to the handling and reconciliation of cash, provide reasonable assurance that cash collections are properly accounted for. However, as discussed below, we identified some weaknesses regarding TLC controls over blank summonses and record keeping and its lack of written policies and procedures.

Weaknesses in Controls over Blank Summonses

We assessed the status of the accounting and reconciling of blank summonses. An earlier audit issued by the New York State Comptroller's Office found weaknesses in TLC controls over blank summonses. We determined that the controls over the distribution and tracking of blank, pre-numbered TLC summonses to TLC enforcement agents had improved and were reasonably strong. However, there are weaknesses in the tracking of blank summonses distributed to the NYPD Taxi and Bus Unit.

The supply of blank TLC summonses is stored in a vault at the Woodside office. The summonses are bound in books of 25, with each summons consisting of four-part copies, including: a yellow copy issued to the violator; a blue copy retained by the enforcement agent or police officer; a white copy forwarded to data processing; and a pink copy that is the permanent TLC file copy. Each book of 25 summonses is wrapped in plastic.

The TLC supplies blank summons books to the NYPD Taxi and Bus Unit as needed. A police officer picks up the books at the Woodside TLC office. TLC personnel record the quantity of summons books, the number sequences, and the name of the officer who receives the books. At least once a week, the TLC summonses that are completed by police officers are delivered to the TLC Long Island City office. The completed TLC summonses are sealed in an envelope and their numbers are written on the outside of the envelope. Upon receipt, a TLC staff member verifies the quantity of summonses and their numbers against the listing on the envelope and sends them to the data and records processing department.

TLC personnel stated that aside from verifying the NYPD list of written summonses returned for processing, no other reconciliations are performed to account for any differences between the blank summonses distributed to police officers to those summonses returned by the NYPD. Therefore, without periodic reconciliations of summonses, TLC management does not have reasonable assurance that all TLC summonses are used for authorized purposes only.

Recommendations

The TLC should:

13. Periodically reconcile all summonses that are distributed to both TLC enforcement agents and NYPD Taxi and Bus Unit officers with the summonses entered on TAMIS and account for any differences.

TLC Response: "ACCEPTED. The auditors agreed that the TLC has adequate controls for summonses distributed to its enforcement personnel, and maintains controls over summonses distributed to the NYPD. The TLC agrees to meet with NYPD to discuss its existing procedures to determine if revisions are warranted."

Auditor Comment: Although the audit noted that the TLC has some controls over summonses distributed to the NYPD Taxi and Bus Unit, these controls are not sufficient to ensure that the TLC can account for and track all of the blank summonses it distributes to the NYPD. Therefore, we repeat the recommendation that TLC reconcile all summonses it distributes both to TLC enforcement agents and the NYPD.

14. Meet with NYPD Taxi and Bus Unit officials to develop procedures to account for all TLC summonses distributed to the Unit. This should include an accounting of summonses distributed but not yet returned to the TLC for processing.

TLC Response: "ACCEPTED. See response to Recommendation No. 13."

Inadequate Record Keeping and Storage of Summons Files

The TLC's system for filing and storing summons files and related documentation is poorly organized and does not provide for the efficient access and preservation of these necessary records. At the records room of the Long Island City office—where most summonses are adjudicated and documentation is stored—we observed summons files stored in a variety of ways. Some files were stored in boxes, some were filed in cabinets, and others were stored loosely in piles on shelves or elsewhere in the room.

Mayoral Directive 92-3, *Uniform Records Management Practices*, issued April 6, 1992, states: "Good records management practices: (a) ensure the maintenance of records having continuing administrative, fiscal, legal and historical or research value [and] (b) make possible the efficient processing of information."

Ultimately, agency heads are responsible for the management of records. Records necessary for the day-to-day operation of the agency, as well as those required to be retained for legal purposes, should be organized, retrievable, and preserved in accordance with their legal or functional requirements. This might include protecting the legal and financial interests of the City or of people affected by a particular agency. There should be adequate procedures and policies to address these and other matters, such as proper records disposal, off-site storage, and how to respond to requests made under the Freedom of Information Act.

TLC personnel stated that summonses are filed chronologically according to year and hearing date. The filing system files summonses as either "closed" or "open." The TLC considers "closed" summonses to be those for which a hearing was held and "open" summonses to be those awaiting a hearing. While going through the files, we found "open" files in the "closed" files and vice versa. Also, we learned that there was only one person at the Long Island City office who "knew" the filing system. However, on the day of our visit that person was not at work. The staff member with whom we met had limited knowledge of the filing system. The lack of an organized filing system and a sufficient number of personnel trained in the filing system and the lack of systematic file maintenance reduces the assurance of TLC management that all records are properly retained.

Recommendations

The TLC should:

15. Establish a filing system and record management policy that will ensure that summons files are properly organized, stored, safeguarded, and preserved.

TLC Response: "ACCEPTED AND PARTIALLY IMPLEMENTED. The TLC has worked with the Department of Records and Information Services (DORIS) to develop a filing system and record management policy, which achieves these objectives. The TLC will implement audit recommendations to improve the system and reduce the possibility of documents being misfiled."

16. Train additional staff members in the filing system and records management procedures.

TLC Response: "ACCEPTED AND IMPLEMENTED. TLC has developed an ongoing program to cross-train staff and expand the number of adjudications personnel familiar with the summons filing system."

Lack of Written Policies and Procedures

We requested copies of the TLC's written policies and procedures for the collection of fines, cashier procedures, cash reconciliations, adjudication of summonses, data entry, record keeping, inventory, and reconciliation of blank summonses. The TLC provided us with procedures for the issuance of summonses and the administrative dismissal of summonses. However, we had to ascertain the procedures for the remaining (and other related) functions through interviews of various TLC officials and personnel because the TLC lacked written policies and procedures to address these functions.

Comptroller's Directive #1, *Internal Control Checklist*, states: "Control objectives are the objectives that management has set for various functions of the operating entity. Often these objectives are written in manuals and procedures, are required by laws and regulations or are just recognized as good operating practices necessary to accomplish the mission of the organization."

As previously discussed, we reviewed the agency's self assessment of its internal controls for Fiscal Year 2002, performed in compliance with Comptroller's Directive #1, *Internal Control Checklist*, and submitted to the Comptroller's Office. We noted that TLC indicated that its management policies were reflected in formal written operating procedures, that these procedures are communicated to the appropriate agency staff, and reviewed and updated as needed.

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 those tasks. They also provide an effective mechanism for training and evaluating the performance of staff in their duties. By failing to maintain written policies and procedures, TLC management has no assurance that policies and procedures are properly communicated and consistently followed. Also, there is no assurance that new personnel have adequate guidance in carrying out their assigned duties.

Recommendations

The TLC should:

17. Develop a comprehensive policies and procedures manual that addresses all internal processes and functions throughout the agency and distribute the manual to appropriate TLC departments and personnel.

TLC Response: "ACCEPTED AND PARTIALLY IMPLEMENTED. Standard operating procedures for critical agency functions are already being created and updated on a regular basis for many critical agency functions. TLC will continue to prepare such procedures in those areas where not presently exist, including some of the areas identified by the Comptroller."

18. Ensure that the policies and procedures manual be periodically reviewed and updated to reflect procedural changes.

TLC Response: "ACCEPTED AND PARTIALLY IMPLEMENTED. See response to Recommendation No. 17."

NEW YORK CITY
TAXI & LIMOUSINE
COMMISSION

40 Rector Street, New York, New York 10006

September 30, 2003

Greg Brooks
Deputy Comptroller, Policy, Audits, Accountancy and Contracts
Office of the Comptroller
One Centre Street
New York, NY 10007-2341

Re: **Audit Report No. MH02-182A**

Dear Mr. Brooks:

The Taxi and Limousine Commission (TLC) has reviewed the above-referenced draft audit report, dated September 10, 2003, and submits the attached response and implementation plan with respect to the eighteen (18) specific recommendations contained in the report.

As you know, the audit was commenced in April 2002 to review internal controls over the collection of summonses maintained by the TLC for Fiscal Year 2002. As part of this audit, the Comptroller's staff requested and analyzed data obtained from the TLC in both documentary and electronic formats. The audit team later requested and obtained access to the TLC mainframe database, known as the TAMIS system. The auditors visited each of the TLC facilities where summonses are adjudicated, interviewed key staff, and reviewed documents.

We are pleased with the report's conclusion that "TLC has adequate controls over the handling of cash at its adjudication centers." We further note that the report contains a number of recommendations concerning record keeping, data collection and entry, and the development of processes and procedures which the TLC has either already implemented or will implement in the future. With respect to the collection of outstanding fines, the response demonstrates that the TLC already has in place a solid procedure for the collection of fines owed by licensees, and since 1988 has collected nearly ninety-nine percent (99%) of the fines assessed against current licensees. The remainder of the outstanding debt is owed by persons not currently licensed by the TLC. Most of the debt is owed by persons never licensed by the TLC, for which the TLC has very limited information concerning their addresses and assets. While the audit report recommends that more aggressive measures be undertaken by the TLC against debtors, the TLC believes the audit team correctly acknowledges the difficulty in collecting much of this debt. In this response, we will describe the steps the TLC has undertaken to collect debt owed by non-licensees, as well as the initiatives that have been proposed by the current management team to address this issue.

I wish to thank the Comptroller and its audit team for the opportunity to respond to the draft audit report. The Taxi and Limousine Commission respectfully requests both this letter and the attached response to the specific audit recommendations be included in the final audit report.

Finally, we would like to address in this letter the allegation of "management abuse" set forth in the audit report. While not a specific audit recommendation, the auditors have stated that "TLC management has consistently failed to "address [prior] weaknesses and to take appropriate corrective action". Reference is made to the failure on the part of the TLC to implement specific recommendations contained in the Comptroller's 1993 and 1996 audit reports, as well as the TLC's failure to exercise adequate internal controls.

The first and foremost responsibility of the TLC is to ensure the public safety through the licensing and regulation of taxicabs, for-hire vehicles and their drivers. The agency's licensing, enforcement and adjudications divisions are responsible for establishing high standards of conduct on the part of licensees, and for ensuring that licensees provide safe, reliable, courteous service to the riding public. This includes taking steps necessary to ensure that licensees fulfill their responsibilities to pay fines assessed by the TLC whenever they are convicted of violating TLC rules. The TLC has had great success in ensuring that licensees pay their fines, using the enforcement tool of license suspension to achieve this result.

The Commission acknowledges that it has, over time, had limited success in collecting fines assessed against non-licensees, many of whom have not provided the TLC with accurate identifying and other information that could be used to collect this debt. Steps heretofore taken to collect fines imposed against individuals and entities that do not have TLC licenses have generally not worked. The lack of success in collecting such debt, while serious, does not constitute "management abuse" unless there is an unwillingness on the part of management to accept responsibility and make necessary programmatic changes.

TLC management has articulated in this response a workable plan to address this admittedly challenging issue. Management will continue to reform a number of processes in order to improve its collection efforts against non-licensees. Since the prior audit, there have been changes to the TLC's management team. TLC management is firmly committed to taking those steps, some of which are contained in the audit report recommendations, others of which have been initiated by the management team, to collect outstanding debt on behalf of the City. Such initiatives demonstrate that the TLC will be proactive in undertaking appropriate corrective action as recommended by the auditors. These initiatives are set forth in detail in the attached audit response.

Very truly yours,

Ira J. Goldstein
Chief of Staff

Attachment

The draft audit report contains eighteen (18) specific recommendations to enhance the operations of the Taxi and Limousine Commission. This attachment addresses each of these recommendations and sets forth the Commission's response and, where appropriate, implementation plan.

1. **Recommendation:** Improve and document controls to ensure that TLC licenses are not approved or renewed for applicants who have unpaid fines.

   TLC Response: ACCEPTED AND IMPLEMENTED. There are controls in place to ensure that licensees (whether individuals or businesses) with unpaid fines are not approved or renewed. The TLC licensing division reviews each renewal and checks the TLC's TAMIS records to ensure that licenses are not approved whenever the licensee has unpaid summonses. The TLC has reviewed the specific audit report findings and is confident that during Fiscal Year 2002, no base license renewals were approved where the base had unpaid summonses. As of February 3, 2003, only slightly more than one percent (1%) of the $97.3 million in fine revenue reported as uncollected was owed by current licensees. In each case, the license has been suspended and the licensee would not be permitted to renew upon expiration of the license unless the fines are paid or a motion to vacate the default is granted.

2. **Recommendation:** Reinstate its procedure that requires respondents to post cash bonds prior to hearings.

   TLC Response: NOT ACCEPTED. Prior to January 2003, a licensee was required to either post his/her license or a cash bond equal to the amount of the fine before being permitted to appear at a hearing. The cash bond was applied to any assessed fine and the excess was returned to the respondent. If the summons was dismissed, the entire cash bond was returned. The TLC discontinued this practice to improve efficiency, eliminate unnecessary cash transactions, and remove the perception of unfairness that collection of a fine before adjudication of a summons created. Inasmuch as the TLC maintains the power to suspend licenses for unpaid fines, there is a satisfactory procedure in place to collect fines from licensees, and the benefits of eliminating this policy outweigh its minimal effect on overall collections.

3. **Recommendation:** Develop and implement aggressive internal collection procedures.

   TLC Response: ACCEPTED IN PART. As noted in the response to audit recommendation No. 1, the TLC has effective procedures to collect fines against licensees. With respect to non-licensees who owe money to the Commission, the City will work through the Department of Finance to explore the feasibility of collecting outstanding amounts. In addition, the TLC is aggressively supporting legislation that would authorize the suspension of a DMV license or registration for unpaid TLC summonses. Legislation creating such authority was included in the TLC's legislative agenda for the past year. The TLC believes that such authority, similar to the authority already conferred upon the Parking Violations Bureau, will be effective in enabling the TLC to aggressively collect debt from persons and entities with no TLC license, but with a current driver's license or vehicle registration. While the TLC has not had success in using a private collection agency in the past (less than one-half of one percent of the debt turned over for collection in 1996 was recovered), the TLC agrees that its Office of Judgment Enforcement (OJE) is actively working to address this problem and to develop a more effective collections process.

The auditors and the TLC agree that much of the reported debt is old and that collection efforts will not be successful. As such, a write-off policy to remove most of this old debt from the TLC will be developed during this Fiscal Year, in consultation with the Comptroller's Office.

The report states that $97.3 million in fines were not collected. TLC records show that $76.4 million of the uncollected debt is held by persons who never had a TLC license. As the audit report findings indicate, in many cases, the TLC has limited information concerning these individuals (the only information on the system may be a driver's license or identification card obtained at the time of summons issuance). In most cases, these summonses were issued to drivers of unlicensed vehicles who did not own the vehicle they were operating, and have no known assets which can be attached to satisfy the summons amount.[1] Further, $19.7 million in uncollected fines were assessed against persons who had a TLC license when the fine was imposed. These licenses were suspended, and the respondents were not permitted to renew their licenses, consistent with TLC procedures. Finally, only $1.154 million is held by current licensees who are presently suspended. These individuals and entities will not be permitted to renew their licenses and will face additional penalties if they engage in for-hire activity while their licenses are suspended.

It is also necessary to point out that virtually all of the uncollected debt was assessed at inquest hearings in which the respondent failed to appear. A respondent, whether licensed by the TLC or not, has the right in such cases to move to vacate the default upon a showing of a valid, justifiable reason for failing to appear for the hearing. However, while the rules of the TLC require that such motions be made within 120 days of the default, where a respondent alleges a jurisdictional defect (e.g., that he/she was not properly served the summons), a motion to vacate the default can be made at any time. Until any such motion is made and adjudicated, the summons is not an account receivable.

[1] If the vehicle is not licensed by the TLC, it is seized. The vehicle is not released unless either (a) the summons is adjudicated and any fines assessed are paid; or (b) a bond is posted in an amount equal to the maximum fine amount that may be imposed.

4. **Recommendation:** Consider seeking legislative approval from the City Council for assessing monetary penalties and interest on licensee accounts that have outstanding fines and for the legal authority to place judgments against TLC licensees with unpaid fines.

   <u>TLC Response:</u> NOT ACCEPTED. There are already additional penalties imposed in accordance with TLC rules upon a default by a licensee. A more effective legislative solution, as described in the response to recommendation No. 3 and already implemented by the TLC, would be to seek amendments to the Vehicle and Traffic Law (VTL) that would authorize the suspension of DMV licenses and/or registrations for unpaid TLC summonses. The TLC was successful last year in introducing such legislation, which would have amended section 510 of the VTL to achieve this result. The bill passed the State Senate but did not pass the Assembly prior to the end of the legislative session.

5. **Recommendation:** Implement procedures to find and contact respondents by using resources available to the agency (such as DMV and other government records, telephone directories and other sources).

   <u>TLC Response:</u> ACCEPTED AND PARTIALLY IMPLEMENTED. The TLC already uses the DMV database to identify licensees. Obtaining current addresses for non-licensees owing fines will continue to be pursued as part of an overall collections program, which will include utilization of the DMV and other databases. The TLC already enters date of birth, driver's license and social security information into the TAMIS system for licensed drivers. Vehicle registration information is entered for licensed vehicle owners. In most cases, debt is owed by non-licensees. The TLC usually has limited information from such individuals; in many cases, non-licensees fail or refuse to submit any identifying information to the issuing officer.

6. **Recommendation:** Establish a cut-off period after which TLC management will no longer attempt to collect outstanding fines itself. Such outstanding amounts may then be turned over to a private collection agency.

   <u>TLC Response:</u> ACCEPTED IN PART. With respect to debt held by current licensees, the TLC believes there should be no write-off policy. However, the TLC will implement a write-off policy for debt held by non-licensees , and will again explore the use of a private collection agency to collect outstanding debt. In addition, the TLC will work through the Department of Finance to explore the feasibility of collecting outstanding amounts.

7. **Recommendation:** Comply with Comptroller's Directive #21 by developing procedures to report its accounts receivable balance monthly, identify or estimate

and write-off fines deemed uncollectible, and report its write-off procedures, along with any write-off amounts, to the Comptroller's Office.

TLC Response: ACCEPTED. The TLC will develop a write-off policy for non-licensee debt and submit it to the Comptroller's office as well as create regular reports of current accounts receivables from TAMIS records. These reports will be provided to TLC management as well as OJE. The TLC is happy to meet with the Bureau of Accountancy to ensure TLC compliance with the accounting for government-wide receivables procedures described in Directive No. 21.

8. **Recommendation:** Develop a monthly accounts receivable reporting component for TAMIS.

TLC Response: ACCEPTED IN PART. TLC agrees with this recommendation and will implement it in connection with the response to Audit Report Recommendation No. 7. The report should be generated on a regular basis; however, the TLC's Office of Judgment Enforcement (OJE) may request that it generate the report with a frequency other than monthly.

9. **Recommendation:** Augment the TAMIS database to flag accounts that are written-off and allow for the reinstatement of the write-off amount in the event payment is later obtained.

TLC Response: ACCEPTED. TLC agrees with this recommendation and will work with its MIS Unit as well as the Department of Information, Technology and Telecommunications (DoITT) to determine if it can be accomplished.

10. **Recommendation:** Identify and correct the data fields noted as having inadequate input controls or inadequate data validation checks to limit the entry of incorrect dates or license information.

TLC Response: ACCEPTED. The TLC will undertake the programming changes necessary to implement this recommendation.

11. **Recommendation:** Conduct a comprehensive review of the TAMIS database to identify necessary data tables and data fields, and remove or label unused data tables and data fields, and work with DoITT to eliminate unnecessary fields.

TLC Response: ACCEPTED. The TLC MIS Unit believes that these fields do not adversely impact upon TAMIS system operations; however, TLC will make these modifications to make the system more efficient and to remove redundant information. These changes are likely to be made as other program changes are made to the system.

12. **Recommendation:** Document the TAMIS system's technical specifications upon completion of the comprehensive system review and all corrections made so as to ensure that adequate documentation is available to identify system attributes, relationships, etc. This documentation should be updated with each program update and used for reference by the MIS department.

TLC Response: ACCEPTED AND PARTIALLY IMPLEMENTED. The TLC MIS Unit will continue the ongoing process of updating all reference materials related to the programming, use and modification of the TAMIS database system.

13. **Recommendation:** Periodically reconcile all summonses that are distributed to both TLC enforcement agents and NYPD Taxi and Bus Unit officers with the summonses entered on TAMIS and account for any differences.

TLC Response: ACCEPTED. The auditors agreed that the TLC has adequate controls for summonses distributed to its enforcement personnel, and maintains controls over summonses distributed to the NYPD. The TLC agrees to meet with NYPD to discuss its existing procedures to determine if revisions are warranted.

14. **Recommendation:** Meet with NYPD Taxi and Bus Unit officials to develop procedures to account for all TLC summonses distributed to the Unit, including summonses distributed to the NYPD but not returned to the TLC.

TLC Response: ACCEPTED. See response to Recommendation No. 13.

15. **Recommendation:** Establish a filing system and record management policy that will ensure that summons files are properly organized, stored, safeguarded, and preserved.

TLC Response: ACCEPTED AND PARTIALLY IMPLEMENTED. The TLC has worked with the Department of Records and Information Services (DORIS) to develop a filing system and record management policy which achieves these objectives. The TLC will implement audit recommendations to improve the system and reduce the possibility of documents being misfiled.

16. **Recommendation:** Train additional staff members in the filing system and records management procedures.

TLC Response: ACCEPTED AND IMPLEMENTED. TLC has developed an ongoing program to cross-train staff and expand the number of adjudications personnel familiar with the summons filing system.

17. **Recommendation:** Develop a comprehensive policies and procedures manual that addresses all internal processes and functions throughout the agency and distribute the manual to appropriate TLC departments and personnel.

<u>TLC Response:</u> ACCEPTED AND PARTIALLY IMPLEMENTED. Standard operating procedures for critical agency functions are already being created and updated on a regular basis for many critical agency functions. TLC will continue to prepare such procedures in those areas where none presently exist, including some of the areas identified by the Comptroller.

18. **Recommendation:** Ensure that the policies and procedures manual be periodically reviewed and updated to reflect procedural changes.

    <u>TLC Response:</u> ACCEPTED AND PARTIALLY IMPLEMENTED. See response to Recommendation No. 17.