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Report of the Office of Inspector General:

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Joseph M. Ferguson Inspector General

OFFICE OF INSPECTOR GENERAL

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November 23, 2015

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its March 2015 audit of the Department of Business Affairs and Consumer Protection's (BACP) administration of taxicab regulations in 2013. OIG concludes that BACP has implemented corrective actions related to three of the original four audit findings. Corrective action on the remaining finding remains premature because BACP has yet to take final action on medallion sales from the 2013 auction even though the bidding closed over 2 years ago. OIG is unable to verify full compliance with all applicable rules and regulations of the auction process until all sales are finalized.

The purpose of the March 2015 audit was to determine if BACP had an auction process that satisfied MCC § 9-112-480, inspected all taxicabs at least as often as required by MCC § 9-112-050, and accurately tracked whether taxicabs found to have safety violations were brought in for inspection in a timely manner. Our audit found that BACP,

- designed and implemented an auction process that should result in maximum revenue; however, OIG could not fully verify this because BACP had yet to finalize the 2013 medallion auction;
- inspected 99.5% of taxicabs in 2013 at least as often as required by the Municipal Code;
- did not employ inspection quality assurance best practices and did not conduct all brake tests in accordance with the standards of its Public Vehicle Safety Inspection Guide; and
- did not reliably track evidence of compliance with the two-day inspection reporting requirement following issuance of a Notification of Inspection.

Based upon the results of our audit, we recommended that BACP,

- take action to ensure that it can account for all required taxicab inspections either by completing the inspections or taking enforcement action against all noncompliant vehicles;
- implement procedures to provide reasonable assurance that it is completing inspections accurately;

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- repair or replace the broken brake machine at the Public Vehicle Facility (PV Facility) in order to complete inspections according to its Public Vehicle Safety Inspection Guide or revise the Guide to specify brake test procedures in the absence of the machine; and
- develop a process to ensure that all Notifications of Inspection are submitted to the PV Facility and entered in a timely manner, and that the issue date of the Notification is recorded to ensure that taxicabs do not exceed the two-day inspection deadline.

In September 2015, OIG inquired with BACP regarding the status of the corrective actions the Department had committed to taking in response to OIG's recommendations, as well as any other actions to address the concerns raised in the audit. We have summarized the four original audit findings, recommendations, and status of corrective actions below.

Based on BACP's follow-up response, we conclude that BACP has implemented all the corrective actions that it had committed to in response to the original audit, including making revisions to its Public Vehicle Inspection Guide to specify the visual and manual brake test procedures used in place of the brake machine. It should be noted that the 2013 medallion auction has yet to be finalized. The Department has stated that it would notify OIG once the auction has been finalized.

We thank the staff and leadership of BACP for their cooperation during the original audit and responsiveness to our follow-up inquiries.

Respectfully,
Joseph M. Ferguson Inspector
General City of Chicago

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OIG File# 15-0475
Taxicab Regulatory Compliance Inquiry

Follow-Up Results

In September 2015, OIG followed up on a March 2015 audit of Taxicab Regulatory Compliance.¹ BACP responded by describing the corrective actions it has taken since receiving the original audit and provided supporting documentation. We have summarized the four original findings, the associated recommendations, and the status of the Department's corrective actions below. OIG's follow-up inquiry did not observe or test implementation of the new procedures and thus makes no determination as to their effectiveness, which would require a new audit with a full examination of the procedures.

OIG uses four categories for Status of Corrective Action:

- Implemented - The department has implemented actions that may reasonably be expected to resolve the core findings/concerns noted in the original audit.
- Partially Implemented - The department has implemented actions in response to the audit but the actions do not fully address the findings/concerns raised in the original report.
- Pending Implementation - The department has initiated action plans that, if fully implemented, may reasonably be expected to resolve the core findings of the original audit. However, the department has not completed implementation.
- Not Implemented - The department has not initiated or implemented any actions responsive to OIG's findings.

Finding 1: **BACP designed and implemented an auction process that should result in maximum revenue; however, OIG could not fully verify this**

because BACP has yet to finalize the 2013 medallion auction.

OIG Recommendation: This finding did not identify concerns for correction, therefore we made no recommendation related to BACP's auction process. However, while OIG confirmed that BACP had designed and implemented a medallion auction process that should result in maximum revenue, we could not fully verify this because BACP had not finalized the auction.

Status of Corrective Action: There is no corrective action status that can be reported at this time. As of October 22, 2015 BACP had yet to take final action on the October 2013 medallion auction for which bidding closed over two years ago. BACP stated that it will notify the OIG when the auction is finalized.

' The audit report is available on the OIG website:
<http://chicagoinspector.kenel.org/wp-content/uploads/2015/03/BACP-Taxicab-Medallion-Auction-and-Inspections->

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Finding 2: **In 2013, BACP inspected 99.5% of taxicabs at least as often as required by the Municipal Code.**

OIG Recommendation: BACP should take action to ensure that it can account for all required taxicab inspections either by completing the inspections or taking enforcement action against all noncompliant vehicles. This may include identifying and closing any gaps in its processes and recordkeeping.

Status of Corrective Action: Implemented. BACP stated that it found that the majority of the noncompliance issues were caused by data entry delays or errors (incorrect classifications and/or inspection dates). BACP stated that they have updated protocols and trained staff on those updates to reduce the number of data entry errors. In addition, BACP created a weekly internal audit process in which Supervisors of Public Vehicle Inspectors are directed to review a "Taxicab Inspection Past Due" report listing all vehicles with past due inspection dates. Supervisors are expected to use this report to update the inspection results and vehicle status in the system.

Finding 3: **BACP did not employ inspection quality assurance best practices and did not conduct all brake tests in accordance with the standards of its Public Vehicle Safety Inspection Guide.**

OIG Recommendation: BACP should implement procedures to provide reasonable assurance that it is completing inspections accurately. The Department should

consider quality assurance procedures that are cost-effective and feasible for its operations, which may include covert or overt audits used in other jurisdictions. In addition, BACP should repair or replace the broken brake machine at the PV Facility in order to complete inspections according to its Public Vehicle Safety Inspection Guide or revise the Guide to specify brake test procedures in the absence of the machine.

Status of Corrective Action: Implemented. On March 17, 2015, BACP issued a memo establishing an overt audit program through which a supervisor shadows one inspection by each inspector once a month and evaluates the inspector's performance. In addition, BACP revised the Public Vehicle Inspection Guide to specify the visual and manual brake test procedures used in place of the brake machine.

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Taxicab Regulatory Compliance Inquiry

November 23, 2015

BACP posted the updated Public Vehicle Inspection Guide to its website on October 21, 2015.²

Finding 4: **BACP did not reliably track evidence of compliance with the two-day inspection reporting requirement following issuance of a Notification of Inspection.**

OIG Recommendation: BACP should develop a process to ensure that all Notifications of Inspection are submitted to the PV Facility and entered in a timely manner and that the issue date of the Notification is recorded to ensure that taxicabs do not exceed the two-day inspection deadline. Documenting the issue date will allow the Department to identify taxicabs that have not reported for required inspections with greater certainty and to take timely enforcement action.

Status of Corrective Action: Implemented. Prior to completion of the original audit, BACP began requiring BACP field investigators to submit Notifications of Inspection by e-mail rather than inter-office mail in order to improve the timeliness of transmission. In response to the audit, BACP committed to reviewing available technologies such as SharePoint to determine if there may be more effective methods for timely reporting of Notifications of Inspections to the PV Facility. In response to this follow-up inquiry, BACP stated that it reviewed other technologies and determined that timely e-mail transmission coupled with use of the "Taxicab Inspection Past Due" report described in Finding 2 above is "the most efficient method currently available and the best fit for the operational need" but that it would "consider whether other technology options may be appropriate as technology resources evolve."

² City of Chicago, BACP, "Public Vehicle Inspection Guide," October 21, 2015, accessed October 28, 2015, <<http://www.cityofchicago.org/content/dam/city/clepts/bacp/publicvehicleinfo/medallionowners/PublicVehicleInspectionGuide10212015.pdf>>

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City of Chicago Office of Inspector General

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Mission

The City of Chicago Office of Inspector General (OIG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

- administrative and criminal investigations;
- audits of City programs and operations; and
- reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings and disciplinary and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose, and eliminate waste, inefficiency,

misconduct, fraud, corruption, and abuse of public authority and resources.

Authority

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.