

OFFICE OF
CONTROLLER

200 N. MAIN STREET, RM 300
LOS ANGELES 90012
(213) 978-7200
www.lacity.org/ctr

June 1, 2009

Ms. Gina Marie Lindsey, Executive Director
Los Angeles World Airports
#1 World Way
Los Angeles, CA 90045-5803

Dear Ms. Lindsey:

SUBJECT: EVALUATION OF STATUS OF RECOMMENDATIONS – AUDIT OF THE CITY’S CONTRACT WITH AUTHORIZED TAXICAB SUPERVISION, INC.

In connection with our January 17, 2007 Audit of the City’s Contract With Authorized Taxicab Supervision, Inc., your status report based on a Follow-up Audit conducted by LAWA staff dated April 15, 2009, indicates that you have implemented five recommendations, partially implemented three recommendations, and that the seven remaining recommendations are “in progress.” However, based on our review of the documentation submitted by your Department, we consider nine recommendations as not yet implemented. Please see the attached matrix for additional details.

Many of the underlying issues that resulted in our audit findings were to be resolved through a new negotiated contract; however, the ATS contract and its general operations remain relatively unchanged since our original review. We understand that a new competitive process for the management of taxicab operations at LAX is currently underway, and that proposals are expected in June. Therefore, it is expected that these issues will be more fully addressed when a new agreement is executed.

Our evaluation was limited to a review of the documentation submitted by your Department and was designed to provide reasonable assurance as to the accuracy of your Department’s reported status of the recommendations. The results of our evaluation may have been different if we had applied more extensive procedures, such as detailed audit tests.



Gina Marie Lindsey
June 1, 2009
Page 2 of 2

If you have any questions, please contact Farid Saffar, Director of Auditing at (213) 978-7392.

Sincerely,

A handwritten signature in black ink, appearing to read "Rushmore D. Cervantes". The signature is fluid and cursive, with a large initial "R" and "D".

RUSHMORE D. CERVANTES
Acting City Controller

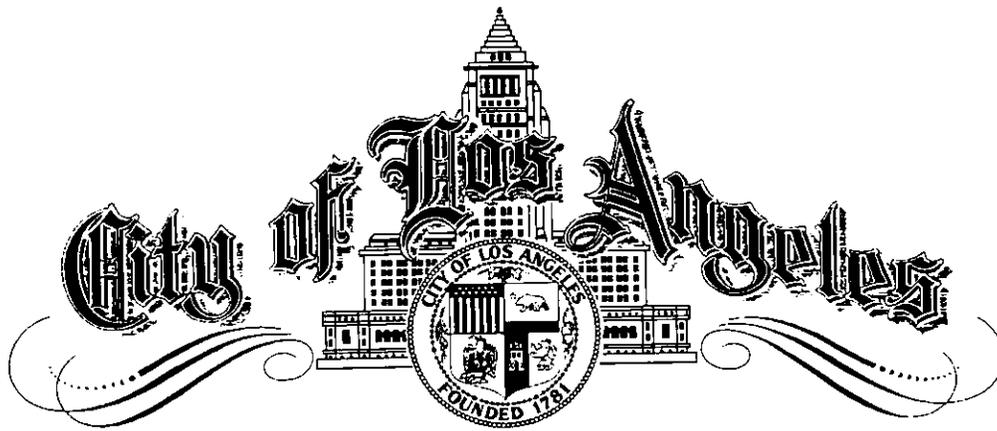
Attachment

Office of the Controller
Internal Audit Division
Evaluation of LAWA's Implementation Status of the ATS Recommendations

Finding No.	Findings	Rec. No.	Recommendations	Per LAWA Internal Audit Implementation Status	Controller's Evaluation of Implementation Status
1	Automation of the cashing and intake function would improve operations and reduce costs.	1	LAWA management should consider requiring: Using tokens or other non-cash method for taxicab drivers to remit payment of the LAX surcharge.	In Progress	Not Implemented. Taxicab drivers continue to submit cash to ATS employees standing in the taxicab holding lot.
		2	Automation of the holding lot functions including collections and booth operations, to increase efficiency and reduce costs.	In Progress	Not Implemented. Holding lot functions, including collections and booth operations, have not been automated.
2	The Agreement should focus more on standards pertaining to performance delivery.	3	When renegotiating the contract for taxicab supervision, LAWA management should base contract specification requirements on desired outcomes (e.g., standards for lot cleanliness, dispatch response times, etc.) rather than defining the number of staff, thereby allowing the contractor additional flexibility and control to effectively manage costs, while adhering to performance standards.	In Progress	Not Implemented LAWA has not renegotiated the contract for taxicab supervision
		4	Identify which duties are specifically desired and required by the contractor and include them in the contract.	In Progress	In Progress. LAWA has identified duties, but has not incorporated them in the contract.
3	Sole source contract may not be in the City's best interest.	5	When renegotiating the contract for taxicab supervision, LAWA should consider conducting a competitive process to: promote effectiveness through innovation, maximize the City's retention of the revenue, and/or consider altering the payment structure.	In Progress	In Progress. An initial RFP was released in May 2007, however, the Board of Airport Commissioners (BOAC) rejected all proposals in April 2008. In March 2009, BOAC authorized the release of a new RFP structured as a concession agreement. Proposals are due in June 2009.
4	LAWA did not provide adequate oversight of ATS to ensure compliance with the Operating Agreement. a) No Review of Financial Records b) Expiration of Land Lease Unapproved Sub-Lease Resulted in Additional Revenue to ATS c) d) Incomplete Documentation of Disciplinary Hearings	6	LAWA should improve its oversight of the contracted taxicab supervision function, to ensure compliance with the Agreement and to ensure that the contractor's actions are in the best interest of the City.	Partially Implemented	Not Implemented. LAWA has not sufficiently improved its oversight of ATS.
		7	LAWA should immediately execute a land lease agreement with ATS, and require proper written authorization for related sub-lease with catering truck operator.	Partially Implemented	Not Implemented. LAWA has not executed a land lease with ATS
5	LAWA has not independently verified the count of taxicab trips used to calculate the amount of fees dues.	8	LAWA should pursue integrating the physical and electronic systems to control commercial vehicle access, and to better ensure that AVI provides an accurate count of taxicabs entering LAX arrival areas.	Implemented	Not Implemented LAWA has not integrated the physical and electronic systems to control commercial vehicle access.

Office of the Controller
Internal Audit Division
Evaluation of LAWA's Implementation Status of the ATS Recommendations

Finding No.	Findings	Rec. No.	Recommendations	Per LAWA Internal Audit Implementation Status	Controller's Evaluation of Implementation Status
		9	Unless and until the AVI system can be relied upon to provide an accurate count of taxicabs entering LAX, LAWA should require ATS to provide an electronic file of Trip Record serial numbers, which should be reconciled to the fee remittance data provided.	Implemented	Not Implemented. LAWA has not required ATS to provide an electronic data file of all Trip Record and a monthly reconciliation of that data file with the fees remitted to LAWA
6	Some ATS expenditures are disproportionately excessive and are not adequately supported to justify their reasonableness.	10	LAWA should require ATS to maintain adequate support for all expenditures, and ensure that financial information is consistently recorded and accurately reported.	Partially Implemented	Not Implemented. LAWA conducts no detailed fiscal review of ATS expenditures, but plans to revise the financial terms of the contract through a new competitively selected concession agreement
		11	LAWA should review ATS costs for reasonableness, as compared to the fee revenue received, and consider altering the fee structure and/or letting a competitive selection process to maximize program effectiveness while minimizing the cost to City and/or ratepayers.	In Progress	Not Implemented. LAWA conducts no detailed fiscal review of ATS expenditures, but plans to revise the financial terms of the contract through a new competitively selected concession agreement.
7	ATS is not appropriately reporting work-related injuries.	12	LAWA should require ATS to comply with all State requirements regarding workers compensation regulations.	Implemented	Implemented. Based on LAWA internal audit review.
		13	LAWA should ensure all contractors operating on City property prioritize safe workplace practices to the maximum extent possible.	In Progress	In Progress. LAWA has included a requirement in the RFP for taxicab management services for the development of a cashless fee collection system, which should eliminate many safety concerns in the holding lot. However, the RFP is in its early stage.
8	ATS spent approximately \$27,000 annually in unsupported cash payments to its Board of Directors.	14	LAWA should require ATS to comply with State and federal law regarding all current and past cash payments made to Board members.	Implemented	Partially Implemented. Although ATS discontinued the cash payments to its board, ATS has not addressed the past cash payments by either issuing 1099 to the board or submitting certification from the taxicab companies that they did receive the cash payments and were reported in their corporate tax returns.
		15	LAWA should require ATS to make all properly authorized payments by check, and be supported through appropriate documentation.	Implemented	Implemented. Based on LAWA internal audit review.



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LAURA N. CHICK
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November 15, 2007

Ms. Gina Marie Lindsey, Executive Director
Los Angeles World Airport
1 World Way
Los Angeles, CA 90045

Dear Ms. Lindsey:

**SUBJECT: EVALUATION OF STATUS OF RECOMMENDATIONS –
AUDIT OF THE CITY'S CONTRACT WITH AUTHORIZED TAXICAB
SUPERVISION, INC.**

In connection with our January 17, 2007 Audit of the City's Contract with Authorized Taxicab Supervision, Inc., we have performed a desk review of the documentation submitted by your Department to support your reported status of recommendations implemented to date.

Your most recent status report indicates that nine recommendations have been implemented and six are partially implemented. Based on our desk review of the documentation, we accept these statuses (see attachment).

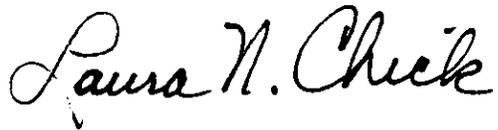
Our evaluation was limited to a review of the documentation submitted by your Department and was only designed to provide reasonable assurances as to the accuracy of your Department's reported status of the recommendations. The results of our evaluation may have been different if we had applied more extensive procedures, such as detailed audit tests.

The Controller's Office will follow up with your Department in approximately six months regarding the status of the partially implemented recommendations.

Ms Gina Marie Lindsey, Executive Director
November 15, 2007
Page 2

If you have any questions, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

LAURA N. CHICK
City Controller

Attachment

cc: Honorable José Huizar, Councilmember
Board of Airport Commissioners

**CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE**

DATE: August 13, 2007

TO: Laura N. Chick, City Controller

FROM: Gina Marie Lindsey, Executive Director
Los Angeles World Airports

**SUBJECT: STATUS OF RECOMMENDATIONS – AUDIT OF THE CITY'S
CONTRACT WITH AUTHORIZED TAXICAB SUPERVISION, INC.**

Attached is Los Angeles World Airports' (LAWA) response to the "List of Audit Findings" for the Controller's Audit of Authorized Taxicab Supervision (ATS). As demonstrated by the information contained herein, LAWA has embraced the audit and moved forward to implement the recommendations.

In addition to the list of audit findings and recommendations document, I have attached supporting documentation demonstrating our commitment to fully comply with the audit's recommendations. Specifically, the attachments provide evidence for the close oversight of ATS by LAWA staff, the competitive Request for Proposal (RFP) process for taxicab management services that is well under way, and our efforts to ensure ATS' compliance with applicable laws regarding safety, workers compensation, etc.

LAWA anticipates holding competitive interviews in September 2007 and having a new contract in place by the end of this calendar year. If you have any questions regarding this response please contact Michael P. Biagi, Chief, Landside Operations Division at (310) 646-8425.

GML:PAH:MPB

Attachments

2007 AUG 16 PM 3:49
LOS ANGELES CITY CONTROLLER

OFFICE OF THE CONTROLLER AUDITING DIVISION
 LIST OF AUDIT FINDINGS AND RECOMMENDATIONS

Department:
 Title of Audit Report:
 Date of Report:

Los Angeles World Airports
 Audit of the City's Contract with Authorized Taxicab Supervision, Inc.
 January 17, 2007

Finding Number	Description of Finding	Rec. No.	Recommendations	Current Status	Auditee's Response
Section I					
1	Automation of the cashiering and intake function would improve operations and reduce costs.	1 & 2	LAWA management should consider requiring: 1) Using tokens or other non-cash method for taxicab drivers to remit payment of the LAX surcharge. 2) Automation of the holding lot functions including collections and booth operations, to increase efficiency and reduce costs.	PI	LAWA will require use of a non-cash fare media as part of an RFP that is under development. Research for the RFP has included a thorough evaluation of a variety of available solutions. LAWA staff visited SFO to examine their recently installed system. The new cash-free fare collection will be implemented with input from the vendor selected to manage taxicabs at LAX as part of the competitive process currently underway.
2	The Agreement should focus more on standards pertaining to performance delivery. a) Agreement does not require ATS to assess staffing level based on service needs. b) Bandit Officers perform additional duties not specified in Agreement.	3 & 4	When negotiating the contract for taxicab supervision, LAWA management should: 3) Base contract specification requirements on desired outcomes (e.g., standards for lot cleanliness, dispatch response times, etc.) rather than defining the number of staff, thereby allowing the contractor additional flexibility and control to effectively manage costs, while adhering to performance standards. 4) Identify which duties are specifically desired and required by the contractor and include them in the contract.	PI	The RFP was released May 18, 2007 and includes performance standards. (See Attachment 1) It also describes and specifies desired outcomes and gives vendors latitude to propose ways and means to achieve said outcomes. LAWA will negotiate terms of the contract with the successful proposer.
Section II					
3	Sole source contract may not be in the City's best interest.	5	When renegotiating the contract for taxicab supervision, LAWA should consider conducting a competitive process to: promote effectiveness through innovation, maximize the City's retention of fee revenue, and/or consider altering the payment structure.	I	The RFP was released May 18, 2007. LAWA received four proposals on July 3, 2007. In negotiating with the successful vendor, LAWA will ensure that this competitive selection process will result in the implementation of best practices for taxicab management and in the receipt of additional revenue to LAWA.

OFFICE OF THE CONTROLLER AUDITING DIVISION
LIST OF AUDIT FINDINGS AND RECOMMENDATIONS

Department:
Title of Audit Report:
Date of Report:

Los Angeles World Airports
Audit of the City's Contract with Authorized Taxicab Supervision, Inc.
January 17, 2007

Finding Number	Description of Finding	Rec. No.	Recommendations	Current Status	Auditee's Response
	Section III				
4	LAWA did not provide adequate oversight of ATS to ensure compliance with the Operating Agreement. a) No review of financial records. b) Expiration of land lease. c) Unapproved sub-lease resulted in additional revenue to ATS. d) Incomplete documentation of disciplinary hearings.	6	LAWA should improve its oversight of the contracted taxicab supervision function, to ensure compliance with the Agreement and to ensure that the contractor's actions are in the best interest of the City.	I	LAWA has implemented this recommendation by specifically tasking one staff member with oversight of ATS as a primary responsibility. Bi-weekly meetings are held with the operator (See Attachment 2), frequent, unannounced field inspections are conducted and the disciplinary process has completely revamped as part of the new RFP.
		7	LAWA should immediately execute a land lease agreement with ATS, and require proper written authorization for related sub-lease with catering truck operator.	PI	The land lease was included in the RFP and will be required as part of the new operating agreement. The RFP requires all fees paid by the catering truck operator be remitted to LAWA.
5	LAWA has not independently verified the count of taxicab trips used to calculate the amount of fees due.	8	LAWA should pursue integrating the physical and electronic systems to control commercial vehicle access, and to better ensure that AVI provides an accurate count of taxicabs entering LAX arrival areas.	PI	LAWA is in the process of upgrading the AVI/Gatekeeper system at LAX which should be complete by the end of September. This will result in a more accurate count of taxicab trips.
		9	Unless and until the AVI system can be relied upon to provide an accurate count of taxicabs entering LAX, LAWA should require ATS to provide an electronic file of Trip Record serial numbers, which should be reconciled to the fee remittance data provided.	I	ATS is required to provide (and has been providing) trip records on a monthly basis (See Attachment 3). These records are reviewed by LAWA staff to reconcile fees collected.

OFFICE OF THE CONTROLLER AUDITING DIVISION
 LIST OF AUDIT FINDINGS AND RECOMMENDATIONS

Department:
 Title of Audit Report:
 Date of Report:

Los Angeles World Airports
 Audit of the City's Contract with Authorized Taxicab Supervision, Inc.
 January 17, 2007

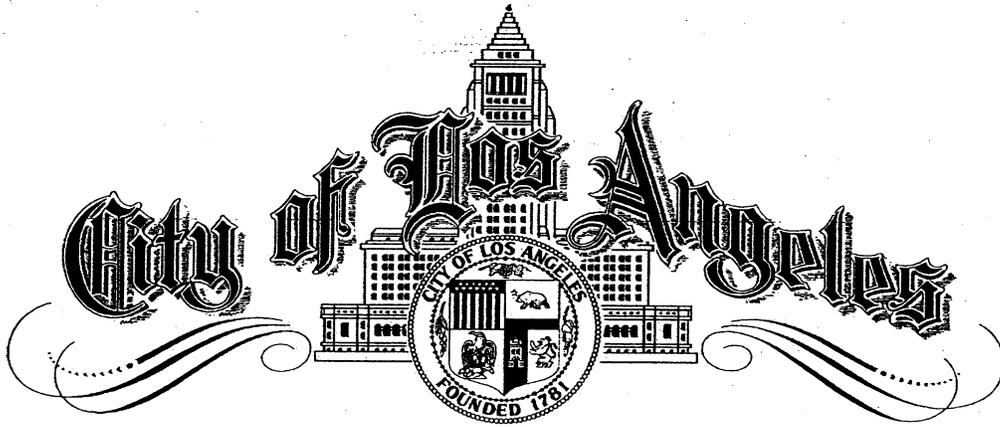
Finding Number	Description of Finding	Rec. No.	Recommendations	Current Status	Auditee's Response
Section IV					
6	Some ATS expenditures are disproportionately excessive and are not adequately supported to justify their reasonableness.	10	LAWA should require ATS to maintain adequate support for all expenditures, and ensure that financial information is consistently recorded and accurately reported.	I	Under the existing contract, LAWA staff receives and reviews annual financial reports from ATS and evaluates the appropriateness of expenditures. The new contract will further ensure that costs to the City are minimized. Furthermore, the new performance-based contract that will be executed as a result of the RFP process is expected to give LAWA the ability to provide incentives to the selected vendor for outstanding performance and penalize the vendor for failure to meet standards.
		11	LAWA should review ATS costs for reasonableness, as compared to the fee revenue received, and consider altering the fee structure and/or letting a competitive selection process to maximize program effectiveness while minimizing the cost to City and/or ratepayers.	I	The RFP was released on May 18, 2007. The fee structure going forward will be negotiated with the selected vendor to ensure the maximum return to LAWA.
7	ATS is not appropriately reporting work-related injuries.	12	LAWA should require ATS to comply with all State requirements regarding workers compensation regulations.	I	LAWA sent correspondence to ATS dated January 30, 2007 requiring this. (See Attachment 4) To date there have been no incidents.
		13	LAWA should ensure all contractors operating on City property prioritize safe workplace practices to the maximum extent possible.	I	LAWA sent correspondence to ATS dated January 30, 2007 requiring this. (See Attachment 4) The major finding related to safety was the collection of cash in the taxi holding lot. This will be corrected when the automated fare collection system is implemented.

OFFICE OF THE CONTROLLER AUDITING DIVISION
 LIST OF AUDIT FINDINGS AND RECOMMENDATIONS

Department: Los Angeles World Airports
 Title of Audit Report: Audit of the City's Contract with Authorized Taxicab Supervision, Inc.
 Date of Report: January 17, 2007

Finding Number	Description of Finding	Rec. No.	Recommendations	Current Status	Auditee's Response
8	ATS spent approximately \$27,000 annually in unsupported cash payments to its Board of Directors.	14	LAWA should require ATS to comply with State and federal law regarding all current and past cash payments made to Board members.	I	LAWA sent correspondence to ATS dated January 30, 2007 requiring this. (See Attachment 4) ATS agreed to discontinue this practice in January 2007. (Attachment 5)
		15	LAWA should require ATS to make all properly authorized payments by check, and be supported through appropriate documentation.	I	LAWA sent correspondence to ATS dated January 30, 2007 requiring this and ATS discontinued this practice in January 2007 (Attachment 5).

I - Implemented
 PI - Partially Implemented or In Progress
 NI- Not Implemented
 D - Disagree



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LAURA N. CHICK
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www.lacity.org/ctr

February 23, 2007

Samson Mengistu, Acting Executive Director
Los Angeles World Airports
1 World Way
Los Angeles, CA 90045

Dear Mr. Mengistu:

**SUBJECT: EVALUATION OF LAWA'S RESPONSE TO THE CONTROLLER'S
AUDIT OF THE CITY'S CONTRACT WITH AUTHORIZED TAXICAB
SUPERVISION, INC.**

My Audit Division evaluated your February 13, 2007 response to the report entitled "Audit of the City's Contract with Authorized Taxicab Supervision, Inc." I am pleased to note that the Department has developed an action plan to address each of the 15 recommendations. However, please clarify your planned actions related to the two recommendations noted below:

Recommendation 6

LAWA management should improve its oversight of the contracted taxicab supervision function, to ensure compliance with the Agreement and to ensure that the contractor's actions are in the best interest of the City.

Your response indicates that existing LAWA staff will develop guidelines for use in monitoring ATS. *Please provide a target implementation date for developing these guidelines.*

Recommendation 14

LAWA management should require ATS to comply with State and federal law regarding all current and past cash payments made to Board members.

Your response indicates that you have notified ATS to discontinue cash payments, however, it does not address the issue of requiring ATS to provide information returns

Samson Mengistu, Acting Executive Director

February 23, 2007

Page 2

(1099- MISC) to individuals for past payments. *Please provide additional information on how you will ensure ATS complies with State and federal law regarding past payments to Board members.*

Please provide clarifying information for these issues to my Office by March 16, 2007. My audit staff may conduct follow-up activities to ensure that actions taken, as detailed in your action plan, are fully implemented. If you have any questions or comments, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,



LAURA N. CHICK

City Controller

cc: The Honorable Antonio R. Villaraigosa, Mayor
The Honorable Rockard J. Delgadillo, City Attorney
Robin Kramer, Chief of Staff, Office of the Mayor
Marcus Allen, Deputy Chief of Staff, Office of the Mayor
Jimmy Blackman, Deputy Chief of Staff, Office of the Mayor
Jaime de la Vega, Deputy Mayor, Office of the Mayor
Honorable Members of the City Council
Karen L. Sisson, Acting City Administrative Officer
Frank T. Martinez, City Clerk
Gerry Miller, Chief Legislative Analyst
Board of Airport Commissioners