ISSUED: August 29, 2005 **AR-06-26-05**

THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL

AUDIT REPORT

AUDIT OF THE OPERATIONS OF THE TAXICAB DIVISION

ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO THE OFFICE OF THE VIRGIN ISLANDS INSPECTOR GENERAL BY:

Calling:	**Sending Written Documents to:**
(340) 774-3388	**Office of the Virgin Islands Inspector General** **2315 Kronprindsens Gade No. 75** **St. Thomas, Virgin Islands 00802**
Web Site:	**E-Mail:**
www.viig.org	**taskforce@viig.org**

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE V. I. INSPECTOR GENERAL
2315 Kronprindsens Gade #75, Charlotte Amalie, St. Thomas, V.I. 00802-6468

STEVEN VAN BEVERHOUDT
V.I. INSPECTOR GENERAL

Tel: (340) 774-3388
Fax: (340) 774-6431

EXECUTIVE SUMMARY

The following summarizes the major findings resulting from the Audit of the Operations of the Taxicab Division (AR-06-26-05).

Finding 1: Medallion Registry (pages 4 to 7)

✓ The Medallion Registries were not regularly updated to accurately reflect transactions relating to medallions and license plates.

✓ The Taxicab Division does not know the location of thirteen (13) medallions.

✓ Unused license plates were not safeguarded to prevent their unauthorized use.

Finding 2: Biannual Inspections (pages 8 to 9)

✓ The Taxicab Division did not enforce the provision of the Virgin Islands Code that requires taxicab operators to have their vehicles inspected biannually.

✓ As much as $30,000 in fees were lost annually due to the failure of the Taxicab Division to perform the vehicle inspections.

Finding 3: Enforcement (pages 10 to 12)

✓ The Enforcement Section is understaffed, resulting in the Taxicab Division not being able to ensure that taxicab operators are adhering to the taxicab laws.

✓ Issued citations are being voided before fees and penalties are paid by the violating taxicab operators.

Finding 4: Fund Disbursements (pages 13 to 14)

✓ The Taxicab Division violated the Virgin Islands Code by using the Taxicab Fund to pay for expenses not related to the operations of the Division.

✓ As much as $25,000 was disbursed for non-Division expenses.

✓ The Taxicab Division paid $6,901 to repair a vehicle that was damaged by a former employee who was using the vehicle for nonofficial business.

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE V. I. INSPECTOR GENERAL
No. 75 Kronprindsens Gade, Charlotte Amalie, St. Thomas, V.I. 00802

STEVEN VAN BEVERHOUDT
V.I. INSPECTOR GENERAL

Tel: (340) 774-3388
Fax: (340) 774-6431

August 29, 2005

Honorable Charles W. Turnbull
Governor of the Virgin Islands
No. 21 Kongens Gade
St. Thomas, Virgin Islands 00802

Honorable Lorraine L. Berry
President
26th Legislature
Capitol Building
St. Thomas, Virgin Islands 00802

Dear Governor Turnbull and Senator Berry:

Attached is our final report on the operations of the Taxicab Division.

We found that the Division: (i) did not regularly update the Registries (St. Thomas, St. John and St. Croix) with the kind of information that accurately reflects ongoing transactions relating to medallions and license plates; (ii) did not safeguard unissued license plates nor have a complete accounting of all medallions issued or in inventory; (iii) did not enforce the law that requires taxicab operators to have their vehicles inspected biannually as required by the Code; (iv) did not equip the Enforcement Section with staffing resources that would enable it to adequately attend to many of the breaches of the taxicab laws; and, (v) disbursed funds that were for the general operations of Licensing and not exclusively for the operations of the Division.

As a result, the Division: (i) does not have complete and current information on taxicab operators in the Virgin Islands; (ii) does not know the location of thirteen (13) medallions; (iii) is not collecting the maximum potential revenues allowed by law; (iv) is not effectively ensuring that breaches of the taxicab laws are appropriately dealt with; and, (v) is violating the Code by using Division funds for non-Division expenditures.

The Commissioner of the Department of Licensing and Consumer Affairs in his July 26, 2005 responses indicated general agreement with the recommendations made in the report. His response is included as Appendix I beginning on page 15.

If you or your staff require additional information, please call me at 774-6426.

Sincerely,

Steven van Beverhoudt, CFE, CGFM
V. I. Inspector General

TABLE OF CONTENTS

Page

INTRODUCTION

Background 1

Objectives, Scope and Methodology 1

Prior Audit Coverage 2

AUDIT RESULTS

Conclusions 3

Finding 1: Medallion Registry 4
- Background 4
- Medallion Owner Files 4
- Safeguarding Inventories 5
- Reconciliation 5
- Recommendations 6
- Department of Licensing and Consumer Affairs's Response 7
- V. I. Inspector General's Comments 7

Finding 2: Biannual Inspections 8
- Background 8
- Biannual Inspection Fees 8
- Opposition to Biannual Inspection Provision 8
- Recommendation 9
- Department of Licensing and Consumer Affairs's Response 9
- V. I. Inspector General's Comments 9

Finding 3: Enforcement 10
- Background 10
- Voided Citations 10
- Penalty Payments 11
- Recommendations 12
- Department of Licensing and Consumer Affairs's Response 12
- V. I. Inspector General's Comments 12

TABLE OF CONTENTS

Page

Finding 4: Fund Disbursements 13
Background 13
Cellular Phones 13
Utility Expenses 13
Vehicle Repairs 13
Recommendations 14
Department of Licensing and Consumer Affairs's Response 14
V. I. Inspector General's Comments 14

APPENDICES

I Department of Licensing and Consumer Affairs's Response 15

II Official Report Distribution 18

INTRODUCTION

BACKGROUND

The Taxicab Division (Division), formerly known as the Taxicab Commission[1], is a revenue generating division within the Department of Licensing and Consumer Affairs (Licensing). The Division's primary mandate is to oversee the operations of the automobile-for-hire industry in the Virgin Islands through education, regulation, and enforcement of the rules and laws governing the taxi industry. In furtherance of this mandate, Title 20 of the Virgin Islands Code (Code) has vested the Division with the authority to perform three essential functions: (i) revenue generation; (ii) information storage; and, (iii) enforcement of the taxicab laws.

The Code has authorized the Division to create the Taxicab Fund (Fund) to serve as the depository for revenues generated from the services that the Division provides for the benefit of the automobile-for-hire industry. These services include, but are not limited to, issuances of medallions, taxi licenses and taxi plates, auctions of medallions and Certificates of Entitlement, approvals of lease agreements and contracts, the conduct of title searches, the recording of liens, the conduct of meetings to resolve disputes and complaints, biannual safety inspections of taxicabs, and the issuance of subpoenas, fines and citations. The Code provides that the revenues of the Fund be expended only for taxicab-related operations, and /or for other purposes as specified by law.

The Code includes a provision that requires the Division to establish a Medallion Registry (Registry) to keep track of data pertaining to inventories of medallions and license plates throughout the Virgin Islands. For example, Registry records would provide information such as the issuances of medallions, registration numbers, location of medallions by island, liens, encumbrances, ownership, leases, transfers of ownership, and auctions of medallions.

The Code authorizes the Division to establish an Enforcement Section (Enforcement) to take action against infractions of the laws, and rules and regulations governing taxicab operations.

OBJECTIVES, SCOPE AND METHODOLOGY

Our audit was initiated at the request of the Commissioner of Licensing. The objectives of the audit were to determine whether: (i) the Division maintained adequate information in the Registry in order to accurately account for all transactions pertaining to inventories of taxi medallions and license plates; (ii) the Division collected all revenues pertaining to biannual vehicular inspections and renewals of business licenses as prescribed by law; (iii) Enforcement has been effective in monitoring the activities of taxicab operators for conformance with the laws governing the operations of taxicabs; and, (iv) Division funds were disbursed solely for activities related to the operations of the Division. The objectives also included the identification of

[1] In June of 2000, Executive Order 393-2000 reorganized the Department of Licensing thereby dissolving the Commission and replacing it with the Division of Taxi Regulation, now referred to as the Taxicab Division.

inadequacies in the operations of the Division, and recommendations to improve the causes of the inadequacies found.

The Scope of our audit covered the activities of the Division during fiscal years 2001 and 2002.

For the purpose of our audit, we: (i) reviewed the statutes governing the operation of the Taxicab Division; (ii) interviewed key officials and staff of the Division; (iii) examined records maintained in the Registry; and, (iv) examined source documents relating to the collection of revenues and the disbursement of funds.

Except as described in the following paragraph, we conducted our audit in accordance with generally accepted government auditing standards applicable to performance audits contained in the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide a reasonable basis for our findings and conclusions. Accordingly, we have performed such tests of records, and conducted other auditing procedures that were considered necessary under the circumstances.

Government auditing standards require that the audit organization undergo an external peer review at least once every three years. However, due to funding limitations, we were unable to meet the peer review requirement. We believe that this shortfall did not prevent us from meeting the requirements of the other applicable auditing standards.

As part of our audit, we evaluated the internal controls over the collection, recording, and reporting of revenues; usage of the Fund; the maintenance and upkeep of the Registry's files and records; the safeguarding of inventoried items of medallions and plates; and taxi-traffic enforcement activities. Weaknesses in internal controls identified in these areas are discussed in the Audit Results section of the report.

PRIOR AUDIT COVERAGE

We are unaware of any audit reports issued for this agency within the past five years. However, in 1989, we did issue Audit Report AC-02-26-89, "Limited Audit of the V.I. Taxicab Commission". In that report, we found that the V. I. Taxicab Commission: (i) failed to collect fees; (ii) lacked controls over inspections and license renewals; (iii) failed to keep accurate records; and, (iv) failed to account for funds collected.

AUDIT RESULTS

CONCLUSIONS

We found that the Division: (i) did not regularly update the Registries (St. Thomas, St. John and St. Croix) with the kind of information that accurately reflects ongoing transactions relating to medallions and license plates; (ii) did not safeguard unissued license plates nor have a complete accounting of all medallions issued or in inventory; (iii) did not enforce the law that requires taxicab operators to have their vehicles inspected biannually as required by the Code; (iv) did not equip the Enforcement Section with staffing resources that would enable it to adequately attend to many of the breaches of the taxicab laws; and, (v) disbursed funds that were for the general operations of Licensing and not exclusively for the operations of the Division.

We attributed these conditions to: (i) a shortage of Division staff to keep the Registries current and to enforce the taxicab laws; (ii) the failure to establish procedures to account for and safeguard inventories; (iii) the failure to fully implement the provisions of the Code as they relate to biannual inspections; and, (iv) the failure to establish policies and procedures to allocate expenses that are shared by both the Division and Licensing in general.

As a result, the Division: (i) does not have complete and current information on taxicab operators in the Virgin Islands; (ii) does not know the location of thirteen (13) medallions; (iii) is not collecting the maximum potential revenues allowed by law; (iv) is not effectively ensuring that breaches of the taxicab laws are appropriately dealt with; and, (v) is violating the Code by using Division funds for non-Division expenditures.

We made several recommendations to address the conditions and causes cited in the report. The recommendations addressed areas dealing with: (i) the Registries; (ii) the safeguard of medallions and license plates; (iii) biannual inspections; (iv) enforcement of taxicab laws; and, (v) the use of Division funds.

These matters are discussed in more details in the findings sections of the report.

FINDING 1: MEDALLION REGISTRY

The Division failed to maintain accurate recordings of information relating to medallions and license plates in the Registries. Medallion owner files have not been regularly updated to reflect ongoing transactions relating to medallions and plates. All unissued medallions have not been accounted for. In addition, adequate physical safeguards have not been provided to secure inventories of unissued license plates.

Background

The Code requires the Division to establish a Registry where records would be maintained, and regularly updated to keep track of all transactions pertaining to medallions, provisional certificates, and license plates. The Registry is a ledger in which the pages are sequentially numbered for each medallion that was issued. Specifically, the Registry's records are required to reflect, at any point in time, accurate information relating to issued medallions, certificates, and plates; location by island of each issued medallion and certificate; identity of each medallion or certificate owner; transfers of ownership; and information relating to liens and encumbrances that are placed on medallions and certificates. The Division is similarly obligated to physically secure its Registries, as well as its inventories of unissued medallions, certificates, and license plates so as to achieve at any point in time an accurate recorded and physical accounting of these items.

Medallion Owner Files

Medallion owner files and records in both districts have not been adequately maintained nor frequently updated to reflect ongoing transactions relating to medallions, certificates, and license plates. For example, during our review of medallion owner files in the St. Thomas/St. John district, files were found with missing and outdated information relating to the issuance of business licenses, corresponding tax clearance letters, police and traffic records, photo ID's, and other related documents. There were various instances in which entries were not recorded for the issuance of new license plates, and for liens, and leases. Moreover, we found cases in which medallion numbers, owner names, and/or business license payments were not recorded or updated in the business license ledgers.

Division officials indicated that currently, taxi operators are issued their license plates with the same number as their medallion. However, based on our review of the Registries, we saw no indications that this procedure has been implemented. The information contained in the Registries still showed different license plate numbers for the taxi operators that do not correspond to the medallion numbers. Division officials indicated to us that, due to staff shortages, they have not updated the Registries with the current information.

In the St. Croix district, the Division recently replaced the old Registries that were water damaged with new ones. However, the Division had not transferred the history of the medallion's ownership into the new books. In addition, files for certain medallion owners could not be located.

Safeguarding Inventories

The Division failed to adequately safeguard and secure its inventories of unissued medallions and unused license plates. For example, a large quantity of unused license plates was found stored in cardboard boxes that were placed in a corner on the main office floor, in full view of, and within easy access to, persons entering the Division's office. Some of the used plates belonged to taxicab operators who had surrendered them to the Division for safekeeping, either because they were no longer engaged in their trade or their leases had expired or were discontinued. Others were new unissued plates.

Reconciliation

The Registries records of the quantity of unused medallions differed from the numbers that were actually obtained from our physical count of these items on hand. In addition, with the Registries not being updated, we could not verify the accuracy of the license plates at the Division's office. For example, in the St. Thomas/St. John's district, two (2) sets of license plates, (0617 and 1045), not found during our physical count were not included in the Registry, nor was there any documentary evidence to indicate their issuance or to link them to issued medallions. Although, as previously stated, Division officials indicated that medallions and taxi plates are linked, the Registry records for the two corresponding medallions show the last plate numbers as 583 and 1034 respectively.

Based on our physical count of medallions located at the Division's offices on St. Thomas and St. Croix, we identified twelve (12) medallions on St. Thomas and one (1) medallion on St. Croix that could not be accounted for. A review of the respective Registries also failed to show them as issued, although the Registry for the St. Croix medallion indicated that it was discovered missing in 1996.

There are some discrepancies concerning the twelve (12) missing medallions on St. Thomas. During the course of the audit, we were provided with an inventory listing from the Division entitled "INVENTORY OF MEDALLIONS ON HAND", "DLCA-V.I. TAXICAB DIVISION-ST. THOMAS" dated February 19, 2002, which included the missing medallions. However, at the Exit Conference we were provided with two other listings, one entitled "of medalion (sic) on hand ST THOMAS" dated June 11, 2001 and an undated list entitled "MEDALLION IN THE VAULT" , both of which show the medallions as missing. Division officials could not explain the discrepancies in the three lists.

The following schedule is a list of the missing medallions.

Medallion Number	Island
1277	St. Thomas
1367	St. Thomas
1368	St. Thomas
1369	St. Thomas
1370	St. Thomas
1371	St. Thomas
1486	St. Thomas
1487	St. Thomas
1488	St. Thomas
1489	St. Thomas
1490	St. Thomas
1491	St. Thomas
472	St. Croix

Considering the fact that taxi medallions are valuable assets that sell for in excess of $25,000 and are used as collateral by the various lending institutions, every effort should be made by Licensing to locate the thirteen(13) missing medallions. The numbers should be circulated in the public, especially with the various lending institutions to ensure that they are not being used unlawfully as collateral.

Recommendations

We recommend that the Commissioner of Licensing:

1. Computerize the recording of Registry information.

2. Install a lock and key facility for the storage of unused plates and medallions. Assign responsibilities for custody of keys and access to the facilities.

3. Ensure that the various Registries are updated regularly with current medallion information including the re-issuance of corresponding license plates.

4. Attempt to locate the thirteen (13) missing medallions. At a minimum, record in the Registry that the medallions are missing. Publish the numbers publicly, especially with lending institutions, in the attempt to locate the medallions.

5. Perform periodic physical counts of items of unused medallions and plates on hand, and reconcile the numbers from the physical count with those shown on computerized records.

Department of Licensing and Consumer Affairs's Response

The Commissioner of Licensing, in his response, indicated agreement with the five recommendations made in this section of the report.

He indicated that summer students were hired to update the Registries, data was being stored in an electronic data base and the taxi licensing process had been incorporated into the web based licensing system. It was also indicated that unissued taxi plates were now kept in a secure file cabinet and medallions were now kept in a locked safe. Finally, a physical inventory had been done of the medallions on hand and the various lending institutions had been notified of the missing medallions.

Virgin Islands Inspector General's Comments

The responses to the recommendations made in this section of the report are sufficient for us to consider them resolved.

FINDING 2: BIANNUAL INSPECTIONS

The Division has failed to enforce the provision of the Code that stipulates that taxicab operators should have their vehicles inspected biannually. Although there is opposition by taxicab operators to the biannual inspections, records reviewed by us showed that fees are not even being collected for one annual inspection. As a result, almost $30,000 is lost annually from the failure to collect the vehicle inspection fees.

Background

Title 20 of the Code authorizes the Division to levy and collect miscellaneous fees for services offered to taxicab operators. These fees are charged for, but are not limited to, the issuance of annual business licenses, biannual vehicle inspections, replacement of plates and medallions, certificates of entitlement, lease agreements, title searches, lien recordings, and the conduct of medallion auctions. On January 1, 1988, Act 5275 established a new annual business license fee of $100 and a biannual inspection fee of $15. Collected revenues are deposited into the Taxicab Fund.

Biannual Inspection Fees

Our review of the collection records for 2001 and 2002 show that not only are inspection fees not being collected twice a year; they are not even being collected once a year. The review showed that the Division was conducting periodic inspections and assessing fees, but not to a sufficient level in relation to the number of taxicab operators. As a result, for 2001 and 2002, the Division lost about $60,000 in uncollected inspection fees in the St. Thomas/St. John district.

In fiscal year 2001, there were 1,056 taxicab business license transactions processed, as such, there should have been 2,112 (1056 * 2) taxicab inspections. However, we found evidence that there was only 116, (5%) taxicab inspections. Records indicted that only three (3) taxicab operators were in compliance with having their vehicles inspected twice for the year. The remaining 110 operators complied only once. Of the 1,056 operators who were licensed in 2001, 943 or 89% operated without being inspected. Lost revenues totaled almost $30,000.

In 2002, there were 1,036 taxicab business license transactions processed, and as such, there should have been 2,072 (1,036 * 2) taxicab inspections. However, there were only 117 (6%) taxicab inspections. Records showed that there were no operators in compliance with the biannual inspections. Of the 1,036 taxicab operators licensed in 2002, 919 or 89% operated without being inspected. Again lost revenues amounted to almost $30,000.

Opposition to Biannual Inspection Provision

We were informed that the various taxicab associations and operators have refused to comply with that provision of the law that authorizes the Division to carry out biannual inspections of taxicab vehicles. According to the Commissioner of Licensing, the issue of enforcing that provision of the law has been an acutely contentious one from the very inception of the law that established

the former Taxicab Commission, and the taxicab operators have continued to defy its enforcement because the same provision has been transferred into the law that established the current Division.

In our quest for information relating to reasons for their defiance, we have spoken, informally, to several taxicab operators. The general claim was that the biannual inspection provision of the law was flawed. Some of their comments were: (i) that the cost incurred in preparing their vehicles for an inspection is exorbitant, and to incur such expenses twice per year does not justify the expenditure of $15 that is charged for an inspection; (ii) that the law does not state the interval that must lapse between inspections, and as such, it is possible for operators to exploit this loophole by incurring one inspection preparation expense, and have their two inspections within a short time of each other while the vehicle is still in an inspection-passable condition; and, (iii) that the law does not set a standard amount of mileage that a vehicle is required to accumulate before the probability of wear and tear through mileage may necessitate a second inspection within a year.

The Commissioner of Licensing informed us of a compromise proposal that he had devised, and which he would take to the Legislature for amendment of the law, if the majority of taxicab operators would endorse it. His proposal is that there would be one (1) annual inspection of taxi vehicles, but at a higher fee per inspection than is currently charged. The current fee for an inspection is $15. However, the Commissioner has stated that all his attempts to meet with the various taxi associations to present his proposal have, to date, been futile.

We agree with the proposal that is being offered by the Commissioner of Licensing. Taxicab operators, by their profession, are "ambassadors" of the Virgin Islands, and most often are the first and last residents of the Virgin Islands to make contact with visitors to the territory. Accordingly, the vehicles used to transport passengers should always be maintained in excellent condition.

Recommendation

We recommend that the Commissioner of Licensing refer the proposed amendments to the taxicab law, as it relates to vehicle inspections, to the Legislature for review and possible action.

Department of Licensing and Consumer Affairs's Response

The Commissioner indicated that with the additional staff recently hired, the biannual inspection requirements for fiscal year 2006 will be met. If it is determined that amendments to the statute are needed, they will be recommended.

Virgin Islands Inspector General's Comments

The response to the recommendation is sufficient for us to consider it resolved.

FINDING 3: ENFORCEMENT

The Division's Enforcement Section is undermanned, and therefore, is limited in its capacity to adequately monitor and curb infractions of the taxicab law. The Enforcement Section's staff in the St. Thomas/St. John district currently numbers two (2) persons, while in the St. Croix district, the staff consists of one (1) person. An official of Licensing has stated that, requests for staff enhancements have repeatedly been made over several years through the agency's annual budget proposal, but the requisite funds were never appropriated for that purpose. With staff shortages being so acute, many breaches of the taxicab law go unpunished. Moreover, it appears that persons within the Division are voiding citations before penalty payments are liquidated.

Background

Title 3, Section 274(b) (7), requires the Taxicab Division to "… enforce the laws as they pertain to the illegal operation of private vehicles by any person or persons as automobiles for hire. . . ." When violations are detected, the Division provides the opportunity for its Enforcement Officers to summons offenders to attend hearings. In appropriate circumstances, the Division will impose sanctions that are designed to deter a possible recurrence of the violation. Sanctions may be as severe as revoking an offender's license to operate a taxicab. Lesser sanctions include the issuance of taxi tickets for the payment of monetary penalties and fines.

Voided Citations

Our review showed evidence of tickets being voided that had been issued for traffic violations in order to cancel the payment of the fine. During our review of citations that were written for traffic violations during 2001, there was evidence that of a total of 46 tickets issued, 14 had been voided without any explanation being given as to the reason for the cancellation of the fine. Some of the voided tickets were related to citations against drivers who were engaged in the taxi trade as "Gypsy Cab"[2] operators. The citation on one of the voided tickets was for driving under the influence while operating a taxi. The voided tickets are listed hereunder as follows.

[2] Gypsy Cabs are vehicles that are registered by the Motor Vehicle Bureau for private use, but are utilized by the owners to operate in the taxi trade.

Ticket Number	Date of Issue	Amount of Fine
611663 A	10/16/2000	$50.00
611665A	10/16/2000	$50.00
611666A	10/16/2000	$50.00
611667A	10/16/2000	$50.00
611668A	10/16/2000	$50.00
594158A	10/24/2000	$50.00
594159A	10/24/2000	$50.00
634577A	10/27/2000	No dollar value
634581A	01/10/2001	No dollar value
634582A	01/22/2001	No dollar value
634586A	01/22/2001	No dollar value
634601A	03/28/2001	No dollar value
634602A	04/21/2001	No dollar value
634592A	04/30/2001	$50.00

Penalty Payments

The Division has failed to pursue taxi operators who were cited for violations of the taxicab law, but never paid the fines. Of the 46 taxi tickets that were issued in 2001 for infractions of the taxicab law, penalty payments amounting to $450 on four (4) of them have not been collected. For 2002, out of a total of 20 tickets issued, fines amounting to $300 on three (3) of them have gone uncollected. These uncollected tickets are listed as follows.

Ticket Number	Date of Issue	Amount of Fine
634528A	05/03/2001	$50
634530A	06/27/2001	$250
634531A	06/27/2001	$50
634593A	06/11/2001	$100
634607A	11/07/2001	$100
634608A	11/07/2001	$100
634609A	11/07/2001	$100

Recommendations

We recommend that the Commissioner of Licensing:

1. Enhance the staffing complement of the Enforcement Section.

2. Introduce internal regulations to govern and control unauthorized voiding of traffic tickets.

3. Prevent the renewal of business licenses until all past due fines have been paid.

Department of Licensing and Consumer Affairs's Response

The Commissioner of Licensing indicated in his response that a grant has been applied for from the Law Enforcement Planning Commission (LEPC) to purchase additional enforcement vehicles. In addition, funding for additional staffing has been requested in the fiscal year 2006 budget. Finally, it was indicated that policies and procedures will be developed in fiscal year 2006 on the issuing of citations, ticket voiding and late fees for delinquent taxi operators.

Virgin Islands Inspector General's Comments

The responses to the recommendations made in this section of the report are sufficient for us to consider them resolved.

FINDING 4: FUND DISBURSEMENTS

The Division utilized Fund revenues to pay for expenses that were not related to taxicab operations. Specifically, we found evidence that indicated that in 2001 and 2002, the Division had withdrawn revenues amounting to more than $25,000 from the Fund to pay for expenditures relating to: (i) the use of cellular phones by Licensing employees; (ii) utility expenses for overall Licensing electricity and telephone usage; and, (iii) repairs to a Licensing vehicle that should have been paid for by the employee causing the damage.

Background

Title 33, Section 3067 of the Code states that, "No money in the (Taxicab) Fund shall be available for expenditures, except as appropriated from the Fund for the operation of the Virgin Islands Taxicab Division of the Department of Licensing and Consumer Affairs, or other purposes as specified by law."

Title 31, Section 167(2)(b) of the Code states that, "Officials or employees of the Government shall be financially responsible for any physical damage occurring to a Government motor vehicle as a proximate result of his negligence concerning the same."

Cellular Phones

Licensing made payments in excess of $800 from Fund revenues to a local cellular phone service company for expenses that were billed in the names of private owners who were not Division but rather other Licensing employees. At the exit conference, Licensing officials claimed that the cellular phones were also available for use by Division personnel. It was also indicated that at the time, the Fund was used to offset funding shortages experienced by Licensing.

Utility Expenses

During 2002, the Division withdrew sums amounting to $18,081 from the Fund to defray expenses that were incurred for electricity and telephone usage by the whole of Licensing.

Vehicle Repairs

In 2002, the Division expended a sum amounting to $6,901 from the Fund for repairs to one of its vehicles that was involved in a collision on St. Croix. The driver of the vehicle at the time of the mishap was an employee of the Division, who was not on official job-related duties at the time of the accident. The police report that was attached to the payment document (MDV) stated that the employee was negligent in operating the vehicle. It is alleged that the employee, after consultation with the Division's legal counsel, accepted responsibility for the cost of repairing the vehicle, and engaged the services of family members to respectively tow, and repair the vehicle. There is evidence to indicate that the Division charged the Fund for the cost of the repairs. However, there was no evidence to indicate that the employee had made restitution.

Recommendations

We recommend that the Commissioner of Licensing:

1. Implement an in-house cost allocation system that would facilitate an equitable distribution of overhead costs among the various divisions of Licensing so that Fund revenues that are expended in other divisions can be reimbursed.

2. Seek the assistance of the Department of Justice in order to secure restitution of Fund revenues amounting to $6,901 from the individual who claimed responsibility for damage to the Division's vehicle.

Department of Licensing and Consumer Affairs's Response

The Commissioner of Licensing indicated that an allocation system has been developed to ensure that funds expended from the Taxi Resolving Fund for overall Licensing expenses are properly allocated.

Regarding the $6,901 disbursed to repair a damaged Licensing vehicle, the Commissioner stated that the funds may be uncollectible because the individual is in prison on an embezzlement conviction.

Virgin Islands Inspector General's Comments

The responses are sufficient for us to consider them resolved. Regarding the $6,901 in funds disbursed to repair the damaged vehicle, it is our opinion that the Department of Justice should still be contacted for guidance in attempting to collect from the former employee (possibly, if the individual is still owed pay for unused annual leave or has funds in the Government Employees Retirement System).

DEPARTMENT OF LICENSING AND CONSUMER AFFAIRS'S RESPONSE

GOVERNMENT OF THE VIRGIN ISLANDS
OF THE
UNITED STATES

—o—

Department of Licensing and Consumer Affairs

Office of the
Commissioner

July 29, 2005

Mr. Steven Van Beverhoudt
V.I. Inspector General
Office of the Inspector General
No. 75 Kronprindsens Gade
St. Thomas, VI 00802

Dear Mr. Van Beverhoudt:

I am in receipt of your draft audit on the operations of the Taxi Division at the Department of Licensing and Consumer Affairs. First, let me say thank you for the time and effort you and your staff put into the audit. It has been very helpful as a guide to implementing the needed procedural and security changes necessary to protect the integrity of the Taxi Division.

The Taxi Division was established by Legislation in the year 2000. The Legislation, which was approved by Governor Charles W. Turnbull, abolished the Taxi Commission and transferred the duties and powers of the Commission to the Department of Licensing and Consumer Affairs. With that legislation, funding for the Taxi Division was placed in a revolving fund. The revolving fund pays all expenses, personnel and operating costs and is the only source of funding for this Division.

Because of the lack of revenues, this Division was unable to be fully staffed; thereby it was unable to carry out its mandates. In addition, during the last two (2) years, investigations by your agency uncovered embezzlement of taxi funds on the island of St. Croix, which resulted in the imprisonment of one employee. Our St. Thomas office lost another employee to termination for insubordination. The core of our four (4) year struggle has been a lack of employees both in the office and on patrol in the field. With the move to DLCA, the Taxi Division was no longer required to rent office space. It shares our legal counsel, business office, cashier, utilities, and equipment.

Golden Rock Shopping Center, Christiansted, St. Croix, USVI 00820, (340) 773-2226, Fax: (340) 778-8250
Property & Procurement Bldg., No. 1 Sub Base, Room 205, St. Thomas, USVI 00802, (340) 774-3130, Fax: (340) 776-0675

Mr. Steven Van Beverhoudt
V.I. Inspector General
7/29/2005

With a moratorium legislatively enacted on the sale of medallions, the Taxi Division was solely supported by license fees and other administrative fees. In 2002 we were able to resume the annual veterans only medallion auctions, which enabled us to increase annual revenues by over One Hundred Thousand Dollars ($100, 000.00) per year. After reconciling with the Department of Finance over the collections for the Veterans Medallion Fund, the problem has been resolved and two new taxi inspectors have been hired for St. Thomas. In the St. Thomas District, we have also transferred one of our licensing officers to assist the Division. An Administrative Assistant position is advertised for the St. Croix District, which will help in the staffing needs on that island. On June 1, 2005, a thirty percent (30%) increase in license fees was implemented. This increase will allow us to hire more personnel for both Districts.

I will address individually all of your audit conclusions and recommendations, and respond accordingly.

1. We have employed summer students to update the registries with current information. On an on-going basis we will develop a data base to electronically store new data as transactions occur. We have fully included the taxi licensing process in our web based licensing system, and by January 2006 all data will reside in this data base.

2. We now store all unused taxi plates in a secure file cabinet. Medallions are stored in a locked safe; combination and keys are assigned to the Director and Assistant Director of the Division. One set of keys and the combination to the safe is sealed in an envelope and locked in the Business Office's safe. The discrepancy of the complete accounting of the medallions was a result of the presence of three different inventory lists. No explanation as to why there were three different lists was given by the Taxi Division staff. We are presently using the list generated from the audit, and have accounted for all but 13 medallions. All banks and lending institutions have been contacted in writing and have been provided with a listing of medallions reported as missing. These institutions have been asked to report to us immediately if any of these medallions are used as collateral, and in fact most banks have already done so. Otherwise, these medallions are unusable without the commiserate plates that we have securely in our possession.

3. With the addition of two new taxi inspectors on St. Thomas, where the bulk of the taxi vehicles are operated, and the current staff in the St. Croix office, we will meet our bi-annual inspection schedule in fiscal year 2006. If amendments to the bi-annual inspection statute are necessary, we will recommend its inclusion in the 2006 Omnibus Bill.

Mr. Steven Van Beverhoudt
V.I. Inspector General
7/29/2005

4. DLCA has applied for a grant from the Law Enforcement Planning Commission (LEPC) for enforcement vehicles for both the St. Thomas and the St. Croix Districts. With our new taxi inspectors in St. Thomas/St. John our on the street presence will greatly be enhanced. With only one enforcement officer on St. Croix we are still understaffed. We expect an increase in Taxi revenues for 2006 and plan to add at least one more taxi inspector for St. Croix.

5. As I mentioned in my opening statement, DLCA contributes to the operational and personnel expenses of the Taxi Division. We have developed an allocation system to insure that any funds spent from the Taxi Revolving Fund on overall DLCA expenses are properly and fairly allocated.
6. Policy and procedures will be developed by the beginning of the 2006 fiscal year that will define duties for each position, and include a policy on issuing of citations, ticket voiding, and late fees for delinquent taxi operators. A policy concerning Taxi Division vehicle damages will mirror the overall DLCA policy. That policy requires that after a police report is filed and we have a copy, a determination of fault will be made and any costs associated with repairs are borne by that party. The person referred to in your audit that damaged a department vehicle and caused $6901.00 is currently in prison for embezzlement of funds from the Taxi Division. This debt may be uncollectible in the near future.

If any further information is required, please do not hesitate to contact me.

Sincerely,

Andrew Rutnik
Commissioner

OFFICIAL REPORT DISTRIBUTION

Virgin Islands Government

Office of the Governor	3
Office of the Lieutenant Governor	1
Department of Licensing and Consumer Affairs	1
Department of Finance	1
Office of Management and Budget	1
Department of Justice	1
26th Legislature	15
Legislative Post Auditor	1
Virgin Islands Delegate to Congress	1

United States Government

Office of Inspector General, Department of Interior	1
Office of the United States Attorney, Department of Justice	1
Federal Bureau of Investigation, Department of Justice	1