



Department of Audit

Milwaukee County

Jerome J. Heer

• Director of Audits

Douglas C. Jenkins

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July 7, 2005

To the Honorable Chairman
of the Board of Supervisors
of the County of Milwaukee

We have completed a review of American Taxicab Company Driver Overcharges as a Fraud Hotline related issue. As a result of the review, we offer recommendations to improve oversight of taxicab drivers and seek recovery of overcharges.

A copy of our report and the response from the Department of Parks & Public Infrastructure, Transportation Division are attached.

Please refer this report to the Committee on Finance and Audit.

Jerome J. Heer
Director of Audits

JJH/cah

Attachments

cc: Milwaukee County Board of Supervisors
Scott Walker, Milwaukee County Executive
George Torres, Superintendent, DPPI-Transportation Division
Kenneth Warren, Managing Director, Milwaukee County Transport Services, Inc.
Carmela Peot, Director, Paratransit Services, Transit Plus Program, Milwaukee Transport Services, Inc.
Stephanie Stein, Director, Department on Aging
Rob Henken, Director, Department of Health and Human Services
Terrence Cooley, Chief of Staff, County Board Staff
Steve Cady, Fiscal and Budget Analyst, County Board Staff
Lauri J. Henning, Chief Committee Clerk, County Board Staff

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: July 7, 2005

To: George Torres, Superintendent, Department of Parks & Public Infrastructure, Transportation Division

From: Jerome J. Heer, Director of Audits

Subject: Review of American United Taxicab Company Driver Overcharges

Background

In January 2005, local media reported a controversy over allegations that taxicab drivers associated with American United Taxicab Company (American United) had overcharged Milwaukee County Transit Plus riders. A number of drivers walked out at American United, protesting the allegations the drivers, who are independent contractors, asserted that American United had boosted its normal 20% share of Transit Plus fares to 40% for those drivers accused of overcharging the program. The article also reported that, according to both parties, the striking drivers would be fired.

Transit Plus is a transportation service of the Milwaukee County Transit System (MCTS). MCTS is operated by Milwaukee Transport Services, Inc., a non-profit corporation, under contract with the Milwaukee County. The contract is managed within the Transportation Division of the Department of Parks and Public Infrastructure (DPPI).

Transit Plus service is available to eligible individuals who are unable to ride buses due to a disabling illness or condition. Service is provided anywhere within Milwaukee County and to limited parts of Ozaukee and Waukesha counties. Rides are provided with accessible vans, or taxicabs, if an accessible vehicle is not required and the rider can travel with minimal assistance. Of the 1.1 million Transit Plus rides projected for 2005, an estimated 162,000 (15.1%) will be provided with taxicabs.

Van service operates on a shared ride (other riders may be picked-up along the way) basis, requires a reservation at least one day in advance, and may be used for any purpose. It is also available on a subscription basis for rides with a set schedule and destination. On the other hand, taxicab service is available on demand and to a limited extent, on a subscription basis.

Riders that utilize van service pay a flat, full-fare amount of \$3.25 each way. However, taxicab fares are determined on a time and mileage-based meter charge. Payment for taxicab rides, depending on

the fare amount, is shared between the rider and a subsidy from Transit Plus. An additional subsidy is available to individuals who participate in certain programs administered by the Milwaukee County

Department on Aging (MCDA) or Department of Health and Human Services (DHHS). The taxicab fare payment structure for Transit Plus riders is provided in **Table I**.

Table 1 Transit Plus Taxicab Fare Payment Structure	
<u>Portion of Fare</u>	<u>Party Responsible for Payment</u>
\$1.75* - \$3.25	Rider**
\$3.26 - \$14.60	Transit Plus Subsidy
\$14.61 and over	Rider

* Minimum fare amount.

** The initial rider portion up to \$3.25 may be subsidized by Milwaukee County for individuals who participate in certain programs administered by the Department on Aging or Department of Health and Human Services.

Source: Contract between Milwaukee Transport Services, Inc. (MCTS operator) and American United.

As shown in **Table 1**, the rider is responsible for payment of the initial portion of the fare through \$3.25 plus any amount in excess of \$14.60 and Transit Plus covers the portion between \$3.25 and \$14.61, to a maximum of \$11.35.

According to American United, the company receives a 20% share of the Transit Plus taxicab fare in exchange for services provided to drivers.

Driver Overcharges

Since taxicab fares are determined by a time and mileage-based meter charge, drivers earn income only when the meter is "running." Consequently, there is built-in motivation for drivers to extend trips as long as possible. While it stands to reason that fares for trips with different pick-up and drop-off points will vary, trips with identical pick-up and drop-off points may also vary due to a multitude of factors that can affect the time and distance required in completing trips. For example, the route taken, traffic flow, and road conditions can increase the distance of a trip or cause the trip to take longer. Because these

factors create ride variability, drivers are afforded the opportunity to boost fares by taking longer routes, lingering unnecessarily, or driving at a sauntering pace.

To determine whether taxicab drivers are overcharging its riders, Transit Plus monitors fares using its "Taxi Fare Checker" system. The system is used to generate semi-monthly reports that identify drivers who show a pattern of charging excessive fares. Excessive fares are determined by comparing a calculated "reasonable" fare for each trip to the amount actually charged. The actual charges are provided electronically from American United. Reasonable fare amounts are based on an algorithm that uses the straight-line distance between pick-up and drop-off points, taxicab meter logic, and various allotments to compensate for factors such as the imprecision associated with the method used for calculation of distance and the time needed to complete paperwork.

Current Transit Plus policy, implemented in October 2004, provides a 'one-strike' approach to banning drivers from serving its riders. Any driver who accumulates overcharges totaling \$50 or more, along with an average per trip overcharge of \$1.80 or more over any semi-monthly time period, are banned. Historically, Transit Plus policy to address overcharges included less stringent fare thresholds and provided for progressive steps leading to driver suspension with the potential to be reinstated.

According to Transit Plus records, American United was notified that a total of 25 drivers were to be banned for overcharges levied in semi-monthly monitoring periods from October 1, 2004 through January 31, 2005. Summary information regarding the overcharges associated with these drivers appears in **Table 2**.

Table 2
Summary of Taxicab Driver Overcharges
Transit Plus Riders

<u>Semi-Monthly Period</u>	<u>Driver Count</u>	<u>Number of Trips</u>	<u>Total Overcharges</u>
10/01/04 – 10/15/04	3	78	\$ 198.75
10/16/04 – 10/31/04	3	93	233.00
11/01/04 – 11/15/04	7	152	504.75
11/16/04 – 11/30/04	2	30	140.00
12/01/04 – 12/15/04	9	165	619.75
12/16/04 – 12/31/04	6	109	357.75
01/01/05 – 01/15/05	1	19	51.50
01/16/05 – 01/31/05	--	--	----
Total	31*	646	\$ 2,105.50

* Only 25 drivers were involved. Due to timing issues six drivers appear on reports for two periods, inflating the driver count to 31.

Source: Transit Plus Semi-Monthly Fare Checker Reports for the period 10/01/04 – 01/31/05.

As shown in **Table 2**, there were 646 trips over the four-month period resulting in overcharges of \$2,105.50, an average overcharge of \$3.26 per trip. Based on further review of Transit Plus reports, it was determined that 516 (80%) of these trips occurred when the total fare was less than or equal to \$14.60, indicating that the bulk of overcharges was paid by Transit Plus. The remaining 103 (20%) trips occurred when the total fare exceeded \$14.60, indicating that at least some portion was paid by the rider in these cases.

It can also be determined from the table that the level of overcharges peaked in the first half of December 2004 at \$619.75 and involved a total of nine drivers. However, vast improvement was registered in the first half of January 2005 when overcharges decreased to \$51.50 and involved only one driver. Continued improvement was seen with the further drop to no overcharges in the second half of the month.

To compensate the Transit Plus program for overcharges by American United cab drivers, we recommend that DPPI:

1. *Request that Milwaukee Transport Services, Inc., establish a formal policy that requires the pursuit of reimbursement from American United for driver overcharges. This policy should be applied retroactively to recover the \$2,105.50 of overcharges incurred over the period October 2004 through January 2005 and any overcharges since that time period. In turn, American United can pursue recovery from its drivers, if it chooses.*

While Transit Plus management should be recognized for its efforts in monitoring fares and the decisive action taken in banning drivers under its current policy, it could further enhance its monitoring and the recovery of future overcharges by expediting the receipt of electronic fare data from American United. According to Transit Plus officials, the current timetable to obtain fare information from American United is three to four weeks following the close of the semi-monthly monitoring period. This time lag provides an opportunity for individual drivers to overcharge for successive semi-monthly periods before they are identified and banned by Transit Plus and also delays recovery efforts. However, American United indicated that its electronic fare data is available much sooner and could be transferred on a daily basis, if needed. With earlier receipt of the data Transit Plus could run its reports promptly after the end of the semi-monthly period.

To enhance monitoring of driver fare overcharges and facilitate the recovery of amounts overcharged we recommend that DPPI:

2. *Request that Milwaukee Transport Services, Inc., work with American United to obtain its fare data and execute its semi-monthly monitoring reports more timely.*

There is an additional opportunity for Transit Plus to improve the process of monitoring driver overcharges and increase recovery amounts. In particular, the calculation of the reasonable fare amount could be "tightened-up" with the use of enhanced software that provides a better measure of distance than the current straight-line method. This would enable management to reduce the allowance for the imprecision associated with use of the current software. In turn, the potential to identify a greater number of drivers who overcharge Transit Plus riders and ultimately, the recovery of additional overcharges, is increased.

To enhance the monitoring of drivers and recovery of additional fare overcharges, we recommend that DPPI:

3. *Request that Milwaukee Transport Services, Inc., explore different map software options to obtain a better measure of ride distance and ultimately tighten-up the threshold used for identifying drivers who overcharge Transit Plus riders. As a first step, confer with American United to assess the software it uses to calculate distance for the limited monitoring the company does of the drivers.*

Fare Cards

Based on discussions with American United representatives, the company is in the process of equipping its taxicabs with card swiping devices. As described by American United, this technology will enable riders to present conventional credit cards as well as fare cards, encoded with preset monetary balances, to pay fare amounts. While this technology has been available for some time, the high level of transaction fees prevented it from being a cost effective option. However, as we were informed, the fees have declined significantly to about three cents per transaction.

This technology may prove to be of benefit to MCDA and DHHS, agencies that, as mentioned earlier, subsidize a portion of the cost of taxicab rides for its clients. For instance, fare cards could be used in place of the coupons issued by MCDA. Use of the cards could provide better and more efficient ways to exercise control over payment of ride subsidies, if encoded with preset limits and other information specific to the client. The technology would also allow for streamlining the billing process associated with coupon use. An additional benefit includes elimination of rider signatures, as the card would serve as evidence that the ride actually occurred.

With the potential to enhance controls over rider subsidies and other benefits associated with swipe card technology being implemented at American United, we recommend that DPPI:

George Torres, Superintendent, DPPI-Transportation Division
July 7, 2005
Page Seven

4. *Work with MCDA, DHHS, and Milwaukee Transport Services, Inc., to explore the potential benefits and feasibility of utilizing fare cards for payment of subsidized fares through American United.*

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Director of Audits

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COUNTY OF MILWAUKEE
Inter-Office Communication

To: Jerome J. Heer, Director of Audits

From: George A. Torres, Superintendent, Dept. of Parks & Public Infrastructure,
Transportation Division

Subject: Response to Review of American United Taxicab Company Driver Overcharges

Date: July 6, 2005

The recent draft copy of the Department of Audit's review of "American United Taxicab Company Driver Overcharges" memo has been considered. In consultation with Milwaukee Transport Services, Inc., the following response is offered to the four recommendations outlined in the memo.

Recommendation #1:

Request that Milwaukee Transport Services, Inc., establish a formal policy that requires the pursuit of reimbursement from American United for driver overcharges. This policy should be applied retroactively to recover the \$2,105.50 of overcharges incurred over the period of October 2004 through January 2005 and any overcharges since that time period. In turn, American United can pursue recovery from its drivers, if it chooses.

As indicated in the audit report, taxicab fares are determined by a time and mileage-based meter charge. The meter amount is the result of both time and distance. If the wheels are turning, the meter is recording distance, not time. The timer activates only when the meter senses that there is no motion in the wheels (e.g., stop lights). Driving slowly does not affect the meter amount as the report suggests.

In order to ensure that taxi operators are charging appropriate fares, the taxi checker system developed by MTS estimates what a reasonable fare would be for the trip based upon straight line distance from origin to destination, taxicab meter logic and various other factors. It is nevertheless only an estimate.

The method for measuring appropriate taxi fares is meant to provide parameters to flag potential overcharges. As the audit report states, any individual trip could legitimately be longer than estimated due to construction, detours, traffic congestion, passenger not ready at time of pick up, etc. The methodology identifies drivers with a pattern of unusually higher meter amounts. It cannot calculate the actual meter amount for any specific trip.

Because it is not possible to determine the actual amount of any apparent overcharge, reimbursement from American United was not pursued. However, by banning drivers who have a pattern of submitting charges that exceed reasonable parameters for the program, the number of questionable charges has decreased markedly, as noted by the audit.

Even though the amount of money associated with potential overcharges is small in respect to the \$19 million paratransit budget, MTS will establish a formal policy that withholds payments

to American United in those instances where a pattern of unreasonable charges by a driver is determined. We expect this policy to be in place by August 1, 2005.

Recommendation #2:

Request that Milwaukee Transport Services, Inc. work with American United to obtain its fare data and execute its semi-monthly monitoring reports more timely.

MTS currently receives trip data from American United for the bi-monthly billing period approximately two to three weeks following the end of that period. Immediately upon receipt of the billing data from American United, MTS uses the taxi checker analysis program to verify charges. MTS will work with American United to determine if billing information can be forwarded on a more timely basis in order to permit more timely processing of information. MTS will meet with American United in July 2005 to discuss this issue.

Recommendation #3:

Request that Milwaukee Transport Services, Inc. explore different map software options to obtain a better measure of the ride distance and ultimately tighten-up the threshold used for identifying drivers who overcharge Transit Plus riders. As a first step, confer with American United to assess the software it uses to calculate distance for the limited monitoring the company does of the drivers.

MTS will continue to explore various means of determining the most accurate measure of trip distance including other mapping software options. As a first step, we will confer with American United in July 2005 to assess the software that it uses to calculate the distance for the limited monitoring the company does of the drivers.

Recommendation #4:

Work with MCDA, DHHS and Milwaukee Transport Services, Inc. to explore the potential benefits and feasibility of utilizing fare cards for payment of subsidized fares through American United.

DPPI can work with MTS, DHHS, and MCDA to explore the potential benefits and feasibility of utilizing fare cards for payment of subsidized fares through American United. However, with the installation of card swiping devices in American United taxicabs currently underway, it is recommended that MCDA and/or DHHS work directly with American United to implement some type of electronic fare payment if they desire.