



City of Phoenix

Mission Statement

To improve the quality of life in Phoenix through efficient delivery of outstanding public services.

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This report can be made available in alternate format upon request.

Aviation Department Ground Transportation Vendor Management

January 8, 2025

Report Highlights

Trip Fees

Ground Transportation effectively monitors the pick-up/drop-off total transactions for rideshare providers. However, they do not reconcile the discounted trips.

Criminal History Record Checks

The Security Office did not have a documented methodology defining procedures, record keeping, naming conventions, or other standards for documenting the monthly rideshare driver background results.

Insurance Requirements

Minimum insurance requirements were met by the major rideshare providers selected for testing.

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Executive Summary

Purpose

Our purpose was to determine that the Aviation Department's (Aviation) Ground Transportation Office appropriately manages service providers for licensing, insurance, and other contractual requirements, and to validate that payments remitted to the City are accurate and in compliance with contracts and City Code.

Background

The Ground Transportation Office (GT) at Phoenix Sky Harbor Airport (Airport) is responsible for the oversight of both taxis and rideshare providers operating at the Airport. This audit encompassed only rideshare providers or Transportation Network Companies (TNCs). TNCs are companies that match passengers with private drivers through a mobile application, such as Uber and Lyft. For the period January 1, 2021 to December 31, 2023, the number of TNC trips through the Airport totaled approximately 12 million trips.

TNC Trip Fee Revenue

Calendar Year	Uber	Lyft
2021	\$7.4 Million	\$5.4 Million
2022	\$11.7 Million	\$6.9 Million
2023	\$14.8 Million	\$7.7 Million

TNC trip fee revenue from Uber and Lyft totaled approximately \$54 Million.

GT also collects fees assessed to TNCs who drop off and pick up passengers using the Airport. These fees, collectively known as "Trip Fees" vary in amount and are subject to increases annually. Per *Phoenix City Code Section 4-78 A 6*, Aviation will discount trip fees by 10% for each trip taken in an alternative-fuel-vehicle, by 40% for each trip in a zero-emissions vehicle, and by 30% for each trip that initiates or terminates at the 44th Street or 24th Street PHX Sky Train stations.

Aviation uses an application named Gatekeeper that assists in recording pick-up and drop-off events. Additionally, GT is responsible for oversight of background check audits on TNC drivers operating at the Airport, and for monitoring other aspects of TNC permits such as ensuring proper insurance coverage.

Results in Brief

GT effectively monitors the total pick-up/drop-off transactions for TNCs. However, they do not reconcile the discounted trips.

GT has set an acceptable variance of + or - 2% disparity between monthly TNC trip remittances and Gatekeeper reports. Each month, this reconciliation is performed on total pickups and drop-offs. Our testing result variances were well under the 2% threshold. For the period reviewed, X percent of the transactions received a trip discount, and overall the TNCs received approximately \$1.5 Million in discounts based on their reported use of alternative fuel vehicles or transaction location. However, GT does not reconcile these discounts.

The Security Office did not have a documented methodology defining procedures, record keeping, naming conventions, or other standards for documenting the monthly rideshare driver background results.

Aviation's Public Safety and Security Division (Security) completes the monthly rideshare driver background check (audits). We sampled 10 monthly background check audits performed by Aviation. In establishing criteria to audit against, we discovered the Security Office did not have a documented audit methodology defining how to maintain records, what records to keep, naming conventions, or other standards for documenting audit results. Security follows *Phoenix City Code Section 4-68 C 3 and C 4*, which define the disqualifying background violations. The monthly audits we tested did not contain any dispositions indicating which driver was audited by the background check auditor. During interviews, the background check auditor stated they do not have a directive for sharing completed audits with GT, and accordingly this procedure is not being actively monitored by GT.

Minimum insurance requirements were met by all major TNC providers selected for testing.

We obtained the current Association for Cooperative Operations Research and Development (ACORD) certificates for Uber and Lyft. Both providers had adequate insurance coverage for operation at the Airport more than required amounts. GT was effectively monitoring the TNC's insurance requirements.

Department Responses to Recommendations

<p>Rec. #1.1: Reconcile monthly remittances to include the breakdown of discounted trips.</p>	
<p>Response: Ground Transportation (GT) will coordinate with the TNCs and Gatekeeper to ensure the TNCs are reporting discounted trip data directly to Gatekeeper.</p> <p>GT will modify the Variance Report structure used to reconcile the data to also include discounted trip data to compare normal trips reported to discounted trips reported.</p>	<p><u>Target Date:</u> April 1, 2025</p>
<p>Rec. #2.1: Ensure that the Public Safety and Security Division define audit methodology, record keeping requirements, and reporting distribution for TNC background check audits.</p>	
<p>Response: GT will prepare written parameters for Public Safety and Security (PS&S) for sharing completed background check findings with GT. GT will ensure the audit methodology meets Phoenix City Code 4-68 C.1.c.4 (A-E); and City of Phoenix Aviation Department Rules & Regulations 11.1.2.</p>	<p><u>Target Date:</u> April 1, 2025</p>
<p>Rec. #2.2: Actively monitor TNC background check audit results by reviewing monthly background check audit reports.</p>	
<p>Response: The GT office will ensure PS&S is conducting the TNC monthly background check audit reviews. GT will also review the final audit report details with the TNCs and PS&S at the commencement of each monthly audit review to ensure audit parameters were met and documented, prior to closing the audit.</p> <p>Additionally, GT will ensure TNCs provide written details of the audit results immediately after each review. Final results will be provided to GT for proper records retention.</p>	<p><u>Target Date:</u> April 1, 2025</p>

1 – Trip Fees

Background

Aviation’s Ground Transportation Office (GT) collects fees assessed to Transportation Network Companies (TNC), such as Uber and Lyft, who drop off and pick up passengers at the Airport. The TNCs facilitate rides between passengers and private drivers using their own personal vehicles. These fees, collectively known as “Trip Fees” vary in amount and are subject to increases annually. Aviation uses the application Gatekeeper to assist in recording pick-up and drop-off events. The per trip fee amounts during the audit scope period were as follows:

TNC Trip Fee Schedule

Effective Date	Trip Fee
January 1, 2021	\$4.25
January 1, 2022	\$4.50
January 1, 2023	\$4.75
January 1, 2024	\$5.00

TNC trip fees ranged from \$4.25 to \$5.00 per pick-up or drop-off.

Per *Phoenix City Code Section 4-78 A 6*, Aviation will discount trip fees by 10% for each trip taken in an alternative-fuel-vehicle, by 40% for each trip in a zero-emissions vehicle, and by 30% for each trip that initiates or terminates at the 44th Street or 24th Street PHX Sky Train stations. We reviewed monthly TNC remittances, Gatekeeper reporting, and GT variance reconciliations for the accurate determination of trip fees. We also reviewed TNC revenue recorded in SAP, and the annual calculation of trip fee increases. The time frame of our review was June 1, 2021 through June 30, 2024.

Results

GT effectively monitors the pick-up/drop-off transaction totals for TNCs. However, they do not attempt to recalculate the discounted trips.

GT has set an acceptable variance of + or - 2% disparity between monthly TNC trip remittances as reported by the TNCs and Gatekeeper reports. Each month, this reconciliation is performed on total pickups and drop-offs. Our testing results did not vary dramatically from GT results, in all cases the sample variance was well under the 2% threshold. In most cases, the pick-ups and drop-offs from Gatekeeper and monthly

remittances matched exactly to the historical data, but due to customer adjustments some were off by a few trips. For the period reviewed, approximately 10.75 percent of the trips received a discount, and overall the TNCs received approximately \$1.5 Million in discounts based on their reported use of alternative fuel vehicles or transaction location. However, GT does not reconcile these discounts.

GT correctly records SAP revenue for all sampled monthly remittances.

We judgmentally selected 10 monthly TNC remittances to test that revenue totals were accurately recorded in SAP. Nine of the 10 remittances were on time, and one was submitted late. Delinquent fees were properly assessed on the late submission. All revenue was accurately recorded in SAP, no exceptions were noted.

Recommendation

- 1.1 Reconcile monthly remittances to include the breakdown of discounted trips.

2 – Criminal History Record Check Audits

Background

Airport Rule and Regulation 08-01 Section 11.1.2 states, “Authorized providers using security background check options 2 and 3 will be audited by the Aviation Department. The audit sample may be up to 10% per month of the authorized provider’s driver pool who have conducted airport pick-ups in the month preceding the audit request date.”

The Ground Transportation Office (GT) receives the driver pool data from each provider every month. The data consists of a unique identifier only, there is no personally identifying information. GT runs a script on the data to select a random sample and sends the sample to the background check auditor in the Aviation Public Safety and Security Division (Security). The background check auditor communicates the random sample with each provider and within 14 calendar days it is returned with the date of the most recent background check performed and the quantity of background violations, if any. The background check auditor then schedules a virtual meeting to review the list of drivers with background check violations with each provider to determine if any of the violations would disqualify the driver from performing services at the Airport. If any violations are discovered that would prevent the driver from providing pick-up services at the Airport, they are suspended immediately.

We sampled 10 monthly background check audits performed by Aviation during the audit scope period to test for compliance with *Airport Rule and Regulation 08-01*.

Results

The Security Office did not have a documented audit methodology defining procedures, record keeping, naming conventions, or other standards for documenting background check audit results.

We sampled 10 monthly background check audits performed by Aviation during the audit scope period. In establishing criteria to audit against, we discovered that Security did not have a documented audit methodology defining how or what to keep for records, naming conventions, or other standards for documenting audit results, other than *Phoenix City Code Sec 4-68 C 3 and C 4* which define the disqualifying background violations. Accordingly, the monthly audits we tested did not contain any dispositions indicating which driver was audited or even which line item was reviewed by the background check auditor and the provider contact. Further, in our sample the December 2021 audit record was incomplete, the completed audit workpaper could not be found.

The background check auditor stated that they do not have a directive for sharing completed audits with GT, and accordingly this procedure is not being actively monitored by GT. In the scope period June 2021 through June 2024, only one driver had been suspended because of the background check audit procedure. The

suspension information was shared immediately with GT at the time a disqualifying result was found.

Recommendations

- 2.1 Ensure that the Public Safety and Security Division define audit methodology, record keeping requirements, and reporting distribution for TNC background check audits.
- 2.2 Actively monitor TNC background check audit results by reviewing monthly background check audit reports.

3 – Insurance Requirements

Background

Airport Rule and Regulation 08-01 Section 6 states, “Before commencing commercial activities at the airport, and in accordance with Phoenix City Code Chapter Section 4-68, authorized providers must attest to possessing the minimum insurance coverages required by State law and provide the certificate to the Ground Transportation Office.” We reviewed current certificates on file for each major TNC to determine compliance with the minimum insurance requirements.

Insurance Coverage Requirements

Type of Coverage	Minimum Coverage
Automobile Liability	
1-8 Vehicle Seats	\$250,000
9-15 Vehicle Seats	\$750,000
16+ Vehicle Seats	\$5,000,000
Underinsured Motorists	
1-8 Vehicle Seats	\$250,000
9+ Vehicle Seats	\$300,000
Uninsured Motorists	
1-8 Vehicle Seats	\$250,000
9-15 Vehicle Seats	\$300,000
16+ Vehicle Seats	\$300,000

Airport Rule and Regulation 08-01 Section 6 stipulates minimum insurance requirements for TNC operations at the airport.

Results

Minimum insurance requirements were met by all major TNC providers selected for testing.

We obtained the current Association for Cooperative Operations Research and Development (ACORD) certificates for Uber and Lyft. Both rideshare providers had

more than adequate insurance coverage for operation at the Airport. Both carried \$1,000,000 in coverage versus the \$250,000 requirement. The major TNCs at the Airport are in the 1-8 vehicle seats category.

Underinsured Motorist coverage was \$250,000 for both TNC's which matched the stated requirement. Additionally, as per requirements, the City of Phoenix was named as an additional insured on all TNC policies tested. Insurance carriers for all providers tested were rated by AM Best as "A-Excellent". The minimum rating was "B-IV", so both TNC's met this requirement as well. Lastly, stated coverage for the policies must be primary and contributory. This statement was included on both policies tested.

Recommendations

None

Scope, Methods, and Standards

Scope

We verified that ground transportation service providers were appropriately managed for licensing, insurance, and other contract requirements from June 1, 2021 through June 30, 2024.

The internal control components and underlying principles that are significant to the audit objectives are:

- Monitoring Activities
 - Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Methods

We used the following methods to complete this audit:

- We reviewed relevant contracts and policies.
- We interviewed Aviation Ground Transportation staff.
- We reviewed fee remittances.
- We tested background check audits performed by Aviation staff.
- We obtained insurance documents in force.
- We performed data validation on trip fee datasets.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Data Reliability

We assessed the reliability of Gatekeeper data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that this data was sufficiently reliable for the purposes of this audit.

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence

obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.