

The California State Auditor released the following report today:

## California Public Utilities Commission

### *It Fails to Adequately Ensure Consumers' Transportation Safety and Does Not Appropriately Collect and Spend Fees From Passenger Carriers*

#### BACKGROUND

Responsible for ensuring public safety by regulating passenger carriers, such as limousines, airport shuttles, and charter buses, the California Public Utilities Commission (commission) has nearly 8,800 active passenger carrier licenses on file. The commission's Transportation Enforcement Branch (branch) oversees licensing and investigations of passenger carriers resulting from complaints made by the public. These oversight activities are funded through fees paid by passenger carriers into the commission's Transportation Reimbursement Account.

#### KEY FINDINGS

During our review of the commission's efforts to regulate passenger carriers, we noted the following:

- Although the commission relies heavily on its processing and investigations of consumer complaints to ensure passenger carriers comply with state law, it does not have procedures for processing complaints and its investigations efforts are inadequate.
  - ✓ Complaints take too long to resolve—the commission took an average of 46 days to begin investigating after receiving a complaint and an average of 238 days to complete the investigation.
  - ✓ Investigators did not conduct a site visit to examine records and confirm the carrier was operating legally or they otherwise used flawed investigative approaches for 17 of the 40 cases we reviewed.
  - ✓ On average, it took more than five months to penalize carriers after substantiating violations for the 13 citations among the 40 cases we reviewed.
- Even though the commission substantiated violations for 25 of the 40 investigations we examined, it issued citations in only 13 cases, and the financial penalties were significantly lower—nearly \$1.5 million less—than state law allows.
- The commission has not made consistent efforts to collect on citation penalties issued to noncompliant passenger carriers. In fact, as of March 2014, the commission had \$135,000 in such outstanding penalties.
- The commission does not verify fee payments and associated revenue information that passenger carriers self-report and does not align these revenues with its costs to regulate those carriers as state law requires. We estimated that last year the commission collected \$2.2 million more from passenger carriers than it spent regulating them, which contributed to its large fund balance of \$9.3 million in the Transportation Reimbursement Account.
- The commission has deficiencies with how it uses branch staff—only about half of the 40 staff whose time charges we reviewed actually spent their time as indicated in their funding distribution. Moreover, the branch did not use five additional investigators authorized by the Legislature for airport enforcement as intended.
- The commission's branch has lacked effective program leadership and program goals or performance measures to guide its oversight efforts. This is partly due to high turnover—14 different individuals have filled seven key management positions over the last four years with significant periods when these positions remained vacant.

#### KEY RECOMMENDATIONS

We made numerous recommendations to the commission including that it develop procedures for receiving complaints and investigating passenger carriers and to ensure that it resolves complaints against passenger carriers in a timely and thorough manner. Other recommendations were geared towards ensuring the amount of penalties assessed are consistent with what state law permits and are collected, and that the fee payments submitted are accurate. Finally, we recommended developing a strategic plan to strengthen the commission's branch leadership and to effectively use its positions.

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