



FRAUD CONTROLS IN THE PARATRANSIT TAXI REIMBURSEMENT PROGRAM

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OVERVIEW

NYC Transit Paratransit Division (Paratransit) has provided transportation to riders with disabilities for 21 years through its Access-A-Ride program (AAR). Presently, over 160,000 customers rely on Paratransit's AAR program to commute to their jobs, keep medical appointments, or generally travel throughout the city. Since at least 2000, as part of its service delivery plan, Paratransit has been offering reimbursable taxi service that includes yellow taxis, community car service (liveries), and black car service (collectively referred to here as taxis unless otherwise specified) to customers whose trips were late, interrupted, or unable to be completed by existing Paratransit Services. Subsequently, Paratransit expanded the program and now offers taxi service on a pre-approved basis to some ambulatory customers who request the service. To be clear, customers requesting taxi service on a pre-approved basis do not have a right to that particular service. Rather, Paratransit authorizes some customers to use taxis primarily because it is often more cost-effective to do so—given that the current (2014) average cost per trip of using a traditional AAR van or sedan is approximately \$67 whereas the average cost for reimbursable taxi service is less than half that amount.

Paratransit customers requesting a taxi must obtain an authorization for each trip. Once the authorization is obtained, customers arrange their own transportation via yellow taxi, livery, or black car service. Customers pay the driver for each trip and then request reimbursement from Paratransit's Taxi Reimbursement (TR) department. During 2013, Paratransit reimbursed customers just over \$4 million for nearly 190,000 taxi trips.

Recently, the Office of the MTA Inspector General (OIG) conducted a review of the Taxi Reimbursement Program as part of our continuing efforts to help ensure effective and efficient Paratransit services. Our objective was to determine whether proper controls are in place to adequately deter and expeditiously detect fraudulent use of this program. Simply put, we found that Paratransit does not presently have sufficient controls to adequately prevent and uncover fraud and other misuse of the program. At a minimum, Paratransit should require more detailed information on taxi receipts and reimbursement requests. It should also generate additional lists of frequent taxi users to help focus reviews for potential abuse, and conduct greater fraud awareness training for TR staff.

NYC Transit accepted all of our recommendations and has already implemented one of them. More specifically, the agency agreed to obtain greater trip-specific documentation, conduct more focused reviews of frequent taxi users, randomly call customers to corroborate submitted documentation, verify requests to change address, and increase staff training. Additionally, the

agency reported that it has already implemented our recommendation that Paratransit consistently forward suspected fraudulent activity to the appropriate NYC Transit unit or the OIG for review and action.

Further, in his written response on behalf of the agency, the president of NYC Transit noted the value of our work with Paratransit:

We appreciate the continued efforts of your office to assist us improve controls to reduce opportunities for fraud in the Taxi Reimbursement Program, as well as in other areas. ... A number of ... [fraud] referrals were successfully investigated and in some cases resulted in criminal prosecution. Notwithstanding, fraud controls in Paratransit are not sufficiently routinized into our programs. We believed this report's recommendations provide a further opportunity to improve our business practices and institute improved fraud prevention controls.

BACKGROUND

Paratransit customers are able to use taxi services through Paratransit's pre-approval process or by obtaining a same-day taxi authorization when the scheduled carrier or voucher car service is late or not available. Pre-approvals are scheduled through Paratransit's reservations call center. Customers call in and provide their date and time of travel, as well as their pickup and destination locations, to call center operators. Each operator then determines whether or not a request meets Paratransit's criteria, which allow taxi service for customers who are ambulatory and taking a trip within one borough or going to an airport. If the criteria are not met, the customer is offered another mode of travel (e.g. an AAR sedan).

If the request meets the criteria, the operator provides the customer with a taxi authorization number. It then becomes the customer's responsibility to call a taxi, pay for the trip, obtain a valid receipt, and submit a request for reimbursement to Paratransit. The reimbursement process is explained in Paratransit's Taxi Reimbursement Policy, which is provided to customers when they are initially approved for Paratransit services. Customers are also advised that the policy is available on the MTA website.

Paratransit's TR department is responsible for processing all taxi reimbursement requests and for ensuring that each request is complete. The reimbursement procedures are included in TR's Taxi Reimbursement Procedure Guide (Guide), which serves as the manual for TR employees. When TR is satisfied that the trip request is accurate and complete, it will approve the request and reimburse the customer. If for any particular reason TR denies a reimbursement request, it will send the original documentation back to the customer, along with a letter stating the reason for denial. The TR Guide includes sections on researching customer requests, identifying excessive fares, using reports and tools to assist in fraud detection, inputting data into the department's standalone Taxi Authorization database of all taxi reimbursement payments, and using Paratransit's Adept Reservation and Scheduling system to verify that an authorization was obtained.¹ However, as we discuss below, the processes and controls in the Guide need to be clarified and strengthened and the Guide itself does not adequately inform and educate employees of the risks of fraud and abuse associated with the Taxi Reimbursement Program.

¹ The ADEPT Reservation and Scheduling system is Paratransit's data management system for maintaining information and data on every carrier, voucher, and taxi trip.

FINDINGS

To conduct our review we obtained data on all taxi program reimbursement requests paid during 2013 from Paratransit's Taxi Authorization database. We analyzed the data to identify customers who were the highest users of the service in terms of the dollar value and number of reimbursed trips, as well as the highest average trip cost. We then selected customers among the highest users in these categories and reviewed receipts and/or reimbursement requests for over 4,100 of their trips, virtually all of which were for livery or black car service trips.

Car Service Receipts Need a Car Number So Trips Can Be Verified

TR procedures require customers using a yellow taxi to submit a receipt from the taxi's meter, which contains the date, time, car or medallion number, and the fare charged. When using a car service (black car or livery), however, Paratransit procedures now require only the car service name, telephone number, trip date, tolls, and tip, but **not** the car number—even though that number is essential for Paratransit to readily verify that a claimed trip was actually taken.

Of the 4,100 car service receipts OIG reviewed, 1,559 of those receipts (38 percent) consisted of business cards that Paratransit customers submitted, which reflected the name and telephone number of the company but not the number of the car they claimed to have used. We also found that a number of these trips and so-called "receipts" were fictitious, resulting in "reimbursements" for amounts the customer never actually paid.

In our view, Paratransit's procedures should require that customers seeking reimbursement for black car and livery services must provide receipts showing the car number of the service vehicle in addition to the name and number of the company, the date, fare charged, tolls, and tip. Further, Paratransit should make known to its customers that reimbursement requests will be routinely verified with the car service companies to be sure they are valid and to provide a deterrent to fraudulent schemes.

Reimbursement Requests Should Be Formalized to Hold Customers Accountable and to Facilitate Processing

The TR Guide currently requires only that taxi reimbursement requests include the customer name and AAR identification number, trip date, and the Paratransit trip authorization number along with the original receipt provided to the customer. Besides the failure to require the individual car service number, we believe these procedures are deficient in two significant ways.

First, the customer is not required to sign the request as acknowledgment that he/she is accountable for the veracity and accuracy of the trip information provided, even though signature verification is the well-known and generally accepted internal control whenever a governmental entity is refunding or disbursing money to an individual. Second, the customer is not provided with a standardized reimbursement form. During our review we found that a customer request typically consists of a handwritten note devised by the customer with a receipt attached. As such, these nonstandard requests often contain insufficient information, are difficult to read, and

time-consuming to process. Additionally, since trip origin and destination locations are not required items of information, customers did not always provide those details. These omissions make it difficult for TR staff to identify the trip in the Adept system and ensure that the customer is being properly reimbursed.

To correct these weaknesses, Paratransit should create a Taxi Reimbursement Request form and require customers to use it. We suggest that the form include at least the following information:

- a. Customer name
- b. Customer identification number
- c. Date and time of trip
- d. Trip authorization number
- e. Pickup and destination locations
- f. Fare charged, tip, and tolls
- g. Car or medallion number
- h. Customer signature verifying the submitted information

Paratransit's "Top 20 Report" Is Needed

One of the tools discussed in the Guide and reportedly used by TR to identify potential fraudulent taxi reimbursements is Paratransit's "Top 20 Report." This report is actually a compilation of three separate lists of the 20 highest users of taxi/car service for a given period based on:

- The number of trips reimbursed.
- The total amount reimbursed.
- The highest individual trip cost.

Paratransit officials consider these three factors to be *indicators* of fraud. As a result, Paratransit officials told us, customers who repeatedly appear on this report may be recommended by management for further evaluation by NYC Transit's Special Investigations and Review unit. Accordingly, the Guide states that the "Top 20 Reports" should be prepared monthly by the Taxi Reimbursement manager on a rolling 4-month period and distributed to Paratransit management. Additionally, the report may be customized as needed for any period of time to provide greater insight on which customers to monitor. Similarly, the trips taken by these customers can be more closely reviewed for fraudulent patterns, verified with taxi companies, and/or compared with the customers' MetroCard usage to identify overlapping MetroCard trips at the same times taxi trips were taken. In short, the three risk-factors described above can be used to help focus limited resources most efficiently to identify customers who are actually defrauding the reimbursement program.

However, according to Paratransit officials, the agency stopped producing the Top 20 Report several years ago. In August 2013, NYC Transit's Special Investigations and Review Unit (SIU)

asked Paratransit to generate a Top 20 Report as part of an investigation into fraud in the program. While the unit conducted several investigations based on that report, referring others to the OIG to pursue, for some reason Paratransit has not produced any Top 20 Reports since that time.

The OIG subsequently performed analysis, similar to the Guide's Top 20 report, using more current Paratransit data for trips reimbursed in the 15-month time period from September 2012 through December 2013. As a result, we identified several other customers receiving excessively high reimbursements amounts who were not identified by Paratransit because it did not prepare Top 20 lists after August 2013. Additionally, we prepared a list of the top 20 customers with the highest average taxi reimbursement that helped us identify additional customers whose documentation provided inadequate support for their reimbursement requests.

In our view, the Top 20 report is a valuable fraud identification tool, particularly with the addition of the fourth category— highest average taxi reimbursement—recently utilized by the OIG. As such, Paratransit needs to generate this report on a regular basis and arrange for consistent investigative follow-up, whether by a dedicated fraud control unit within Paratransit or by SIU or other unit within NYC Transit. Of course, for its part, the OIG will continue to provide assistance as appropriate.

Enhancing Fraud Deterrence

Once taxi reimbursements are approved for payment, Paratransit mails the corresponding checks to customers based on their address on file. But we found instances where an address was fraudulently changed, and the check redirected, simply by means of a telephone call. Currently, when customers change their addresses by calling the Eligibility Unit, they need only identify themselves by providing the requisite name, customer identification, and phone number—pieces of information easily obtained by friends, relatives, and acquaintances of the customers. That individuals have indeed fraudulently coopted customer addresses is evident to us since we found instances where a single individual fraudulently posed as multiple customers in order to schedule trips and obtain reimbursement for them. Consequently, for the mutual protection of Paratransit and its customers, whenever a caller seeks to change an address, Paratransit should require some form of confidential customer information from the caller and establish procedures to email or call back customers to verify that they authorized the change.

As a similar deterrent to potential fraud schemes, Paratransit staff should routinely call customers identified on the Top 20 Lists, and make random calls to other customers as well, to determine whether they scheduled and took trips recently authorized and submitted for reimbursement. In our view, Paratransit will help *detect* fraud by verifying the information submitted, and will also help *deter* fraud simply by alerting dishonest individuals that the agency has and is using a verification process.

Additional Investigation and Training Is Needed

During our review we found several instances in which reimbursement requests were suspicious in nature and should have been, but were not, identified by TR staff and brought to the attention of management for fraud analysis. For example, we identified one customer who submitted receipts for 20 car service trips taken over an 8-day period in which all 20 receipts were preprinted, sequentially numbered, and apparently from the same receipt book. Since drivers provide receipts routinely or as requested by customers, it seems highly unlikely that this particular customer used only one driver over the course of eight days, and that this customer is the only one to whom that driver gave receipts.

We also found that taxi reimbursement employees did not always check the Adept database to ensure that a taxi trip was authorized. Specifically, during a sample one-month period in the fall of 2013, we identified 11 instances where *two* payments were made for a single trip—one payment directly to Paratransit’s broker car service contractor and the other as “reimbursement” to a customer for a purported taxi drip. If TR staff had checked, they would have seen that the Adept database clearly showed that only the contractor was entitled to payment.

Certainly, NYC Transit management needs to ensure that Paratransit is appropriately served by staff with the time, training, and resources to properly investigate all suspected cases of misconduct. Similarly, in our view, Paratransit also needs to develop a training program for Taxi Reimbursement staff that more fully informs them of the potential fraud and other wrongdoing that can occur in the reimbursement program and more clearly instructs them on how to detect and report suspicious requests. One fundamental but underutilized control that needs to be reemphasized is for staff to check the ADEPT Reservation and Scheduling database to confirm that each taxi reimbursement request is supported by a proper authorization.

RECOMMENDATIONS

In order to more comprehensively deter and detect fraud within the Taxi Reimbursement program, we recommend that NYC Transit:

1. Require, absent a taxi-generated machine receipt, that a car service receipt reflect the following trip-specific information:
 - a) Name and telephone number of car service
 - b) Date and time of trip
 - c) Fare amount, tolls, and tip
 - d) Car number
 - e) Driver name and signature

MTA/Agency Response:

Agreed. The agency noted that, "Paratransit will develop protocols to institute this new requirement and create an outreach program to advise our customers of this new requirement."

2. Create a standard request form for all yellow taxi and car service reimbursements that includes the following information:
 - a) Customer name
 - b) AAR ID#
 - c) Date and time of trip
 - d) Trip Authorization number
 - e) Pickup and destination locations
 - f) Fare charged, tip, and tolls
 - g) Car or medallion number
 - h) Customer signature

MTA/Agency Response:

Agreed. The agency confirmed that it will develop and implement a standard request form. The agency will also develop protocols for the requirement, create a customer outreach program, and identify methods to make the request form available to customers.

3. Prepare Paratransit's Top 20 Taxi Report each month and expand it to include a list of the top 20 customers with the highest average taxi reimbursement, forwarding it to a unit that will review with the cab companies the validity of the trips presented for reimbursement.

MTA/Agency Response:

Agreed. The agency stated that it will produce and review the Top 20 reports, and based on this analysis and the calls to customers referenced in Recommendation #4,

Paratransit personnel will then validate trips with taxi companies. When fraudulent activity is suspected, Paratransit will refer cases to investigative units.

4. Internally test the validity of reimbursement requests by calling customers in the Top 20 Taxi Report and by randomly calling other customers, to determine whether they scheduled and took trips recently authorized and submitted for reimbursement.

MTA/Agency Response:

Agreed. The agency stated that the Paratransit Taxi Reimbursement Unit will assume this function.

5. Ensure that suspected cases of fraud are consistently forwarded to the appropriate NYC Transit unit or the OIG for further review and action.

MTA/Agency Response:

Agreed. NYC Transit reported that it has already implemented this recommendation.

6. Improve the way Eligibility Unit personnel verify the identity of customers requesting a change of address.

MTA/Agency Response:

Agreed.

7. Establish a training program for Taxi Reimbursement staff that more fully informs them of the potential fraud and other wrongdoing that can occur in the reimbursement program and more clearly instructs them on how to detect and report suspicious requests, updating the training to include new schemes as they arise.

MTA/Agency Response:

Agreed.

8. Reemphasize the need for Taxi Reimbursement staff to check the Adept system to confirm that every reimbursement request is supported by an appropriate authorization.

MTA/Agency Response:

Agreed.