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2021 OPERATING BUDGET BRIEFING NOTE

External Regulatory and Compliance Audit Services: Vehicles-for-Hire and Short-term Rentals By-laws

Issue/Background:

- On January 21, 2021, Budget Committee requested a Briefing Note on the breakdown of the professional services required in 2021 for external regulatory and compliance audit services to ensure compliance with Vehicles-for-Hire and Short-Term Rentals by-laws.
- The City of Toronto licenses Private Transportation Companies (PTCs such as Uber and Lyft) and taxicab brokerages under Toronto Municipal Code Chapter 546, Licensing of Vehicles-for-Hire and licenses Short-term Rental Companies (such as Airbnb) under Toronto Municipal Code Chapter 547, Licensing and Registration of Short-term Rentals.
- These bylaws require the collection of specific data from licensed companies. The City has entered into Data Sharing Agreements, where appropriate, to govern standards for data collection, storage and transfer to the City.
- Data provided to the City is used for purposes of billing, compliance and enforcement activities, and impact studies, which are used to inform reports to City Council.
- To ensure that licensed companies comply with the City's bylaws, the City uses a variety of tools, including the services of external providers who have the necessary experience to support efforts of compliance and enforcement.

Key Points:

Two contracts will be used by MLS in 2021 to support the City's compliance and enforcement efforts, External Audit and Data Discovery:

- **External Audit:** In 2020, a competitive procurement process resulted in KPMG being awarded a one-year contract to undertake external audit services, with an option to renew for up to an additional three years.
 - The contract includes audit services for both vehicles-for-hire (VFH) and short-term rentals (STR).
 - The audits provide independent assurance from a reputable third-party auditor on the integrity of data submitted to the City. This includes verification of the accuracy and completeness of data collected, and storage, transmission and maintenance of data in secure manner that meets the privacy and security conditions of the City, as set out in the City's Data Sharing Agreements.

- In 2021, it is anticipated that KPMG will be conducting compliance audits on licensed STR companies and VFH companies, including taxicab brokerages and private transportation companies.
- The budget for this External Audit service in 2021 is \$400,000.
- **Data Discovery:** An RFP process for data discovery services to assist and support compliance efforts related to short-term rental services is nearing completion.
 - A recommendation will be brought forward to Bid Committee for approval.
 - The successful Supplier will provide data to support identifying non-compliance.
 - The Supplier will also improve voluntary compliance by making individuals aware of regulations and providing opportunities to comply using "soft" tools as a pre-enforcement step; this will allow the City to direct resources to higher-risk operations.
 - The budget for this Data Discovery service for 2021 is \$300,000.

Table 1: 2021 MLS Budgeted External Regulatory and Compliance Audit Services

Contract	Status	Successful Vendor	2021 Budget \$
External Audit	Issued in 2020, one-year contract with option to extend up to three years (competitive process)	KPMG	400,000
Data Discovery	RFP process underway with recommendation to be brought to Bid Committee	TBD	300,000

Questions & Answers:

Q1. How does MLS ensure that companies licensed under the vehicles-for-hire (Ch. 546) and short-term rentals (Ch. 547) bylaws meet all licensing requirements?

A1. This compliance work is done by a team of staff in MLS' Compliance and Reporting Unit. The team reviews and audits data from companies licensed under Chapter 546 and Chapter 547 to ensure that all standards are met. For example, for VFH this includes criminal background and judicial matters checks, driver age and experience, and vehicle safety certificates.

Q2. Why does MLS use external providers to support compliance efforts?

A2. Due to the volume of work and the need for specialized services and independent assurances, some work is contracted to external providers. These services require expertise in the respective areas that are necessary to supplement the due diligence efforts of compliance and enforcement, and assist in providing independent assurances. For example, the successful supplier for the Data Discovery contract will undertake comprehensive data scraping from the internet to inform MLS' enforcement and compliance efforts; this is not something that MLS currently has the capacity to do.

Q3. What is the status of the licensing and registration for STR companies and operators?

A3. Existing STR operators and companies had until January 1, 2021 to register or obtain a City licence. All short-term rental registrations that have been approved are available on the [City's Open Data portal](#). The City continues to accept new applications.

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