Thomas P. DiNapoli
State Comptroller

110 State Street
Albany, New York 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 27, 2021

Mark Schroeder
Commissioner
Department of Motor Vehicles
6 Empire Plaza
Albany, NY 12228

Re: Allocation, Billing, and Collection of Expenses of Administering the Motor Vehicle Financial Security Act and the Motor Vehicle Safety Responsibility Act
Report 2021-F-3

Dear Commissioner Schroeder:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Department of Motor Vehicles to implement the recommendations contained in our audit report *Allocation, Billing, and Collection of Expenses of Administering the Motor Vehicle Financial Security Act and the Motor Vehicle Safety Responsibility Act* (Report 2019-S-5), issued December 13, 2019.

Background, Scope, and Objective

The Department of Motor Vehicles (Department) administers the Motor Vehicle Financial Security Act and the Motor Vehicle Safety Responsibility Act (collectively, "Acts") pursuant to Articles VI and VII of the Vehicle and Traffic Law. These Acts help ensure that the operators of motor vehicles registered in New York possess adequate insurance coverage, or are financially secure, to compensate persons they might injure or whose property they might damage as a result of an accident. Department activities relating to the Acts fall into three program areas: the Dedicated Bridge and Highway Safety Program, the Compulsory Insurance Services Program, and the Accident Prevention Course Program. Under the Acts, the Department is required to annually estimate the expenses of administering the related programs and assess these expenses on insurance carriers in proportion to their reported premiums.

Our initial audit sought to determine whether the Department was appropriately allocating, billing, and collecting the expenses of administering the Acts. The audit covered the period April 1, 2014 through August 20, 2019. We found that, in general, the Department was appropriately allocating, billing, and collecting nearly all expenses related to administering the Acts. However, the Department could better ensure the accuracy of its allocation and billing practices by analyzing reported premium data and taking follow-up action as needed. In addition, the Department did not bill $126,493 in assessable expenses due to its practice of not adjusting its billing to account for amended premiums reported by insurance carriers. The Department also lacked a method for carrying prior period balances forward to subsequent periods and, as a result, did not collect $25,265 that it had billed to insurers.

The objective of our follow-up was to assess the extent of implementation, as of May 4, 2021, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

The Department has made some progress in addressing the issues identified in the initial audit report and has partially implemented our two recommendations.

Follow-Up Observations

Recommendation 1

Enhance the accuracy and reliability of reported premium data by analyzing premium data and taking follow-up action where appropriate.

Status – Partially Implemented

Agency Action – Since our initial audit, Department staff analyzed premium data reported by insurance carriers for the calendar years ended December 31, 2019 and 2018. They calculated and reviewed the percentage change in reported premiums between the two years and also identified ten carriers that reported premiums in one year but not the other. Despite identifying these cases, the Department has not taken follow-up action to obtain explanations for the variances or – if applicable – to address them. In response to our observations, Department officials stated that the Vehicle and Traffic Law requires only that they assess the costs of the programs, not verify the premium amounts. However, they also said that they plan to continue to compare insurance premiums from year to year and send the comparisons to the Department of Financial Services for possible follow-up.

Recommendation 2

Take steps to bill insurance carriers for, and collect, all assessable expenses under the Acts.

Status – Partially Implemented

Agency Action – Department officials stated that they continue to use the initial allocation rate for carriers with no premium adjustments and only use a revised allocation rate to rebill carriers that report revised premiums. However, as we noted in our initial report, this practice may result in the Department not billing all assessable expenses or billing an amount greater than the total assessable expenses. Department officials also indicated that they are implementing a more frequent billing timetable – sending carriers a final bill annually rather than every three years – and expect that, as a result, premium revisions will occur less frequently. They stated that annual billing will give carriers the opportunity to review reported premiums in the most recent reporting period and make corrections accordingly.

In addition, Department officials indicated they have not yet billed the carriers identified in our initial audit report whose outstanding assessed amounts for prior periods totaled $25,265. They attributed the delay to personnel changes and training, and stated that they had planned to bill carriers in March 2021. Department officials also indicated that, as of March 15, 2020 – about three months after our initial audit was issued – they identified 19 carriers with outstanding assessable expense balances totaling $1,035,318 for the State fiscal years ended March 31, 2019 and 2018. However, bills to carriers were not sent until February 23, 2021, shortly after we engaged this follow-up. According to officials, as of April 1, 2021, the Department has collected payments from three of the carriers, totaling $19,714. They said that, going forward, they plan to review final outstanding balances quarterly and send out balance due letters as needed.

Major contributors to this report were Karen Bogucki, CGFM; Michael Cantwell; and Chris Lance.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank Department management and staff for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Sharon L. Salembier, CPA, CFE
Audit Manager

cc: Kelly Gardineer, Department of Motor Vehicles