

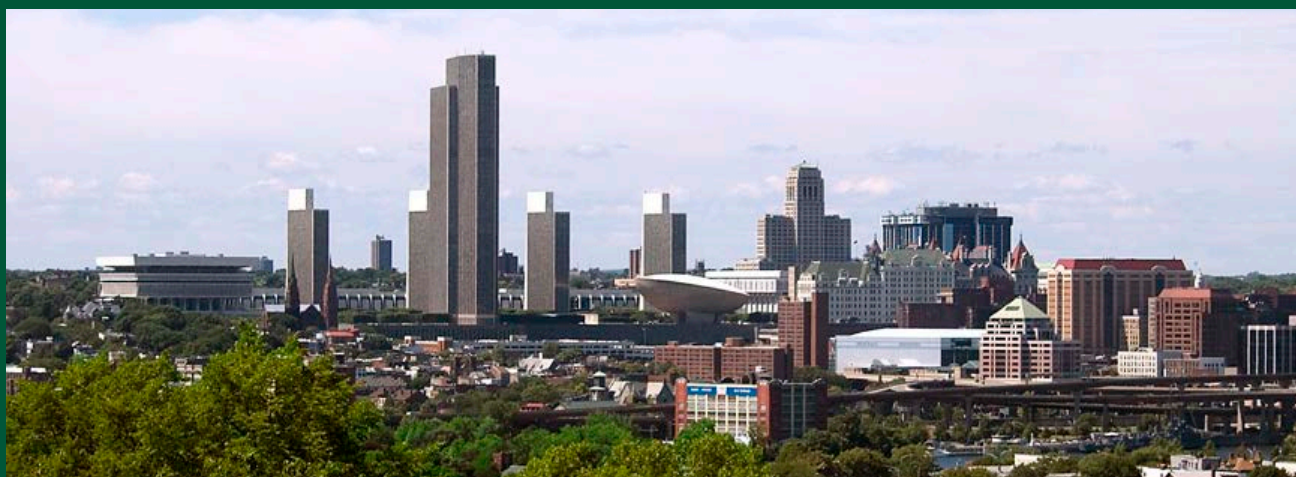


New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Motor Vehicle Financial Security and Safety Responsibility Acts: Assessable Expenses for the Fiscal Year Ended March 31, 2014

Department of Motor Vehicles



Executive Summary

Purpose

The purpose of this performance audit was to determine whether the Department of Motor Vehicles (Department) has adequate procedures in place to accurately report its assessable expenses incurred in connection with the administration of Article VI and Article VII of the Vehicle and Traffic Law. We performed our audit pursuant to legislative mandates included in these statutes, which direct that the Comptroller and the Commissioner of Motor Vehicles ascertain the annual amount of expenses incurred in the administration of these laws. Our audit covered the period April 1, 2013 through March 31, 2014.

Background

The Department administers the Motor Vehicle Financial Security Act (Security Act) and the Motor Vehicle Safety Responsibility Act (Responsibility Act). These Acts help ensure that the operators of motor vehicles driven in New York State possess adequate insurance coverage, or are financially secure, to compensate those persons they might injure or whose property they might damage as a result of an accident. According to Article VI, Section 317 and Article VII, Section 363 of the Vehicle and Traffic Law, the Department is responsible for tracking its cost of administering these Acts, and assessing these costs on insurance carriers that issue policies or contracts of automotive bodily injury insurance.

Key Findings

- For the fiscal year ended March 31, 2014, net assessable expenses for the Acts total about \$19.9 million. The Department has adequate procedures in place to ensure that it accurately identifies and reports its assessable expenses in all material respects.
- The Department implemented the recommendations contained in our prior audit report (2014-S-42).

Other Related Audits/Reports of Interest

[Department of Motor Vehicles: Motor Vehicle Financial Security and Safety Responsibility Acts: Assessable Expenses for the Two Fiscal Years Ended March 31, 2013 \(2014-S-42\)](#)

[State Education Department: Audit of the Tuition Reimbursement Account for the Three Fiscal Years Ended March 31, 2013 \(2014-S-17\)](#)

State of New York
Office of the State Comptroller

Division of State Government Accountability

April 15, 2015

Mr. J. David Sampson
Executive Deputy Commissioner
Department of Motor Vehicles
6 Empire State Plaza
Albany, NY 12228

Dear Mr. Sampson:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Motor Vehicle Financial Security and Safety Responsibility Acts: Assessable Expenses for the Fiscal Year Ended March 31, 2014*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and the legislative mandates included in Article VI, Section 317 and Article VII, Section 363 of the Vehicle and Traffic Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability

Table of Contents

Background	4
Audit Findings	6
Audit Scope and Methodology	6
Authority	7
Reporting Requirements	7
Contributors to This Report	8
Exhibit A	9

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This report is also available on our website at: www.osc.state.ny.us

Background

The Department administers the Motor Vehicle Financial Security Act (Security Act) and the Motor Vehicle Safety Responsibility Act (Responsibility Act) pursuant to Article VI and Article VII of the Vehicle and Traffic Law. These Acts help ensure that the operators of motor vehicles registered in the State possess adequate insurance coverage, or are financially secure, to compensate those persons they might injure or whose property they might damage as a result of an accident. Department activities relating to the Security Act are segregated into two major program areas: the Dedicated Bridge and Highway Safety Program and the Compulsory Insurance Services Program.

The Dedicated Bridge and Highway Safety Program is responsible for enhancing transportation safety through the licensing, education, and oversight of vehicle operators and businesses involved in the selling, repair, and inspection of motor vehicles. Included in this program are the Department's Administration and Operations functions. Administration functions include the Commissioner's Office, the Communication Office, Fiscal Management, Human Resources, Program Analysis, and Information Technology. Operations functions include the regional offices and customer service functions such as issuing licenses, registrations, and permits; administering vision and driving examinations; and verifying title and insurance status.

The Compulsory Insurance Services Program includes ensuring vehicle owner compliance with mandated liability insurance coverage for registered vehicles. The Program maintains a vehicle information database to confirm registered vehicles have mandated insurance coverage. The Compulsory Insurance Services Program also includes the Internet Point and Insurance Reduction Program, which grants point and insurance reduction benefits to those who take a defensive driving course. In 2005, the Legislature enacted a law creating a pilot for an Internet/Alternate Delivery Method Point and Insurance Reduction Program to test the effectiveness of electronic course delivery. Courses may be delivered via the Internet or other methods such as DVD or Digital Cable. The legislation provides for a per student fee to support a third-party monitor to help ensure that only people completing the program receive the benefits.

The Responsibility and Security Acts each stipulate that the Department and the Office of the State Comptroller shall ascertain the total amount of expenses to administer these laws. Once the expenses are ascertained, the Commissioner assesses them on insurance carriers that issue policies or contracts of automotive bodily injury insurance. Assessable expenses include costs for personal service, maintenance and operations, retirement contributions, workers' compensation premiums, real estate rent, and all other direct and indirect costs. Fees paid by self-insurers and for bonded vehicles under Article VI, Section 316 and Article VII, Section 370 of the Vehicle and Traffic Law are used to reduce the assessment.

Each year, the Department estimates the cost to implement these programs and assesses this amount on insurance carriers in proportion to their reported premiums for policies or contracts that provide automobile bodily injury insurance protection. The Department generally bills the carriers quarterly. At year end, the Department determines the actual expenses and issues either

a final bill or a refund to the carriers to ensure they paid the amount they owed. The Department prepares the year-end Statements of Assessable Expenses on the cash basis of accounting. Consequently, revenues are recognized when received and expenditures are recognized when paid.

Audit Findings

For the fiscal year ended March 31, 2014, net assessable expenses totaled \$19,919,484. We found the Department had adequate procedures in place to accurately prepare, in all material respects, the Statement of Assessable Expenses for the year ended March 31, 2014, which is presented as Exhibit A to this report. We also found that, in preparing this Statement, the Department fully implemented the recommendations contained in our prior audit report (2014-S-42), which covered the two fiscal years ended March 31, 2013.

Audit Scope and Methodology

We audited whether the Department has adequate procedures in place to accurately report its assessable expenses in connection with the administration of Article VI and Article VII of the Vehicle and Traffic Law. Our audit covered the period April 1, 2013 through March 31, 2014.

We conducted our 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. The Comptroller also appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. In addition and more specific to this audit, Article VI, Section 317 and Article VII, Section 363 of the Vehicle and Traffic Law each require the Comptroller and the Commissioner of Motor Vehicles to ascertain the total amount of expenses incurred in the administration of these laws. Ascertaining the expenses requires reliance on the State's accounting system, which is maintained in part by the Comptroller. These duties may therefore be considered management functions for purposes of evaluating threats to organizational independence under generally accepted government auditing standards. Because the focus of our performance audit was primarily on the Department's efforts to capture and report appropriate costs, and not on calculating the costs themselves, in our opinion these threats and functions do not affect our ability to conduct an independent audit of the Department's performance.

To achieve our audit objective, we reviewed relevant laws, policies, and procedures and interviewed Department officials. We also examined the Department's internal controls related to preparing the appropriate cost reports. We applied specific audit procedures to the annual assessment statement prepared by the Department. These audit procedures included analytical reviews to identify areas of risk and unique transactions that warrant additional consideration, as well as tests of selected transactions and such other procedures as we considered necessary in the circumstances. We also substantiated the assessable costs presented in these statements

by tracing them to financial records maintained by the Department and by the State Comptroller.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and the legislative mandates included in Article VI, Section 317 and Article VII, Section 363 of the Vehicle and Traffic Law.

Reporting Requirements

We discussed our audit observations with Department of Motor Vehicles officials for their review and comment. Department officials declined to submit a written response because the report contains no recommendations.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Exhibit A

**New York State Department of Motor Vehicles
Motor Vehicle Financial Security and Safety Responsibility Acts
Statement of Assessable Expenses
for the Fiscal Year Ended March 31, 2014**

Direct Expenses:	
Internet Point and Insurance Reduction Program	\$ 21,490
Compulsory Insurance Services Program	6,351,951
Dedicated Bridge and Highway Program	7,748,333
Total Direct Expenses	\$14,121,774
Fringe Benefits and Indirect Costs	5,915,912
Gross Assessable Expenses	\$20,037,686
Less: Fees Paid by Self-Insurers	(114,702)
Fees Paid for Bonded Vehicles	(3,500)
Net Assessable Expenses	\$19,919,484