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

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Division of State Government Accountability

# **Motor Vehicle Financial Security and Safety Responsibility Acts: Statement of Assessable Expenses for the Three Fiscal Years Ended March 31, 2011**

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**Department of Motor Vehicles**

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Report 2012-S-25

March 2013

# Executive Summary

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## Purpose

To express an opinion on the fair presentation of the Report of Motor Vehicle Financial Security and Safety Responsibility Acts Statement of Assessable Expenses for the Three Fiscal Years Ended March 31, 2011.

## Background

Article VI, Section 317 and Article VII, Section 363 of New York State's Vehicle and Traffic Law (Law) stipulate that the Commissioner of Motor Vehicles and the Office of the State Comptroller shall ascertain the total amount of expenses the Department of Motor Vehicles incurs in its administration of 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, before they obtain a vehicle registration.

## Key Findings

- We found the Statements referred to above present, in all material respects, the expenditures of the Department's Motor Vehicle Financial Security and Safety Responsibility Acts for the three fiscal years ended March 31, 2011, in accordance with cash basis of accounting.

## Key Recommendations

- No recommendations

## Other Related Audits/Reports of Interest

[Department of Motor Vehicles: Motor Vehicle Financial Security and Safety Responsibility Acts Statement of Assessable Expenses for the Three Fiscal Years Ended March 31, 2008 \(2008-S-161\)](#)

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# Independent Auditor's Report

## State of New York Office of the State Comptroller

### Division of State Government Accountability

We have examined the Department of Motor Vehicles' (Department) Financial Security and Safety Responsibility Acts (Program) Statements of Assessable Expenses for the three fiscal years ended March 31, 2011. The Statements are the responsibility of Department management. Our responsibility is to express an opinion on the fair presentation of the Statement data based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, our examination included tests of selected transactions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the statements referred to above present, in all material respects, the expenditures of the Department's Motor Vehicle Financial Security and Safety Responsibility Acts for the three fiscal years ended March 31, 2011 in accordance with cash basis of accounting (Note 4).

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. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent examinations.

In accordance with Government Auditing Standards for Attestation Engagements, we have also issued a report on the Department's internal controls over its financial reporting operations; and Department compliance with relevant Program-related laws and regulations. The purpose of that report is to describe the scope and results of our testing, and not to provide an opinion thereon. That report is an integral part of an attestation engagement and should be considered in assessing the results of our examination.

*Office of the State Comptroller*  
*Date: March 25, 2013*

# Statement of Assessable Expenses - Fiscal Year Ended March 31, 2011

## Direct Expenses (Note 2\*)

I-PIRP	\$14,597
Compulsory Insurance Services	8,270,788
Dedicated Bridge and Highway Safety Program	<u>7,055,767</u>

**Total Direct Expenses** **\$15,341,152**

Fringe Benefits and Indirect Costs (Note 6\*) 6,146,190

## Adjustment:

Prior Year Company Adjustment (Note 7\*) 0

**Gross Assessable Expenses** **\$21,487,342**

## Less:

Fees Paid by Self-Insurers (Note 8*)	(125,223)
Bonded Vehicles (Note 8)	<u>(3,288)</u>

**Net Assessable Expenses** **\$21,358,831**

The accompanying notes are an integral part of the Statements.

\* See Notes starting on page 7.

# Statement of Assessable Expenses - Fiscal Year Ended March 31, 2010

## Direct Expenses (Note 2)

I-PIRP	\$17,135
Compulsory Insurance Services	9,854,188
Dedicated Bridge and Highway Safety Program	<u>8,636,502</u>
<b>Total Direct Expenses</b>	<b>\$18,507,825</b>
Fringe Benefits and Indirect Costs (Note 6)	6,225,762
Adjustment:	
Prior Year Company Adjustment (Note 7)	<u>0</u>
<b>Gross Assessable Expenses</b>	<b>\$24,733,587</b>
Less:	
Fees Paid by Self-Insurers (Note 8)	(105,182)
Bonded Vehicles (Note 8)	<u>(3,283)</u>
<b>Net Assessable Expenses</b>	<b><u>\$24,625,122</u></b>

The accompanying notes are an integral part of the Statements.

# Statement of Assessable Expenses - Fiscal Year Ended March 31, 2009

## Direct Expenses (Note 2)

I-PIRP	\$8,851
Compulsory Insurance Services	9,448,719
Dedicated Bridge and Highway Safety Program	<u>8,665,584</u>

**Total Direct Expenses** **\$18,123,154**

Fringe Benefits and Indirect Costs (Note 6) 6,608,470

## Adjustment:

Prior Year Company Adjustment (Note 7) 67,945

**Gross Assessable Expenses** **\$24,799,569**

## Less:

Fees Paid by Self-Insurers (Note 8)	(113,257)
Bonded Vehicles (Note 8)	<u>(3,207)</u>

**Net Assessable Expenses** **\$24,683,105**

The accompanying notes are an integral part of the Statements.

# Notes to the Statements of Assessable Expenses

## 1. Program Background

The New York State Department of Motor Vehicles (Department) is charged with enhancing traffic safety, providing consumer protection and information services, and assisting other government agencies, such as the Department of Financial Services, the Department of State Police and local police agencies, to achieve their missions. More specifically, the Department licenses motor vehicle operators, registers motorized vehicles, issues license plates, and promotes traffic safety through driver training programs and outreach efforts.

Article VI, Section 317 and Article VII, Section 363 of New York State's Vehicle and Traffic Law (Law) stipulate that the Commissioner of Motor Vehicles and the Office of the State Comptroller shall ascertain the total amount of expenses the Department incurs in its administration of 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, before they obtain a vehicle registration.

Once the amount of such administrative expenses is determined, the Commissioner assesses the cost of regulation on insurance carriers that issue policies or contracts of automobile bodily injury insurance. Assessable Department expenses include personal service costs, maintenance and operations, retirement contributions, workers compensation premiums, real estate rental costs, and all other direct and indirect costs. Fees paid by self-insurers and for bonded vehicles under Sections 316 and 370 of the Law are to be applied toward reducing the assessment.

## 2. Department Operations

Department activities relating to the Financial Security Act are segregated into two major program areas: Dedicated Bridge & Highway Safety Program, and the Compulsory Insurance Program. In 2005, the Legislature enacted a law creating a pilot for an Internet/Alternate Delivery Method Point and Insurance Reduction Program (I-PIRP). The responsibilities for each of these program areas are as follows:

### *Dedicated Bridge & Highway Safety Program*

The Department's Dedicated Bridge & 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 Departments Administration and Operations functions. The Department Administration functions include the Commissioner's Office, the Communication Office, Fiscal Management, Human Resources, Program Analysis and Information Technology. The Departments Operations functions provide for the operation of the regional offices and for providing efficient and courteous



customer service, including: issuing licenses, registrations, and permits; administering vision and driving examinations; and verifying title and insurance status.

#### *Compulsory Insurance Services Program*

The Department's Insurance Services Program is responsible for ensuring vehicle owner compliance with mandated liability insurance coverage for registered vehicles. The Program maintains and uses an up-to-date vehicle information data base which is used to confirm registered vehicles have mandated insurance coverage.

#### *Internet Point and Insurance Reduction Program*

The Internet Point and Insurance Reduction Program (I-PIRP) is a five year pilot designed to test the effectiveness of electronic course delivery. Courses may be delivered via the internet or other alternate delivery method, such as DVD or Digital Cable, for the purposes of granting point and insurance reduction benefits. Recognizing the need to ensure that only people completing the program receive the benefits, the Legislature provided a per student fee to support a third party monitor.

### **3. Cost Recovery Methods**

The Commissioner assesses providers of automobile-related liability (bodily injury) insurance a pro-rata share of the Department's regulatory expenses based on their respective premiums written in related insurance lines.

### **4. Basis of Accounting**

The Department's Statements of Assessable Expenses are prepared on the cash basis of accounting; consequently, revenues are recognized when received and expenditures are recognized when paid.

### **5. Accounting Records**

The direct expenses, indirect costs, adjustments, and offsetting fees used to compile the Statements are based on the financial records maintained by the Department, and are in agreement with those maintained by the Office of the State Comptroller.

### **6. Fringe Benefits and Indirect Costs**

The fringe benefit and indirect cost recovery rates used by the Department are determined by the New York State Division of Budget and are applied to Program personal service costs only. Fringe benefits include: health insurance costs, pension costs, social security costs, workers' compensation costs and other benefits costs (e.g., unemployment benefits). Indirect costs include, but are not limited to, physical overhead, space occupancy, utilities, information technology and central service agency (e.g., OGS, Civil Service, Budget, General Services, etc.) costs. For the three

fiscal years ended March 31, 2011, the fringe benefit rates applied were 45.55 percent, 43.88 percent and 48.43 percent, respectively. The indirect cost recovery rates for the same periods were 3.85 percent, 3.44 percent and 3.11 percent, respectively.

Year Ended March 31, 2009		
Fringe Benefit Costs (\$13,377,470 @ 45.55%)		\$6,093,437
Indirect Costs (\$13,377,470 @ 3.85%)		<u>515,033</u>
<b>Total</b>		<b>\$6,608,470</b>
Year Ended March 31, 2010		
Fringe Benefit Costs (\$13,156,724 @ 43.88%)		\$5,773,171
Indirect Costs (\$13,156,724 @ 3.44%)		<u>452,591</u>
<b>Total</b>		<b>\$6,225,762</b>
Year Ended March 31, 2011		
Fringe Benefit Costs (\$11,925,088 @ 48.43%)		\$5,775,320
Indirect Costs (\$11,925,088 @ 3.11%)		<u>370,870</u>
<b>Total</b>		<b>\$6,146,190</b>

## 7. Prior Year Company Adjustments

Department staff adjusts assessable expenses on active insurers for the current reporting period to compensate for insurance companies that have gone out of business or merged without paying their fair share of the assessment for the prior year. For fiscal years ended March 31, 2010 and March 31, 2011, the Department did not have any adjustments for insurers who went out of business or merged without paying their assessment.

## 8. Offsetting Cash Receipts

In accordance with Sections 316 and 370 of the Vehicle and Traffic Law, certain motor vehicle registrants (self-insured and bonded) are required to pay an annual fee to the Department, which is established at \$1.50 and \$3.00 respectively. The statutes mandate that these fees offset any Articles 6 and 7 assessments on insurance carriers.

# Comptroller's Report on Internal Controls and Compliance with Governing Laws, Rules and Regulations

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**State of New York**  
**Office of the State Comptroller**

## **Division of State Government Accountability**

We have examined the accompanying Financial Security and Responsibility Act related Statements of Assessable Expenses for the three fiscal years ended March 31, 2011. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## **Internal Control Over Financial Reporting**

In planning and performing our examination, we considered the Department's internal control over its financial reporting operations in order to determine our procedure steps to attest to the Statements and not to attest to the effectiveness of the internal controls over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial schedule. We noted certain control improvement opportunities that are detailed in a separate letter provided to the Department. While these improvement areas did not affect the Statements for the three year period ended March 31, 2011, if the areas are not addressed future Statements could be misstated.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's Statements are free of material misstatement, we assessed Department compliance with certain provisions of law, regulations, and contracts relating to the Financial Security and Responsibility Act for which noncompliance could have a direct and material effect on the determination of financial statements amounts. Providing an opinion on compliance with those provisions was not an objective of our examination. The results of our tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

*Office of the State Comptroller*  
*Date: March 25, 2013*

## 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.