

H. CARL McCALL
STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

July 10, 1998

Mr. Richard E. Jackson, Jr.
Commissioner
Department of Motor Vehicles
Swan Street Building
Empire State Plaza
Albany, NY 12228

Re: Financial Security Program Assessment
Report 98-D-7

Dear Mr. Jackson:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the Department of Motor Vehicles (Department) Report of Net Assessable Expenses of the Administration of the Financial Security and Safety Responsibility Acts for the Fiscal Year Ending March 31, 1996 (Financial Report). The assessment is authorized in accordance with Sections 317 and 363 of the Vehicle and Traffic Law for administering the Motor Vehicle Financial Security Act and the Motor Vehicle Safety Responsibility Act.

A. Scope of Review

The review was done in accordance with the Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants. All information included in the Financial Report, except for the indirect expenses, is the representation of Department management.

A review consists primarily of inquiries of Department personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted government auditing standards, the objective of which is the expression of an opinion regarding the Financial Report taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modification that should be made to the accompanying Financial Report in order for it to be in conformity with the basis of accounting described in the Notes to the Financial Report.

B. Results of Review

As detailed in the attached Financial Report, the net assessable expenses for the fiscal year ending March 31, 1996 totaled \$14,865,787. Our review showed that direct expenses and indirect expenses applicable to the Financial Security and Safety Responsibility Acts for the fiscal year ending March 31, 1996 were \$14,968,361. These expenses were reduced, as required by Section 316 and 370 of the Vehicle and Traffic Law, by \$102,574 in fees paid by self-insurers and fees paid for bonded vehicles.

The direct expenses and fees for self-insurers and bonded vehicles were computed from the financial accounts maintained by the Department and are in agreement with the records of the Office of the State Comptroller. Fringe benefits and indirect expenses are based on rates established by the Division of Budget.

The Financial Report is used by the Department to bill insurance companies for their assessable expenses. The determination of the amount to be assessed -- \$14,865,787 -- is in conformity with the provisions of the Vehicle and Traffic Law.

Major contributors to this report were Abraham Markowitz, Roger Mazula, Deb Spaulding, and Randy Partridge.

We wish to express our appreciation to the management and staff of the Department of Motor Vehicles for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Robert L. King

Department of Motor Vehicles
 Report of Net Assessable Expenses of the Administration of the
 Financial Security and Safety Responsibility Acts
 For Fiscal Year Ending March 31, 1996

Direct Expenses:		
Administration	\$ 690,541	
Policy and Program Development	1,225,966	
Audit and Review	6,665	
Operations	4,912,521	
Transportation Safety	309,986	
Insurance	7,118,700	
Traffic Safety Law Enforcement	168,646	
Aid to Localities	66,649	
Special License Plate Program	<u>20,503</u>	
Total Direct Expenses		\$14,520,177
Indirect Expenses (Note 2)		399,398
Prior Year's Adjustments (Note 3)		<u>48,786</u>
Total Assessable Expenses		14,968,361
Less:		
Fees Paid by Self-Insurers (Note 4)	100,329	
Fees Paid for Bonded Vehicles (Note 4)	<u>2,245</u>	
		<u>(102,574)</u>
Net Assessable Expenses		<u>\$14,865,787</u>

The accompanying notes are an integral part of the Department's Financial Report.

Department of Motor Vehicles
Report of Net Assessable Expenses of the Administration of the
Financial Security and Safety Responsibility Acts
Notes to the Financial Report

Note 1: Accounting Methods

The Financial Report is prepared on the cash basis of accounting; consequently, fees paid by self-insurers and for bonded vehicles are recognized when received and expenditures are recognized when paid, rather than when the obligation is incurred. Therefore, encumbrances outstanding at the end of the fiscal year are not included in the expenses.

Direct expenses include the fringe benefit rate applied to personal service expenses. The fringe benefit rate is determined by the Division of Budget. The rate for fiscal year ending March 31, 1996 was 31.27 percent.

Note 2: Indirect Expenses

Indirect expenses are computed using the Division of Budget's established rate applied to personal service costs. The rate for the fiscal year ending March 31, 1996 was 4.71 percent.

Note 3: Prior Year's Adjustments

Adjustments to the assessed expenses are a result of errors in the prior year's assessed expenses. In addition, the Department receives payments from the New York State Insurance Department for assessed expenses as a result of the liquidation of insurance companies. Adjustments for the fiscal year ending March 31, 1996 are as follows:

Recoveries from the Insurance Department	\$ (15,186)
Billing error for fiscal year 1994-95	<u>63,972</u>
Total Net Adjustments	\$ <u>48,786</u>

Note 4: Mandated Reductions

Sections 316 and 370 of the Vehicle and Traffic Law provide that fees paid by self-insurers and fees paid for bonded vehicles are to be applied toward reducing the assessed expenses. The mandatory reductions of assessed expenses for fees paid by self-insurers and for bonded vehicles for the fiscal year ending March 31, 1996 are as follows:

Fees paid by self-insurers	\$100,329
Fees paid for bonded vehicles	<u>2,245</u>
Total	\$ <u>102,574</u>