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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 8, 2003

Mr. Raymond P. Martinez
Commissioner
NYS Department of Motor Vehicles
Empire State Plaza
6 Swan Street
Albany, NY 12228

Re: Motorcycle Association of New York, Inc.
Contract C000498
Report 2002-F-55

Dear Mr. Martinez:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 and Article X, Section 5 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the Department of Motor Vehicles (Department) and the Motorcycle Association of New York State, Inc. (Association) as of February 27, 2003, to implement the recommendations contained in our report on State Contract C000498 between the Department and the Association (Report 2000-R-3). The report, issued November 16, 2001, examined the Association's compliance with the fiscal and performance requirements of the contract, and the Department's oversight thereof.

Background

In 1997, the New York State Legislature enacted the Motorcycle Safety Account to establish a statewide motorcycle operator and instructor training program to be administered by the Commissioner of the Department of Motor Vehicles. Fees generated from the registration of motorcycles and the issuance/renewal of motorcycle operator licenses finance the account. The Department contracted with the Association to provide the mandated services. Association training sites offer a 16-hour Motorcycle road test waiver and PIRP (point and insurance reduction program) benefits. The Association does not provide the training courses itself, but oversees the activities of several independent training sites. A five-member Board, including an Administrator who runs the Association's day-to-day operations, along with two office-based staff, manages the Association. Its responsibilities include operator and instructor training, as well as program promotion. The Department appointed a Program Manager to serve as liaison with the Association, and to monitor the Association's compliance with contract requirements.

In calendar year 2000, about one-quarter of all new motorcycle license endorsements in New York were issued through the motorcycle safety program courses managed by the Association. In calendar year 2001, the Department issued 17,703 new motorcycle licenses, of which more than one-third were through the motorcycle safety program. It is anticipated that the continued expansion of the program will have a positive effect on motorcycle safety and the motorcycle crash statistics.

The Association exceeded the contract's five-year training goal by the end of 2001, the third year of its contract. The contract set a goal of training motorcyclists equivalent to 1.5 percent of the number of registered motorcycles annually. In 2001, a total of 6,984 students were trained statewide, approximately 3.5 percent of the number of registrations. In 2002, with more than 9,000 students enrolled, the training will have reached nearly 4.5 percent of the number of registrations.

Summary Conclusions

Our prior audit determined that the Department was due a refund of \$205,643 for the period reviewed. It also identified some improvement opportunities regarding the Association's compliance with the contract's fiscal requirements. Regarding the contract's performance requirements, it found that the Association was complying with some and working towards compliance with others. We concluded, overall, that the Department needed to enhance its oversight of contractor operations.

Our follow-up review found that the Department has implemented the majority of our recommendations. It has partially implemented Recommendation 1, indicating that it does not intend to seek a refund from the Association as long as it uses the funds for program-related purposes.

Summary of Status of Prior Audit Recommendations

Of the 14 prior audit recommendations, Department officials have implemented 11 recommendations, and partially implemented 3.

Recommendation 1

Obtain a refund of \$205,643 from the Association.

Status - Partially Implemented

Agency Action - Of the \$205,643, Department officials recouped \$50,405, and obtained appropriate support for the remaining funds. Regarding the remaining \$155,238, as well as an additional \$128,207 collected after August 3, 1998, the Department verified that the Association used these funds to support the motorcycle safety program. The Department will not ask for a refund of these remaining funds since they were expended to support the program.

Recommendation 2

Require the Association to discontinue collecting student fees, or use such fees to reduce future Department funding of the program. Recover any such additional fees collected from outstanding accounts receivable.

Status - Partially Implemented

Agency Action - The Department required the Association to discontinue the collection of student fees. However, as indicated regarding Recommendation 1, the Department does not intend to recover the additional fees as long as they were used for legitimate program expenses.

Recommendation 3

Revisit the Association's CASTS database and associated software programs considering the inaccuracies noted in this report, and make program corrections as necessary.

Status - Implemented

Agency Action - The Association has updated its CASTS database and associated software programs, and corrected the inaccuracies noted in our prior report.

Recommendation 4

Implement a disaster recovery plan to protect and recover information in the event of a situation that can result in the loss of data.

Status - Implemented

Agency Action - The Association has implemented a Business Disaster Recovery Plan to protect against data loss due to fire, theft, software and hardware failures, etc. The Plan also covers archiving data that is necessary to protect for research and evaluation purposes.

Recommendation 5

Require the Association's contracted professional firms to maintain sufficient documentation to support all billings. Discontinue payments to the Association's accounting firms until they can support all contract-related billings.

Status - Implemented

Agency Action - The Department now requires the Association to receive detailed billings from professional firms.

Recommendation 6

Revisit the computer hardware and software documents supporting the LAN system to assess whether the Association received the goods and services paid for. Take corrective action as appropriate.

Status - Implemented

Agency Action - Department officials indicated that the Association's software vendor provided all of the goods and services that it was required to. The Association and the Department made

a decision not to use the part of the program involving automation of field offices because they discovered that the field offices did not have the equipment or trained personnel to implement the automation. They may attempt to implement it some time in the future.

Recommendation 7

Discontinue stipends to Association Board members if there is no formal documentation of their contributions to Association operations (e.g., attendance at Board meetings).

Status - Implemented

Agency Action - Department officials indicated that they were satisfied that the Board made significant contributions to Association operations. The Association provided us with documentation of those Board members that attended meetings, and of their involvement in Association operations.

Recommendation 8

Upon expiration of the current motorcycle maintenance contract, study the benefits of using local repair shops for the training sites.

Status - Implemented

Agency Action - The Association considered using local repair sites but ultimately determined that it wished to continue repairing vehicles with mechanics based at the central office. The Association believes that this gives them more control over the quality of the repairs. The Association does permit the use of local repair shops for emergency repairs with the approval of the Association Director.

Recommendation 9

Ensure that the Association maintains an accurate inventory control system.

Status - Implemented

Agency Action - The Association implemented an accurate inventory control system. Association officials provided us with detailed inventory reports. The system can identify the current location of each motorcycle. Each time a motorcycle is transported, the driver from the originating site signs a form that is countersigned by the person taking receipt of the motorcycle. The completed form is sent to Association headquarters where it is entered into the inventory system.

Recommendation 10

Establish formal job specifications for each Association position.

Status - Implemented

Agency Action - Formal job specifications have been established for each Association position.

Recommendation 11

Establish an open competitive hiring process that would satisfy State law.

Status - Implemented

Agency Action - The Department now requires that the Association publicly advertise job openings and include the necessary qualifications in the advertisement.

Recommendation 12

Develop and maintain detailed time and attendance records for all Association personnel to document the hours worked to support contractor billings.

Status - Implemented

Agency Action - The Association provided us with detailed time and attendance records for one of its six randomly selected employees for the period ending November 13, 2002.

Recommendation 13

Enhance program monitoring efforts to ensure continuing contractor compliance with all contract terms including, but not limited to, establishing the minimum number of training sites, periodic monitoring of each training site, and Program promotion.

Status - Implemented

Agency Action - Department officials provided us with documentation of extensive monitoring of the Association's operations. For example, regular field visits are made to training sites to monitor that they are operating in accordance with the terms of the contract.

Recommendation 14

Work with the Association to ensure that an appropriate amount of money is budgeted and spent on advertising and public relations.

Status - Partially Implemented

Agency Action - The Department and the Association have agreed that an appropriate amount is being spent on advertising and public relations. Many of the Association's sites have

waiting lists and there seems little reason to increase outreach efforts. Accordingly, the Department should require the Association to modify its advertising and public relations budget so that the budgeted amount reflects the actual needs.

Major Contributors to this report were Barry Mordowitz and Roseline David.

We would appreciate your response within 30 days indicating any action planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of the Department of Motor Vehicles and the Motorcycle Association of New York State, Inc. for the courtesies and cooperation extended to us during this review.

Very truly yours,

William P. Challice
Audit Director

cc: Deirdre A. Taylor