NEW YORK STATE
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

Report 2008-S-161

Thomas P. DiNapoli
NEW YORK STATE DEPARTMENT OF MOTOR VEHICLES
FINANCIAL SECURITY AND SAFETY RESPONSIBILITY ACTS
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FOR THE THREE FISCAL YEARS ENDED MARCH 31, 2008

Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>5</td>
</tr>
<tr>
<td>Statement of Assessable Expenses</td>
<td></td>
</tr>
<tr>
<td>For the Fiscal Year Ended March 31, 2008 (Exhibit A)</td>
<td>7</td>
</tr>
<tr>
<td>Statement of Assessable Expenses</td>
<td></td>
</tr>
<tr>
<td>For the Fiscal Year Ended March 31, 2007 (Exhibit B)</td>
<td>9</td>
</tr>
<tr>
<td>Statement of Assessable Expenses</td>
<td></td>
</tr>
<tr>
<td>For the Fiscal Year Ended March 31, 2006 (Exhibit C)</td>
<td>11</td>
</tr>
<tr>
<td>Notes to the Consolidated Statements</td>
<td>13</td>
</tr>
<tr>
<td>Comptroller’s Report on the Department’s Internal Controls Over</td>
<td></td>
</tr>
<tr>
<td>Financial Reporting and Compliance with Governing Laws, Rules</td>
<td></td>
</tr>
<tr>
<td>And Regulations for the Administration of the Motor Vehicle</td>
<td></td>
</tr>
<tr>
<td>Financial Security and Safety Responsibility Acts</td>
<td>17</td>
</tr>
</tbody>
</table>
New York State Department of Motor Vehicles
Financial Security and Safety Responsibility Acts

Independent Auditor’s Report

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, 2008. 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, 2008 in accordance with cash basis of accounting (Note 3).

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 22, 2010
NEW YORK STATE DEPARTMENT OF MOTOR VEHICLES  
FINANCIAL SECURITY AND SAFETY RESPONSIBILITY ACTS  
STATEMENT OF ASSESSABLE EXPENSES  
FOR THE FISCAL YEAR ENDED MARCH 31, 2008

Direct Expenses (Note 2)

    Compulsory Insurance Program $9,355,005
    Dedicated Bridge and Highway Program 8,673,870

Total Direct Expenses $18,028,875

Fringe Benefits and Indirect Costs (Note 6) 6,303,252

Adjustment:

    Prior Year Company Adjustment (Note 7) 0

Gross Assessable Expenses $24,332,127

Less:

    Fees Paid by Self-Insurers (Note 8) (108,389)
    Bonded Vehicles (Note 8) (2,994)

Net Assessable Expenses $24,220,744

The accompanying notes are an integral part of the Statements.
NEW YORK STATE DEPARTMENT OF MOTOR VEHICLES
FINANCIAL SECURITY AND SAFETY RESPONSIBILITY ACTS
STATEMENT OF ASSESSABLE EXPENSES
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

Direct Expenses (Note 2)

Compulsory Insurance Program $ 9,247,028
Dedicated Bridge and Highway Program 8,223,903

Total Direct Expenses $17,470,931

Fringe Benefits and Indirect Costs (Note 6) 6,233,384

Adjustment:

Prior Year Company Adjustment (Note 7) 7,105

Gross Assessable Expenses $23,711,420

Less:

Fees Paid by Self-Insurers (Note 8) (104,004)
Bonded Vehicles (Note 8) (2,826)

Net Assessable Expenses $23,604,590

The accompanying notes are an integral part of the Statements.
NEW YORK STATE DEPARTMENT OF MOTOR VEHICLES
FINANCIAL SECURITY AND SAFETY RESPONSIBILITY ACTS
STATEMENT OF ASSESSABLE EXPENSES
FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Direct Expenses (Note 2)

Transportation Safety $ 6,232
Compulsory Insurance Program 9,162,158
Dedicated Bridge and Highway Program 8,969,681

Total Direct Expenses $18,138,071

Fringe Benefits and Indirect Costs (Note 6) 6,048,923

Adjustment:

Prior Year Company Adjustment (Note 7) 707,788

Gross Assessable Expenses $24,894,782

Less:

Fees Paid by Self-Insurers (Note 8) (104,331)
Bonded Vehicles (Note 8) (2,667)

Net Assessable Expenses $24,787,784

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 State Insurance Department, the Division 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 and the Motor Vehicle Safety 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 costs 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

As a result of Legislative changes, in 2003 the Department began to merge its Transportation Safety Program into its Dedicated Bridge and Highway Program. The merger was completed by March 31, 2006. Thereafter, Department activities relating to the Financial Security Act were segregated into two major program areas: the Dedicated Bridge & Highway Program, and the Compulsory Insurance Program. The responsibilities for each of these program areas are as follows:

Dedicated Bridge & Highway Program

The Bridge and Highway Safety Program enhances 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. The Department’s Administration functions include the Commissioner’s Office, the Communication Office, Fiscal Management, Human Resources, Program Analysis and Information Technology. The Department’s Operations functions provide for the operation of the regional offices, and for efficient and courteous customer services; including issuing licenses, registrations, and
permits; administering vision and driving examinations; and verifying title and insurance status.

Compulsory Insurance Program

The Compulsory Insurance Program ensures vehicle owner compliance with mandated liability insurance coverage for registered vehicles. The Program maintains an up-to-date vehicle information database that is used to confirm mandated insurance coverage for registered vehicles.

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 employee benefits (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, 2008, the fringe benefit rates applied were 45.24 percent, 45.81 percent, and 46.96 percent, respectively. The indirect cost recovery rates for the same periods were 3.39 percent, 3.32 percent and 3.40 percent, respectively.
Year Ended March 31, 2006
Fringe Benefit Costs ($12,438,666 @ 45.24%) $5,627,252
Indirect Costs ($12,438,666 @ 3.39%) 421,671
Total $6,048,923

Year Ended March 31, 2007
Fringe Benefit Costs ($12,687,532 @ 45.81%) $5,812,158
Indirect Costs ($12,687,532 @ 3.32%) 421,226
Total $6,233,384

Year Ended March 31, 2008
Fringe Benefit Costs ($12,516,386 @ 46.96%) $5,877,695
Indirect Costs ($12,516,386 @ 3.40%) 425,557
Total $6,303,252

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 year ended March 31, 2008, the Department did not have any such adjustments.

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.

We have examined the accompanying Financial Security and Safety Responsibility Act-related Statements of Assessable Expenses for the three fiscal years ended March 31, 2008. 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 attestation procedure steps, 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. The results of our attestation testing did not disclose any significant deficiencies in internal controls that are required to be reported under Government Auditing Standards. However, we did identify certain control improvement opportunities, which we conveyed directly to Department management, that do not affect our opinion on the Statements for the three year period ended March 31, 2008.

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 Safety Responsibility Act for which noncompliance could have a direct and material effect on the determination of financial statement amounts. Providing an opinion on compliance with those provisions was not an objective of our examination. The results of our attestation testing did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

Office of the State Comptroller

Date: March 22, 2010