



Follow-Up— California Department of Motor Vehicles

It Still Has Not Ensured It Charges and Advertises Fees
for Some Special Interest License Plates Consistent
With State Law

Report 2015-506

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July 30, 2015

2015-506

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

This report presents the results of a follow-up audit of the California Department of Motor Vehicles (Motor Vehicles) related to certain recommendations made in 2013 by the California State Auditor (state auditor). In April 2013 the state auditor issued a report titled *Special Interest License Plate Funds: The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*, Report 2012-110. The 2013 report included recommendations aimed at ensuring that Motor Vehicles charges the correct fees for special interest license plate (special plate) transactions, advertises special plate fees in its publications consistent with state law, and periodically assesses the cost and benefits of updating its automated systems for charging administrative fees.

This report concludes that Motor Vehicles has not fully implemented two of the three recommendations we followed up on from our April 2013 report. Specifically, Motor Vehicles is charging lower fees than required by state law for two of 25 special plates we reviewed. Motor Vehicles agrees and stated it will begin charging the correct fees for these two special plates by March 31, 2016. Additionally, Motor Vehicles is not advertising correct fees for 12 special plates in its publications. Although we noted that the volume of transactions for these 12 special plates was small in fiscal year 2013–14, the volume of transactions could change in the future, and advertising errors on special plate transactions may dissuade individuals who are considering purchasing special plates from doing so.

Motor Vehicles has fully implemented the third recommendation that it periodically assess the cost and benefits of updating its automated systems to reflect its up-to-date administrative costs. Specifically, Motor Vehicles reviewed the cost and benefits in 2013 and completed the update to its automated systems in December 2014. Further, Motor Vehicles stated that it will assess the cost and benefits of updating the systems once every two years.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

The California Department of Motor Vehicles (Motor Vehicles) has not fully implemented two of three recommendations we followed up from our April 2013 report. These two recommendations related to ensuring that the fees it charges and advertises for special interest license plates (special plates) are consistent with state law.¹ State law establishes several special plate programs. Motor Vehicles is responsible for registering vehicles in California and for collecting fees related to license plates, including special plates. Motor Vehicles also collects fees related to license plates that carry personalized combinations of letters, numbers, or both, which are known as Environmental License Plates (personalized plates). Motor Vehicles assesses license plate fees in addition to other fees, such as vehicle registration fees, smog abatement fees, commercial vehicle weight fees, and county fees. To obtain a special plate, a vehicle owner must pay the prescribed fee to Motor Vehicles as well as an additional fee to personalize a regular or special plate. According to Motor Vehicles, it processed 1.2 million fee transactions—including original issuance, renewal, substitute, duplicate, reassignment, conversion, and retention—related to special plates between July 1, 2013, and June 30, 2014.

As we described in our previous report, Motor Vehicles had potentially collected fees from some plate owners that are inconsistent with those that applicable statutes prescribe. Specifically, for the fees Motor Vehicles collected during fiscal years 2010–11 and 2011–12, it potentially undercharged some special plate owners by a total of nearly \$10.2 million. Motor Vehicles had also not accurately charged special plate programs for its administrative costs. Further, during fiscal years 2009–10 through 2011–12, it overcharged the California Environmental License Plate Fund more than \$6.3 million and undercharged other special plate funds a net total of \$1.1 million during the same period.

This follow-up audit focused on certain recommendations we made to Motor Vehicles related to ensuring that it charges and advertises fees consistent with state law and periodically updates its automated systems to reflect up-to-date administrative costs. We found that Motor Vehicles has not fully implemented our recommendation that it assess the extent to which it had charged fees for special plates that were not consistent with those prescribed by statutes and take appropriate action. Specifically, Motor Vehicles did not

Audit Highlights . . .

Our follow-up audit of the California Department of Motor Vehicles' (Motor Vehicles) progress in addressing certain issues we raised in our April 2013 report highlighted the following:

» *Motor Vehicles has not fully implemented two recommendations we reviewed related to the fees it charges and advertises for special interest license plates (special plates).*

- *It did not charge the correct fees for two of 25 special plate transactions we reviewed.*
- *It has not ensured that some special plate fees it advertises accurately reflect the amounts authorized by state law.*

» *Motor Vehicles fully implemented a third recommendation when it assessed the cost and benefits of updating its automated systems to reflect current administrative service costs. It plans to conduct this assessment once every two years.*

¹ *Special Interest License Plate Funds: The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*, Report 2012-110 (April 2013).

charge the correct fees for two of 25 special plate transactions we reviewed. During this follow-up audit, Motor Vehicles initially did not believe that the fees we identified were the correct fees for these two transactions. Subsequently, however, it reexamined its position and now agrees that the fees we identified are the correct fees and indicated it will begin charging the correct fees by March 31, 2016.

In addition to not charging correct fees, Motor Vehicles also has not ensured that fees for some special plates it advertises accurately reflect the amounts authorized by state law. We identified 12 instances of 129 published fees we reviewed as of June 2015 that did not agree with the fees prescribed by state law. For example, Motor Vehicles made nine errors in August 2014 when it updated its advertised fees based on incorrect information it believed to be accurate. To maximize limited resources when implementing what it considered to be minor publication changes—those not affecting substantive language or policy content—Motor Vehicles did not follow its regular procedures, which require approvals of managers affected by the requested changes. Instead, it followed an alternate publication revision procedure, which required it to notify those affected managers, but did not require approval. Motor Vehicles has since discontinued this alternate procedure and, as of February 2015, requires staff to follow the regular procedures for all revisions to external publications.

Motor Vehicles has fully implemented the remaining recommendation we reviewed—that it should periodically assess the cost and benefits of updating its automated systems to reflect current administrative service costs. Motor Vehicles updated its automated systems in December 2014 and told us that it will assess the cost and benefits of updating the systems once every two years.

Recommendation

To ensure it charges fees for special plates that are consistent with state law, Motor Vehicles should begin charging the correct fees for two special plates by March 31, 2016.

Agency Comment

Motor Vehicles agreed with our recommendation and discussed its plans to implement it.

Introduction

Background

State law establishes several programs for special interest license plates (special plates). For example, special plates, such as the California Coastal Commission “whale tail” plate or the California Tahoe Conservancy plate, generally have a distinct artistic design and are issued to support specific purposes. The California Department of Motor Vehicles (Motor Vehicles) is responsible for registering vehicles in California and for collecting fees related to these special plates. Motor Vehicles also collects fees related to license plates that carry personalized combinations of letters, numbers, or both, which generally are known as Environmental License Plates (personalized plates).² We present the types of transaction fees related to special plates in the text box. Motor Vehicles assesses these license plate fees in addition to other fees, such as vehicle registration fees, smog abatement fees, commercial vehicle weight fees, and county fees. To obtain a special plate, a vehicle owner must pay the prescribed fees to Motor Vehicles as well as an additional fee to personalize a regular or special plate. According to Motor Vehicles, it processed 1.2 million transactions—including original issuance, renewal, substitute, duplicate, reassignment, conversion, and retention—related to special plates between July 1, 2013, and June 30, 2014.

Motor Vehicles is responsible for the administration of special plates as well as the collection of fees. Motor Vehicles uses an automated system to bill the plate owners for the different fees and for the accounting of the fees it collects. State law allows Motor Vehicles to recover the cost of administering special plate programs and personalized plates (administrative costs) from revenues received for those plates. For personalized plates, state law requires the California State Controller’s Office, which transfers funds out of the California Environmental License Plate Fund, to reimburse Motor Vehicles from that fund for the administrative costs Motor Vehicles incurs. To recover the administrative costs it incurs from the special plate programs, Motor Vehicles collects administrative service fees (administrative fees) from transactions related to special plates before transferring revenues to the designated funds for the special plate programs. According to a budget

Types of Transactions Related to Special Interest License Plates

Original: The original issuance of a special interest license plate (special plate).

Renewal: The renewal of a special plate while it is displayed on a vehicle.

Substitute: The replacement of a lost, stolen, or damaged special plate or plates with a different plate or plates of the same type.

Duplicate: The replacement of a single lost, stolen, or damaged personalized special plate, or for the replacement of a set of damaged personalized special plates.

Reassignment: The transfer of a special plate from one vehicle to another.

Conversion: The change of an existing regular personalized plate or a personalized special plate to a different type of personalized special plate.

Retention: The retention of a special plate by the owner while it is not displayed on a vehicle.

Sources: California Department of Motor Vehicles’ (Motor Vehicles) publications and interviews with Motor Vehicles’ management.

² Not all personalized special plates are Environmental License Plates. The Have a Heart, Be a Star, Help our KIDS special plate and Veterans’ Organizations special plate provide for a personalized character sequence without additional Environmental License Plate fees.

officer in Motor Vehicles' Budget and Fiscal Analysis Branch, the branch performs a special plates cost analysis every two years, during which it calculates the additional costs it incurs from special plates programs.

Scope and Methodology

In our April 2013 report we examined the collection and expenditure of revenue generated from fees from special plates.³ We made several recommendations to Motor Vehicles and other state agencies regarding a variety of issues concerning their administration of the special plate programs. This follow-up audit focused on three recommendations we made to Motor Vehicles related to ensuring that the fees it charges and advertises for special plates are consistent with state law, and that it periodically updates its automated systems to reflect up-to-date recovery of costs for the administration of special plates. Table 1 shows the recommendations we reviewed and the methods used to follow up on them.

Table 1
Selected Recommendations in the California State Auditor's Report 2012-110 and the Methods Used to Follow Up on Them

RECOMMENDATION	METHOD
<p>1 The California Department of Motor Vehicles (Motor Vehicles) should assess the extent to which it has charged fees for special interest license plates (special plates) that are not consistent with those prescribed in statutes and take appropriate action.</p>	<ul style="list-style-type: none"> • Interviewed key Motor Vehicles' staff to determine its efforts to review whether the fees charged for special plates were consistent with those prescribed in statutes. • Judgmentally selected 25 special plate fees and requested Motor Vehicles to provide the amount of fees charged for those transactions through its automated systems as of June 2015. • Compared the fees identified by Motor Vehicles for the 25 selected transactions to the applicable fees prescribed by state law.
<p>2 Motor Vehicles should ensure that the fees it lists in its application for special plates, as well as any other publications, are supported by the appropriate statutes.</p>	<ul style="list-style-type: none"> • Reviewed relevant laws applicable to special plates. • Compared Motor Vehicles' publications of special plate fees advertised as of June 2015 with applicable fees in state law. • Compared the consistency of special plate fees advertised among Motor Vehicles' publications as of June 2015. • Interviewed key Motor Vehicles' management and staff to determine its procedures for updating publications containing special plate fees.
<p>3 Motor Vehicles should periodically assess the cost and benefits of updating its automated systems to reflect current per-plate administrative costs. If Motor Vehicles determines that doing so is cost-effective, it should update its automated systems to reflect the up-to-date administrative costs for all these plates.</p>	<ul style="list-style-type: none"> • Interviewed key management at Motor Vehicles to determine whether it updated its automated systems to reflect current per-plate administrative costs. • Reviewed Motor Vehicles' assessment of cost and benefits of updating its automated systems to reflect current per-plate administrative costs. • Reviewed whether Motor Vehicles' most recent updates of its automated systems are consistent with its current per-plate administrative costs.

Sources: Selected recommendations made in the report by the California State Auditor titled *Special Interest License Plate Funds: The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*, Report 2012-110 (April 2013) and analysis of information and documentation identified in the table column titled *Method*.

³ *Special Interest License Plate Funds: The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*, Report 2012-110 (April 2013).

Audit Results

The California Department of Motor Vehicles (Motor Vehicles) has not fully implemented two of the three recommendations from our April 2013 report that we reviewed. Specifically, it did not always charge the correct fees for special interest license plate (special plate) transactions consistent with state law. In two of 25 instances we reviewed, Motor Vehicles charged fees for special plates that were lower than the fees required by state law. Additionally, Motor Vehicles did not advertise 12 special plate fees in its publications consistent with state law. However, Motor Vehicles did fully implement the third recommendation we reviewed when it updated its automated systems for charging administrative fees for its costs in administering special plate programs after estimating the cost and benefits of doing so. We provide a summary of the status of the three recommendations that we reviewed during this follow-up audit in Table 2.

Table 2
Status of Actions Taken in Response to Selected Recommendations in the California State Auditor’s Report 2012-110

RECOMMENDATION	STATUS
The California Department of Motor Vehicles (Motor Vehicles) should assess the extent to which it has charged fees for special interest license plates (special plates) that are not consistent with those prescribed in statutes and take appropriate action.	Not Fully Implemented
Motor Vehicles should ensure that the fees it lists in its application for special plates, as well as any other publications, are supported by the appropriate statutes.	Not Fully Implemented
Motor Vehicles should periodically assess the cost and benefits of updating its automated systems to reflect current per-plate administrative costs. If Motor Vehicles determines that doing so is cost-effective, it should update its automated systems to reflect the up-to-date administrative costs for all these plates.	Fully Implemented

Sources: Selected recommendations made in the report by the California State Auditor (state auditor) titled *Special Interest License Plate Funds: The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*, Report 2012-110 (April 2013) and the state auditor’s analysis of Motor Vehicles’ actions related to the recommendations.

Motor Vehicles Still Has Not Consistently Ensured That It Charges the Correct Fees for Some Special Plates

In our April 2013 report we reported that Motor Vehicles potentially collected fees from some plate holders that were inconsistent with the fees prescribed in state law. Specifically, for certain types of transactions related to all special plates, with the exception of regular personalized plates, Motor Vehicles had listed fees that were as much as \$49 less than those the law prescribes. For example, the law specified a fee of \$99 for the original issuance of a personalized Olympic Training Center special plate. However, Motor Vehicles’ application showed an initial issuance fee of \$50 for this plate, which was \$49 less than the law prescribed. As a result,

We reviewed 25 special plate fees charged by Motor Vehicles as of June 2015 and identified two instances in which the charged fees did not match the corresponding fees required by state law.

we reported that it potentially undercharged some plate holders by a total of nearly \$10.2 million during fiscal years 2010–11 and 2011–12.⁴

Motor Vehicles has not fully implemented our recommendation that it assess the extent to which it had charged fees for special plates that are not consistent with those prescribed in statutes and take appropriate action. According to the Registration Policy and Automation Branch (registration branch) chief, following the release of our report in April 2013, Motor Vehicles compared fees for special plate transactions we identified in the report with the fees it was charging, and its staff including its legal counsel, examined the fee inconsistencies we found. During this follow-up audit, we reviewed 25 special plate fees charged by Motor Vehicles as of June 2015 and identified two instances in which the charged fees did not match the corresponding fees required by state law. Specifically, although state law requires a fee of \$53 for transferring a personalized Olympic Training Center plate from one vehicle to another, Motor Vehicles only charged \$15 for that transaction. Similarly, although state law requires a fee of \$98 to convert a personalized plate to a personalized Collegiate special plate, Motor Vehicles only charged \$65 for that transaction.

During this follow-up audit, Motor Vehicles initially did not believe that fees of \$53 and \$98, respectively, were the correct fees for these transactions. Subsequently, however, Motor Vehicles reexamined its position and now agrees that these are the correct fees and indicated that it will begin charging the correct fees by March 31, 2016.

Motor Vehicles Is Still Not Advertising Special Plate Fees Accurately

In addition to charging incorrect fees for some special plates, Motor Vehicles does not always advertise the correct fees for special plates. In our April 2013 report we noted that Motor Vehicles listed in its application for special plates certain fees for various plates that differed from the fees specified in state law. Motor Vehicles informs vehicle owners of the fees associated with special plates by publishing a special plate fee list (fee list) in several different forms, including its website and as an appendix to its vehicle industry registration procedures manual. It also includes annual fees from the fee list on an insert advertising available special plates that it includes with the registration renewal notices mailed to vehicle owners.

⁴ This amount is from Report 2012-110 and is based on unaudited data from Motor Vehicles.

Motor Vehicles has not fully implemented our recommendation that it ensure that the fees it lists in its application for special plates, as well as any other publications, agree with the appropriate statutes. Although Motor Vehicles eliminated the fee list from the paper version of its application, it has not ensured that the fees in its publications, such as its online fee list, are consistent with those prescribed by law. We identified 12 instances of 129 published fees we reviewed as of June 2015 that did not agree with the fees prescribed by state law.

For example, Motor Vehicles made nine of the 12 errors during a fee list update in August 2014 when, according to the registration branch chief, an analyst in the registration branch attempted to ensure consistency of the fees among the different publications and requested changes to the published fees based on information that the analyst believed to be accurate. However, the analyst incorrectly added fees for those advertised transactions. These nine errors occurred because Motor Vehicles' Publishing and Online Information Branch (publishing branch), which processes such requested changes, did not follow its regular procedures for making changes to its publications, which require written approvals by the manager authorizing the service request for the change and the managers in divisions affected by the requested changes.

Instead, according to the acting deputy director of the Communication Programs Division (communication division), Motor Vehicles used an alternate publication revision procedure. A manager of the communication division's publishing branch stated that the procedure only required its staff to notify managers affected by requested changes, but did not require approval of the changes by those managers. The acting deputy director stated that the communication division used this procedure because it was trying to maximize the efficient use of its resources when implementing what it considered to be minor publication changes—those not affecting substantive language or policy content. However, the acting deputy director stated that Motor Vehicles stopped using the process that led to the errors we identified in order to improve internal communication and transparency among all program areas potentially affected by requested changes and to further ensure the accuracy of its external publications. Beginning in February 2015 Motor Vehicles requires that all revisions to external publications follow the regular procedures and be approved by multiple parties.

Most of the advertising errors we noted reflected higher costs for the special plates, which may reduce the number of individuals willing to purchase those plates, and thus negatively affect revenues for the special plate programs. Although we also noted the 12 fees that Motor Vehicles incorrectly advertised were for special plate

Although Motor Vehicles eliminated the fee list from the paper version of its application, it has not ensured that the fees in its publications, such as its online fee list, are consistent with those prescribed by law.

The volume of transactions could change in the future, and advertising errors on special plate transactions may dissuade individuals who are considering purchasing special plates from doing so.

transaction types with a low volume in fiscal year 2013–14—only 222 transactions out of roughly 1.1 million, it is important that Motor Vehicles fully implement our recommendation that it advertise special plate fees consistent with applicable state law. The volume of transactions could change in the future, and advertising errors on special plate transactions may dissuade individuals who are considering purchasing special plates from doing so.

Motor Vehicles Has Updated Its Automated Systems to Reflect Current Administrative Service Fees

In our April 2013 report we concluded that Motor Vehicles had not accurately charged for its costs for administering the special plates programs. Specifically, during fiscal years 2009–10 through 2011–12, it overcharged the California Environmental License Plate Fund more than \$6.3 million and undercharged the costs related to other special plate funds by a net of \$1.1 million during the same period. State law allows Motor Vehicles to recover administrative costs by collecting administrative service fees (administrative fees) from transaction fees related to those special plates before transferring revenues to the designated fund for each special plate program. In that report, we also noted the registration branch chief could not explain why Motor Vehicles did not update the administrative fees for these other special plates, but he noted that in prior years programming changes for fees were more complicated than today. He further explained that this likely meant that only essential changes were initiated, as the cost of making a change in some instances outweighed any benefit, especially for smaller special plates with few transactions. We recommended that Motor Vehicles periodically assess the cost and benefits of updating its automated systems to reflect current per-plate administrative costs, and that if Motor Vehicles determines that updating its automated systems is cost-effective, it should ensure that it updates those systems to reflect the up-to-date administrative costs for all these plates.

Motor Vehicles fully implemented our recommendation as of December 2014. Specifically, in September 2013 Motor Vehicles' Information Systems Division estimated the costs to update its automated systems. This estimate documented the different components of its cost estimates, including estimates of costs related to its servers and hardware, based on input from information technology managers. Motor Vehicles estimated that the programming changes necessary to update its administrative fees would cost approximately \$52,000.

In May 2013 the registration branch estimated the benefits of updating its automated systems to reflect the up-to-date administrative costs. As part of determining the benefits of

updating its automated systems, Motor Vehicles estimated the difference between its administrative costs and its administrative fees in use at the time of the analysis. Specifically, Motor Vehicles compared the administrative fees its automated systems collected with the amount it would have collected if it had updated the systems with its most recent administrative costs. Motor Vehicles' calculations show that the administrative fees it collected from special plate transactions for the 12 months ending April 2013 totaled nearly \$31,000 more than it should have collected to cover its costs of more than \$1.1 million to administer the special plate programs during that same period. Its analysis also showed that the cost to administer each special plate program has changed since Motor Vehicles last updated the administrative fees for each special plate, and the difference between the administrative fees in use and Motor Vehicles' cost to administer the special plate programs was significant for some of the special plates. According to the registration branch chief, these differences contributed to Motor Vehicles' decision to update its automated systems so it recovers its administrative costs from each fund correctly.

As a result of the outdated administrative fees in its automated systems, Motor Vehicles collected more in administrative fees for some special plates than it should have, and it collected less than it should have for others. For example, Motor Vehicles' analysis shows that it overcollected administrative fees for the Have a Heart, Be a Star, Help our KIDS special plate by more than \$24,000, and similarly overcollected fees for the Lake Tahoe Conservancy special plate by more than \$15,000 for the 12 months ending April 2013. Conversely, it undercollected administrative fees for the California Coastal Commission special plate by more than \$25,000 during that same period. When Motor Vehicles collects incorrect administrative fees, the revenues paid to funds benefitting from the special plate sales are also incorrect. To address the outdated administrative fees, Motor Vehicles updated its automated systems to reflect current fees in December 2014.

As we discussed in the Introduction, Motor Vehicles performs a special plate cost analysis every two years. According to a budget officer, the Budget and Fiscal Analysis Branch will continue to calculate the per-plate administrative costs biennially, and he stated its next calculation is expected to be complete in August 2015. Also, the registration branch chief told us that moving forward Motor Vehicles will assess the value of updating the administrative fees in its automated systems for existing plate programs when it calculates those per-plate administrative costs. He also stated that several factors will determine whether Motor Vehicles will update the programmed administrative fees, such as the return on investment, the resources available at the time, anticipated future workload, and other necessary programming changes.

Motor Vehicles collected more in administrative fees for some special plates than it should have, and it collected less than it should have for others.

Conclusion

This audit focused on relevant actions Motor Vehicles has taken related to selected recommendations we made in our April 2013 report regarding efforts to ensure that it charges fees, as well as advertises fees, for special plate transactions that are consistent with state law, and to update its automated systems to reflect current per-plate administrative costs. During this follow-up audit, we noted conditions that indicate a need for an additional recommendation to Motor Vehicles. We believe that by fully implementing the recommendations from our prior report and fully implementing the additional recommendation we present in this report, Motor Vehicles can ensure that it fulfills its responsibility of accurately charging and advertising fees for special plate transactions.

Recommendation

To ensure it charges fees for special plates that are consistent with state law, Motor Vehicles should begin charging the correct fees for transferring an Olympic Training Center plate and to convert a personalized plate to a personalized Collegiate plate by March 31, 2016.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to 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 the information specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: July 30, 2015

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

July 2015



CALIFORNIA STATE TRANSPORTATION AGENCY

Edmund G. Brown Jr.
Governor

915 Capitol Mall, Suite 350B
Sacramento, CA 95814
916-323-5400
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Brian P. Kelly
Secretary

July 14, 2015

Elaine M. Howle, California State Auditor
California State Auditor's Office
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Ms. Howle:

Attached please find a response from the California Department of Motor Vehicles (Department) to your draft audit report *Follow-Up – California Department of Motor Vehicles: It Still Has Not Ensured It Charges and Advertises Fees for Some Special Interest License Plates Consistent with State Law (#2015-506)*. Thank you for allowing the Department and the California State Transportation Agency (Agency) the opportunity to respond to the report.

We appreciate your acknowledgement that the Department has updated its automated systems to reflect current administrative service fees, and your identification of opportunities for improvement and remedial action in other areas. As indicated in its response, the Department concurs with the findings and recommendation noted in the report, and plans to implement corrective action to specifically address the recommendation.

If you need additional information regarding the Department's response, please do not hesitate to contact Michael Tritz, Agency Deputy Secretary for Audits and Performance Improvement, at (916) 324-7517.

Sincerely,

BRIAN P. KELLY
Secretary

Attachment

cc: Jean Shiimoto, Director, California Department of Motor Vehicles

CALIFORNIA STATE TRANSPORTATION AGENCY

EDMUND G. BROWN JR., Governor

OFFICE OF THE DIRECTOR
DEPARTMENT OF MOTOR VEHICLES
P.O. BOX 932328
SACRAMENTO, CA 94232-3280

July 13, 2015

Brian P. Kelly, Secretary
California State Transportation Agency
915 Capital Mall, Suite 350B
Sacramento, CA 95814

Dear Secretary Kelly:

The Department of Motor Vehicles (DMV) thanks the California State Auditor (State Auditor) for the opportunity to respond to its draft report *Follow-Up – California Department of Motor Vehicles: It Still Has Not Ensured It Charges and Advertises Fees for Some Special Interest License Plates Consistent with State Law*, issued on July 10, 2015.

In April 2013, the State Auditor released the report *Special Interest License Plate Funds: The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*. As a follow-up, the State Auditor conducted a review to evaluate DMV's corrective actions for three recommendations from the 2013 report.

The State Auditor determined that DMV has updated its automated systems to reflect current administrative service fees, but has not consistently ensured that it charges or advertises the correct fees for some special plates.

We agree with the recommendation and are pleased to report that we plan to implement corrective action by March 31, 2016. The State Auditor's recommendation and DMV's response (in bold) are as follows:

Recommendation:

1. To ensure it charges fees for special plates that are consistent with state law, Motor Vehicles should begin charging the correct fee for two special plates by March 31, 2016.

Response:**DMV concurs with this recommendation.****DMV will update its systems to begin charging the correct fee for transfers of the Olympic Training Center plate and converting an Environmental License Plate to a personalized Collegiate plate.****Planned completion date: March 31, 2016.**

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Secretary Brian P. Kelly
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July 13, 2015

We appreciate the opportunity to provide a response on our plans to implement the State Auditor's recommendation. If you have questions or concerns, please contact Bernard Soriano, Acting Audits Chief, at (916) 657-7626.

Sincerely,



JEAN SHIOMOTO
Director