

THOMAS P. DiNAPOLI
STATE COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 13, 2012

Ms. Barbara J. Fiala
Commissioner
New York State Department of Motor Vehicles
6 Empire State Plaza
Albany, NY 12228

Re: Report 2012-F-19

Dear Ms. Fiala:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution and Article II, Section 8, of the State Finance Law, we have followed up on the actions taken by officials of the Department of Motor Vehicles to implement the recommendations contained in our audit report, *Oversight of Revenue Contracts* (Report 2009-S-15).

Background, Scope and Objective

The Department of Motor Vehicles (Department) maintains data files and sells them to vendors, who then make the data available to others for various uses. For example, the data is incorporated into the National Vehicle Database and is used for vehicle history reports, recall services, and statistical services. Periodically, the Department issues Invitations for Bids (IFB) for vendors who want to purchase these data files. The Department has six data files available for purchase by vendors. Depending on the information, some of the data files can be purchased by multiple vendors. When vendors purchase the data files, they enter into revenue contracts with the Department. During the period April 1, 2010 through May 31, 2012, the Department received \$3.7 million from five revenue contracts.

Our initial audit report, which was issued on February 10, 2010, determined whether the Department was maximizing all potential revenue opportunities, and monitoring its revenue contracts to ensure all entitled revenue is billed, collected, and promptly deposited in appropriate accounts. We found the Department did not use all available methods for maximizing revenue from these contracts, such as adjusting the amounts to reflect cost-of-living (Consumer Price Index) increases. Had it done this, it could have realized an additional \$460,000 in revenue from the 18 contracts. In addition, when we reviewed the amounts the Department set in the contracts, we found that it actually decreased some of the prices for the data files and kept one at a constant.

The objective of our follow up was to assess the extent of implementation, as of July 24, 2012, of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have made progress in correcting the problems we identified. Of the three prior audit recommendations, one was implemented, one was partially implemented and one was not implemented.

Follow-up Observations

Recommendation 1

Maximize revenue by establishing contract prices either through competitive bidding or analysis of market demand, Department expenses, or vendor sales. Adjust prices over time to reflect changes in the cost-of-living (Consumer Price Index).

Status - Implemented

Agency Action - The Department's established method of contract award is to allow an unlimited number of vendors to bid at the same price for the files. The Department has five revenue contracts in effect from July 8, 2011 through July 13, 2013. All five bidders were awarded a contract. The Department also surveyed other states and determined that no increase in contract prices is justified. The Department did not adjust prices over time for the Registration and Title files, which were bid out annually, because the Consumer Price Index (CPI) increased less than one percent for the period from September 2009 through July 2010 and decreased slightly for the period from September 2008 through July 2010. For the remaining files the Department did not adjust prices based on CPI for the period from September 2008 through July 2010. According to the Department officials, the CPI has increase 5.22 percent since July 2010. However, they have not had an opportunity to implement this since no IFB was issued in 2011 or 2012.

Recommendation 2

Monitor and administer revenue contracts by taking steps to improve the effectiveness of the Department's efforts. These steps should include:

- *Tracking contract payments for timeliness.*
- *Billing contracts in advance or sending payment reminders to vendors.*
- *Using contract terms to encourage prompt payment such as issuing notices to inform contractors that payments are late, or ceasing the transmission of data until payments are received.*
- *Adding terms to new contracts requiring the payment of interest on late payments.*
- *Issuing IFBs with sufficient lead time so that new contracts are in place before the old ones expire.*

Status - Partially Implemented

Agency Action - The Department uses an Excel spreadsheet to track contract payments for timeliness. For the five contracts awarded in 2011, the contractors paid in full prior to the start of the contract period. However, the five contracts did not include terms to encourage prompt payment. For future contracts, Department officials told us that they will send payment reminders to vendors, and add terms to encourage prompt payment. The Department is planning to release the IFB on September 1, 2012.

Recommendation 3

Deposit checks timely, even when they are associated with contracts that have not yet been formally approved.

Status - Not Implemented

Agency Action - The Department has five revenue contracts in effect from July 8, 2011 through July 13, 2013. We found that the checks for the five contracts awarded in 2011 were deposited between 33 and 128 days after the date of the check. Department officials indicate that they will implement this recommendation for future contracts.

Major contributors to this report were Stephen Goss, Christine Chu and Michele Turmel.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank 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,



Carmen Maldonado
Audit Director

cc: Ms. Jannette Potera, DMV Internal Audit
Mr. Thomas Lukacs, DOB