The California State Auditor released the following report today:

**Special Interest License Plate Funds**

*The State Has Foregone Certain Revenues Related to Special Interest License Plates and Some Expenditures Were Unallowable or Unsupported*

**BACKGROUND**

Responsible for collecting the fees and depositing the revenue into the appropriate accounts for the 11 special interest license plates (special plates), the California Department of Motor Vehicles (Motor Vehicles) issues, renews, or transfers special plates—over one million during fiscal year 2011–12. Motor Vehicles generally retains a portion of the fees it collects for its administrative costs, then deposits the remaining revenues into the designated special plate funds to support certain programs. Several state agencies and other organizations spend these remaining revenues on different activities. Our review focused on personalized plates—the most frequently issued—and the California Memorial License Plate (memorial plate).

**KEY FINDINGS**

We noted the following during our review of three designated special plates funds and some of the agencies and organizations authorized to spend the revenues in those funds:

- Motor Vehicles has foregone nearly $22.2 million in revenue during fiscal years 2010–11 and 2011–12 because it does not collect all fees imposed by law to retain special plates or does not collect the appropriate amount of fees that are due for special plates.
  - It did not collect estimated retention fees of $12 million because, in cases where the special plate has been retained by the owner and is inactive, Motor Vehicles only collects the fees when the owner notifies it that he or she will again use the special plate on a vehicle.
  - It potentially undercharged some special plate owners a total of nearly $10.2 million for fees it collected.

- Motor Vehicles overstated its costs for administering personalized plates by more than $6.3 million from the California Environmental License Plate Fund (environmental fund) and undercharged other special plate funds a net total of $1.1 million during fiscal years 2009–10 through 2011–12.

- We identified weaknesses in how money was being spent from the special plate funds.
  - The California Emergency Management Agency did not always monitor the contracts it paid for out of the Antiterrorism Fund (antiterrorism fund) to ensure services specified in the contract were performed. Further, it exceeded the statutory cap on administrative costs it charged to the antiterrorism fund for two years and spent some funds on activities that were not allowed by state law.
  - The California Department Food and Agriculture allowed one of its contractors to provide services through two different contracts paid out of the antiterrorism fund before the contracts were fully executed. It also spent some of the funds on expenses such as salaries, software costs, and building lease costs, yet could not adequately support that these costs were exclusively for antiterrorism activities.
  - The California Department of Parks and Recreation could not support all expenses charged to the environmental fund—it paid a predetermined percentage of all expenses incurred by some of its offices, regardless of the purpose of the underlying activities, from the environmental fund but could not support those proportional allocations.

- The California Natural Resources Agency (Resources) and the California Victim Compensation and Government Claims Board (Victim Compensation) did not meet certain statutory responsibilities, such as submitting required reports or identifying and notifying individuals eligible for a scholarship program, respectively.

**KEY RECOMMENDATIONS**

We made numerous recommendations to Motor Vehicles to ensure that programs supported by special plates receive all revenues due to them and that it accurately recovers its administrative costs related to special plates. We also made recommendations to the various agencies we reviewed to properly monitor their contracts and to ensure that money from the special plate funds pay only for allowable and supportable activities. Moreover, to ensure the governor and Legislature have the appropriate information, Resources should submit required reports, and Victim Compensation should establish and document the eligibility of three of its participants in the scholarship program.

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