



Transmitted via e-mail

September 10, 2012

Dr. Charles Lester, Executive Director  
California Coastal Commission  
45 Fremont Street, Suite 2000  
San Francisco, CA 94105-22

Mr. Samuel P. Schuchat, Executive Officer  
State Coastal Conservancy  
1330 Broadway, 13<sup>th</sup> Floor  
Oakland, CA 94612-2530

Dear Mr. Lester and Mr. Schuchat:

### **Review of the California Beach and Coastal Enhancement Account, Fund 0371**

At the request of the Governor's Office, the Department of Finance performed a review of the California Beach and Coastal Enhancement Account (Fund 0371) administered by the California Coastal Commission (Commission) and the State Coastal Conservancy (Conservancy). The purpose of the review was to determine whether fees collected from sales of the California Beach and Coastal License Plates ("Whale Tail" Plates) are being used in accordance with the authorizing statutes.

### **Results Summary**

The Commission and the Conservancy are in compliance with the fund uses and restrictions as outlined in the California Vehicle Code. However, the Conservancy's data is not included in the annual report of fund revenues and expenditures to the Department of Motor Vehicles (DMV). We recommend the Conservancy submit annual reports as required.

### **Scope and Methodology**

To determine if fees collected from sales of the "Whale Tail" Plates are used in accordance with the authorizing statutes, we performed the following:

- Reviewed applicable laws, regulations, and criteria to identify authorized fund uses and restrictions.
- Interviewed key personnel at the Commission, the Conservancy, and the DMV to gain an understanding of the fund accounting and reporting processes.
- Reviewed accounting records to determine if expenditures were in compliance with authorizing statutes.
- Selected a sample of grant agreements to verify the scope of work was consistent with the authorized fund uses.

### **Results**

The California Beach and Coastal Enhancement Account (Fund 0371) was established under California Vehicle Code section 5067 within the California Environmental License Plate Fund to be used by the Commission and the Conservancy for various coastal programs. In 2011, DMV reported 85,155 outstanding "Whale Tail" Plates.

AUTHORIZED PER STATUTE	COMMISSION COMPLIANCE RESULTS	CONSERVANCY COMPLIANCE RESULTS
<p><b>AUTHORIZED USES</b>  <i>Vehicle Code section 5067(c)</i> – First to the <b>California Coastal Commission</b> for expenditure for the <b>Adopt-A-Beach program</b>, the <b>Beach Cleanup Day program</b>, <b>coastal public education programs</b>, and grants to local governments and nonprofit organizations for the <b>costs of operating and maintaining public beaches</b> related to these programs. Second, from funds remaining...to the <b>State Coastal Conservancy</b> for <b>coastal natural resource restoration and enhancement projects</b> and for other projects consistent with the provisions of <b>Division 21...of the Public Resources Code</b>.</p>	Yes	Yes
<p><b>EXPENDITURE LIMITATION</b>  <i>Vehicle Code section 5060(g)</i> – Shall not expend annually more than <b>25 percent</b> of those funds on <b>administrative costs, marketing, or other promotional activities</b> associated with encouraging application for, or renewal of, the special license plates.</p>	Yes	Yes
<p><b>REQUIREMENT</b>  <i>Vehicle Code section 5060(d)(2)(A)</i> – If the number of <b>currently outstanding and valid special interest license plates</b> in any particular program...<b>is less than 7,500...DMV will no longer issue or replace</b> those special interest license plates.</p>	Yes	Yes

### Fund Revenues and Expenditures

Pursuant to Vehicle Code section 5067(c) fees collected are distributed to the Environmental License Plate Fund and California Beach and Coastal Enhancement Account (Fund 0371). Fund 0371 revenue is then distributed to the Commission (first priority) and to the Conservancy (second priority). See Exhibit 1 for the distribution of fees collected.

### The Commission Meets the Fund’s Authorized Uses and Limitations

The Commission’s expenditures for Fund 0371 include salaries and fringe benefits, operating expenses, marketing and promotional costs, and grants to local governments, nonprofit organizations, and schools for coastal restoration and cleanups and education programs.

Pursuant to Vehicle Code section 5060(g) expenditures are restricted to a 25 percent administrative cap. The Commission considers the cap to only include administrative costs associated with *marketing and promoting* the license plates.

The Commission does not include other non-marketing costs in their “administrative” cost cap and has reported administrative costs ranging from 4 to 14 percent in their annual reports to DMV.

However, administrative costs typically include other non-direct costs such as salaries for administrative staff, legal, accounting, and other non-program related units. Based on our review of Fund 0371 expenditures for the prior three years and classifying all marketing, promoting, and operating expenses as administrative costs, the Commission still meets the 25 percent cap. Going forward, we recommend the Commission separately identify and track all direct and indirect salaries and operating expenditures to ensure full disclosure and compliance with the 25 percent administrative cap.

### **The Conservancy Meets the Fund's Authorized Uses and Limitations**

The Conservancy used Fund 0371 revenues solely for grants under the programs in Division 21 of the Public Resources Code. However, the Conservancy has not annually reported their fund revenues and expenditures to DMV as required by Vehicle Code section 5060(h). Furthermore, the Commission's annual report of Fund 0371 revenues and expenditures does not include the Conservancy's fiscal data. We recommend the Conservancy, in coordination with the Commission, submit the annual reports as required.

The results in this report are based on our review performed from June 2012 through August 2012. We provided the results to the Commission's and the Conservancy's management on August 28, 2012, and as necessary, updated the report to incorporate their responses.

We appreciate the assistance and cooperation of the Commission and the Conservancy. If you have any questions regarding this report, please contact Diana Antony, Manager, or Lisa Negri, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

cc: Ms. Susan Hansch, Chief Deputy Director, California Coastal Commission  
Ms. Christiane Parry, Director of Public Programs, California Coastal Commission  
Ms. Nadine Peterson, Deputy Executive Officer, State Coastal Conservancy  
Ms. Mary Small, Assistant Executive Officer, State Coastal Conservancy  
Ms. Regine Serrano, Chief of Administrative Services, State Coastal Conservancy  
Mr. Andrew Conway, Chief, Registration Operations Division, California Department of Motor Vehicles  
Ms. Kitty Kramer, Program Manager, California Department of Motor Vehicles  
Mr. Jeff Mansur, Chief, Financial Services Branch, California Department of Motor Vehicles  
Mr. Jim Humes, Executive Secretary for Administration, Legal Affairs and Policy, Office of the Governor  
Ms. Sue Johnsrud, Director of Operations, Office of the Governor

### Exhibit 1 – Distribution of Fees Collected

