

Transmitted via e-mail

September 27, 2012

Mr. Patrick Wright, Executive Director
California Tahoe Conservancy
1061 Third Street
South Lake Tahoe, CA 96105

Dear Mr. Wright:

Review of the Lake Tahoe Conservancy Account, Fund 0286

At the request of the Governor's Office, the Department of Finance performed a review of the Lake Tahoe Conservancy Account (Fund 0286) administered by the California Tahoe Conservancy (Conservancy). The purpose of the review was to determine whether fees collected (revenues) from sales of the Lake Tahoe License Plates are being used in accordance with the authorizing statutes.

Results Summary

The Conservancy is generally in compliance with the uses and restrictions as outlined in the California Vehicle Code. However, the Conservancy's compliance with the 25 percent administrative cost cap could not be determined. We recommend the Conservancy separately identify and track all direct and indirect salaries and operating expenditures to ensure compliance with the 25 percent administrative cap.

Additionally, the Conservancy submits annual reports to the Department of Motor Vehicles (DMV) as required; however, total expenditure amounts reported are not supported by accounting records. We recommend the Conservancy review and reconcile internal databases with accounting records to ensure accurate amounts are reported to DMV.

Scope and Methodology

To determine if fees collected from sales of the Lake Tahoe License 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 Conservancy and 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 Lake Tahoe Conservancy Account (Fund 0286) was established under California Vehicle Code section 5075 within the California Environmental License Plate Fund to be used by the

Conservancy for the exclusive trust purposes of preservation and restoration projects in the Lake Tahoe area and for the purpose of establishing and improving trails, pathways, and public access for nonmotorized traffic in that area. Pursuant to Vehicle Code section 5075(c), fees collected are distributed to Fund 0286, the Environmental License Plate Fund (Fund 0140), and to DMV for their administrative costs. See Exhibit 1 for the distribution of fees collected. In 2011, DMV reported 28,480 outstanding Lake Tahoe License Plates.

AUTHORIZED PER STATUTE	CONSERVANCY COMPLIANCE RESULTS
<p>AUTHORIZED USES <i>Vehicle Code section 5075(c)</i>—Upon appropriation by the Legislature, the money in the account shall be allocated by the Controller to the California Tahoe Conservancy or its successor for expenditure for the exclusive trust purposes of preservation and restoration projects in the Lake Tahoe area and for the purpose of establishing and improving trails, pathways, and public access for nonmotorized traffic in that area.</p>	Yes
<p>EXPENDITURE LIMITATION <i>Vehicle Code section 5060(g)</i>—Shall not expend annually more than 25 percent of those funds on administrative costs, marketing, or other promotional activities associated with encouraging application for, or renewal of, the special license plates.</p>	Undetermined
<p>REPORTING <i>Vehicle Code section 5060(h)(1)</i>—Every organization authorized under this article to offer special interest license plates shall prepare and submit an annual accounting report to the department by June 30. The report shall include an accounting of all revenues and expenditures associated with the special interest license plate program.</p>	No
<p>REQUIREMENT <i>Vehicle Code section 5060(d)(2)(A)</i>—If the number of currently outstanding and valid special interest license plates in any particular program...is less than 7,500...DMV will no longer issue or replace those special interest license plates.</p>	Yes

The Conservancy Meets the Fund’s Authorized Uses, But Compliance with Administrative Expenditure Limitation Could Not Be Determined

The Conservancy’s expenditures for Fund 0286 include salaries and fringe benefits, operating expenditures, marketing and promotional costs, and grants to local governments and nonprofit organizations for preservation and restoration projects in the Lake Tahoe area.

Pursuant to Vehicle Code section 5060(g), expenditures are restricted to a 25 percent administrative cap. The Conservancy considers the cap to only include administrative costs associated with *marketing and promoting* the license plates. The Conservancy does not include other non-marketing costs in their “administrative” cost cap and has reported administrative costs ranging from 6 to 13 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. The Conservancy allocates all salaries and most operating expenditures to its various funding sources. Because it does not separately account for direct or indirect salaries and operating expenditures, we are unable to determine compliance with the administrative cap.

As noted in Table 1, total salaries and operating expenditures exceed 25 percent of expenditures; however, some of these salaries and operating expenditures include direct program costs. Going forward, we recommend the Conservancy separately identify and track all direct and indirect salaries and operating expenditures to ensure compliance with the 25 percent administrative cap.

Table 1: Salaries and Operating Expenditures Percentages by Fiscal Year

Fiscal Year	Total Expenditures	Salaries	% of Total	Operating Expenditures	% of Total
2008-09	\$993,326	\$401,253	40%	\$185,543	19%
2009-10	\$1,779,066	\$580,459	33%	\$229,364	13%
2010-11	\$1,960,148	\$637,717	33%	\$396,752	20%
2011-12	\$2,698,446	\$593,791	22%	\$317,766	12%

Source: CALSTARS reports

Total Expenditures Reported to DMV Are Not Supported by Accounting Records

The total expenditure amounts included in the annual report to DMV are not supported by the Conservancy’s accounting records. The Conservancy uses internal expenditure databases and spreadsheets to calculate the reported amounts. For example, in 2011 the Conservancy reported \$1,478,508 in expenditures, while its CALSTARS reports supported \$1,668,999 in total expenditures for the same calendar year. We recommend the Conservancy review and reconcile internal databases with accounting records to ensure accurate amounts are reported to DMV.

The results in this report are based on our review performed from August 2012 through September 2012. We provided the results to the Conservancy’s management on September 21, 2012, and as necessary, updated the report to incorporate their responses.

We appreciate the assistance and cooperation of 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: Mr. Kevin Prior, Chief Administrative Officer, California Tahoe 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

