



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Oversight and Collection of Snowmobile Registration Fees

Department of Motor Vehicles



Executive Summary

Purpose

To determine whether the Department of Motor Vehicles (Department) is appropriately collecting snowmobile registration fees, and to assess its snowmobile registration practices. Our audit covered the period April 1, 2008 to February 13, 2013.

Background

Snowmobiles operated in the State must generally be registered annually with the Department. The Department is responsible for collecting registration fees and transferring them to the New York State Snowmobile Trail Development and Maintenance Fund (Trail Fund), which is overseen by the Office of Parks, Recreation and Historic Preservation (Parks). The Trail Fund supports trail development, maintenance and other services for the more than 10,000 miles of public snowmobile trails in New York State. Members of approved snowmobile clubs pay a reduced registration fee of \$45, while non-club members pay \$100. The Department retains \$10 of each fee, and the remainder is dedicated to the Trail Fund and is disbursed by Parks through grants-in-aid for trail services. The Department collected about \$16.8 million in snowmobile registration fees for the three years we reviewed.

Snowmobile clubs provide vouchers to members that show member name and the names of any others eligible to register at the reduced rate. The New York State Snowmobile Association (NYSSA) produces the approved voucher and maintains a membership database. The Department's snowmobile registration application requires that registrants provide a valid voucher and certify they are club members to qualify for the reduced fee. A Memorandum of Understanding between the Department and NYSSA allows the Department to share registration data with NYSSA.

Key Findings

- Department practices have allowed snowmobile registration discounts to registrants who are ineligible for them, resulting in less revenue to the Trail Fund for trail services. As a result, 31 of the 50 discounted registrations (62 percent) we sampled were for registrants for whom neither the Department nor NYSSA could confirm eligibility. Given the weaknesses we identified, we estimate lost revenues to the Trail Fund may be significant.

Key Recommendations

- Clarify or revise Department policies to provide consistent and effective oversight of the registration process, especially with regard to acceptable proof for registration discounts. Effectively communicate any changes.
- Improve communication and information-sharing with NYSSA to provide better assurance that discounts are given only to eligible registrants. Follow up on known risk areas.

Other Related Audits/Reports of Interest

[Office of Parks, Recreation and Historic Preservation: Use of New York State Snowmobile Trail Development and Maintenance Funds \(2011-S-5\)](#)

**State of New York
Office of the State Comptroller**

Division of State Government Accountability

July 11, 2013

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

Dear Commissioner Fiala:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Oversight and Collection of Snowmobile Registration Fees*. The audit was performed 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.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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This report is also available on our website at: www.osc.state.ny.us

Background

Snowmobiling is a popular form of winter recreation in New York State that contributes to local economies through related spending on meals, lodging, and gas. A recent study estimates that snowmobiling generates more than \$800 million in annual economic activity in the State.

Snowmobiles operated in New York must be registered annually with the Department of Motor Vehicles (Department), with exceptions such as snowmobiles operated only on the owner's property or operated by the Federal government. Both the Department and the Office of Parks, Recreation and Historic Preservation (Parks) are stakeholders in the snowmobile registration process. The Department is responsible for collecting the registration fees and arranging for their transfer to the New York State Snowmobile Trail Development and Maintenance Fund (Trail Fund). Parks, in turn, oversees the Trail Fund.

The Trail Fund was established in 1985 to implement a statewide snowmobile program (Program) to develop and maintain the more than 10,000 miles of public snowmobile trails in New York State. The Program also supports snowmobile safety education programs and enforcement of State snowmobile laws. Program funding is obtained, in large part, through a designated amount from each snowmobile registration fee the Department collects. Registrations expire on August 31 of each year, except registrations issued between April 1 and August 31, which are valid until the following August 31. During the 2010-11 registration season, the Fund received more than \$5.5 million from snowmobile registrations.

In 2005, the Snowmobile Rights and Responsibilities Act (Act) increased the trail development portion of the registration fee and created incentive for snowmobile club membership by providing for discounts for certain club members. The Act created a two-tier registration system in which individuals pay a discounted registration fee if they provide proof of membership in a snowmobile club that is a member of the New York State Snowmobile Association (NYSSA). NYSSA is not-for-profit corporation whose mission is to preserve and improve snowmobiling in New York State. Vehicle and Traffic Law requires the Department to verify proof of club membership at the time of registration to offer the discounted fee. Club members pay a \$45 registration fee to the Department, while non-club members pay \$100, an increase from the pre-Act fee of \$45. The Department retains \$10 of each fee to help cover administrative costs of the registration process, and the remainder – either \$35 or \$90 – is dedicated to the Trail Fund and disbursed by Parks as grants-in-aid for snowmobile trail development and maintenance. During the 2010-11 season, the Trail Fund disbursed more than \$5.1 million in grants for snowmobile trail services.

Because NYSSA receives revenues from the Trail Fund, it too has an interest in the effective administration of the snowmobile registration process. In the 2010-11 season, NYSSA had 71,000 members, representing 97,000 eligible individuals in over 230 member clubs. The cost of joining a NYSSA-member snowmobile club ranges from \$25 for individuals to \$45 for a family membership. Clubs send \$5 of each membership to NYSSA and retain the rest. Snowmobile clubs issue membership vouchers identifying the member's name and, where applicable, the names of family members also eligible to register at the reduced member rate. NYSSA designs and produces the approved membership voucher that the clubs use, and also maintains a membership database.

Audit Findings and Recommendations

Department Practices Result in Actual and Potential Lost Revenues to the Trail Fund

Conflicting Policies Raise Risk for Incorrect Discounts

We found some of the Department's policies conflict with each other, and may compromise its ability to adequately oversee collection of snowmobile registration fees. The Department is responsible for verifying proof of club membership from registrants at time of registration and collecting the correct fee. However, Department forms that are made available to the public, as well as its policies, are not always in agreement about what constitutes verification of club membership.

The Department's Snowmobile Registration Application instructions last revised in October 2011 and consistent with those issued in November 2009, require registrants to present both a valid NYSSA-issued membership voucher and a signed Snowmobile Club Member Certification (Certification), which is part of the application, to qualify for the reduced member fee. Its Snowmobile Dealer Registration Instructions include the same requirements. The Department also issues "Mailbags," internally-issued guidance that notifies or reminds personnel of new or existing policies including those that govern proof of club membership.

The Department's Mailbags have resulted in successively more permissive practices regarding verifying eligibility for member discounts. In 2006, the Department issued two Mailbags addressing proof of membership. The first, No. 53, allowed three forms of acceptable proof in addition to the required signed Certification: a NYSSA membership voucher; a completed NYSSA membership application; or a club membership card. A copy of the proof was required to be attached to the application. The second, No. 57, added a provision allowing supervisors, at their discretion, to accept the signed Certification only, making optional the other forms of proof. It also required the authorizing supervisor to sign the application and indicate, on the front of the form, that only a self-certification was done. Without the requirement to review a membership voucher, supervisors are free to grant discounts using ill-defined criteria that increase the likelihood they will give discounts to non-members.

In August 2007, the Department issued Mailbag 52, entitled "Changes in Acceptable Proofs for Snowmobile Club Members," which emphasized that only the NYSSA-issued membership voucher was acceptable proof to receive the member discount. Registrants were also required to sign the Certification. However, the Mailbag made the voucher optional, by again providing supervisors with discretion to grant discounts if they have 'reason to believe' the customer is a snowmobile club member but does not have a valid NYSSA-issued membership voucher. It further relaxed the process by eliminating the requirement for supervisor sign-off.

We interviewed one Department county office supervisor who said that proof of club membership must accompany snowmobile registration applications, regardless of conflicting Department

guidance allowing the discount with just the signed Certification. This suggests there is recognition among Department personnel that the voucher provides greater assurance that only eligible registrants receive discounts. Perhaps most importantly, the provisions of Mailbag 52, issued in 2007, conflict with the registration instructions, which weaken the verification process and increase the likelihood that non-members will get member discounts, and reduce assurance that the Department is collecting all available revenues for the Trail Fund.

Discounts to Ineligible Registrants Represent Lost Revenues

A member can register an unlimited number of snowmobiles at the discounted rate using the same voucher, but must pay the fee for each vehicle. The names and addresses on the vouchers should match those on the registration to qualify for the reduced fee. These are steps the Department can take to give correct discounts. Similarly, NYSSA and its member clubs need to take steps to ensure the authenticity and appropriate use of club membership vouchers.

We obtained Department and NYSSA data for analysis and to assess the Department's snowmobile registration fee collection and oversight. In 2010-2011, the Department processed more than 117,500 snowmobile registrations at the \$45 member rate. After comparing the data and allowing for similarities in names and addresses, we identified 1,135 instances in which registrants received the discounted member rate of \$45, but did not appear in NYSSA membership data.

We followed up with both the Department and NYSSA for a judgmental sample of 50 of these discounted registrations. We obtained Department registration information to determine if the Department verified club membership using the NYSSA-issued voucher and the signed Certification, or if it used supervisory approval and the Certification only. We then followed up with NYSSA to find out if the registrants were current, valid members and if the voucher copies, where available, appeared valid. We considered registrants ineligible for the discounts if NYSSA could not confirm they were current valid members.

Of the 50 discounted registrations in our sample, 25 included copies of club membership vouchers the Department used in verifying membership status and eligibility for the member rate. For the other 25 registrations, the Department gave the discount without the voucher, using just the Certification and supervisory discretion. Of the 50 discounts, 31 were given to registrants NYSSA could not confirm as eligible for them - representing 62 percent of our sample. The remaining 19 discounts were appropriately given, though they represented club members whose names did not appear on the NYSSA database. Discounts given to ineligible registrants occurred at a higher rate in the group the Department did not verify using the voucher. In fact, 61 percent (19 of the 31) ineligible discounts were given to registrants without Department review of the voucher, vs. 39 percent (12 of the 31) given with voucher review.

According to NYSSA's responses, the most common reason for the discrepancies between its information and the Department's is that snowmobile clubs may not be entering membership vouchers in the NYSSA database. If a club doesn't enter the voucher information into the database, NYSSA may not know about the membership, but the discounts could represent valid members. Without further work, however, NYSSA assessed these memberships as invalid. The

lack of oversight of the vouchers supplied to Department offices by the clubs present additional risk that vouchers could be copied and used to attempt to get improper discounts. We also found that some of the ineligible discounts that were given to registrants without a voucher represented former, not current, club members who clearly were not entitled to the discount.

Both the Department and NYSSA have roles in assuring their information is accurate and can be relied on for appropriate decision-making in the snowmobile registration process. While part of the responsibility lies with NYSSA and its member clubs and their roles in control over the membership access and voucher integrity, the Department is charged with collecting the correct fees, and needs to take steps to ensure that it does. The risk that discounts will be given to ineligible registrants appears greater when the Department uses supervisory discretion, without a voucher, to grant discounts. Given our findings, we conclude that some discounts given to ineligible registrants may have been prevented through stronger Department verification practices.

The Department agreed to share limited snowmobile registration data with NYSSA via a 2006 Memorandum of Understanding (MOU), still in effect, which includes provisions for protecting the information, and allows NYSSA to use Department information to carry out its function. It does not address how or if the information is used to confirm eligibility for registration discounts. The Department provides registration data to NYSSA at the end of each year, and NYSSA analyzes it to identify whether discounts are being given to ineligible registrants. However, a key NYSSA official said Department officials have not requested the results, and Department officials said NYSSA has not notified them of non-members getting discounts. Department officials said they were not aware of anyone receiving the discounted rate without being a valid club member. We believe the two entities haven't established an effective way of communicating with each other to best ensure each entity collects the appropriate fees and maximizes the revenue potential for the Trail Fund.

Department officials should work jointly with NYSSA to compare data, identify known problems and risk areas, and follow up to provide stronger oversight and better assurance that the fees reach their intended use: maintaining and servicing the trails used by the snowmobiling public. Because the Department collects \$10 of each fee regardless of member status, any revenues lost by its failure to collect the correct fee are borne instead by the Trail Fund. Given the weaknesses we identified, we estimate lost revenues to the Trail Fund may be significant.

Recommendations

1. Clarify or revise Department policies to provide consistent and effective oversight of the registration process, especially with regard to acceptable proof for registration discounts. Effectively communicate any changes.
2. Improve communication and information-sharing with NYSSA to provide better assurance that discounts are given only to eligible registrants. Follow up on known risk areas.

Audit Scope and Methodology

We audited the Department's oversight and collection of snowmobile registration fees to determine whether it is appropriately collecting the fees, and to assess its snowmobile registration practices. Our audit covers the period April 1, 2008 to February 13, 2013.

To accomplish our audit objective, we met with Department officials, reviewed laws applicable to snowmobile registration, and reviewed Department policies and directives related to the snowmobile registration process. We visited selected Department offices to assess their registration practices. We also analyzed Department and NYSSA snowmobile registration data for the 2008-2011 seasons, and communicated with both entities to resolve questions.

We conducted our performance audit in accordance with 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

A draft copy of this report was provided to Department officials for their review and comment. The Department generally agreed with our recommendations and indicated they will implement them. The Department's response was considered in preparing this final report and is attached in its entirety to this report. In addition, we have included State Comptroller's Comments at the end of this report to address statements made in the Department's response.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Motor Vehicles shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Agency Comments



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BARBARA J. FIALA
Commissioner

ANDREW M. CUOMO
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J. DAVID SAMPSON
Executive Deputy Commissioner

June 5, 2013

Ms. Melissa Little, Audit Manager
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Re: 2011-S-54 Draft Audit Report

Dear Ms. Little:

This letter is in reference to the New York State Comptroller's draft audit findings which address the Department of Motor Vehicle's oversight and collection of snowmobile registration fees.

Please note the following concerning the audit recommendations:

1. Clarify or revise Department policies to provide consistent and effective oversight of the registration process, especially with regard to acceptable proof for registration discounts. Effectively communicate any changes.

Response: The Department will continue to take steps to ensure consistent and effective oversight of the snowmobile registration process.

It is our opinion that the key findings section needs to be amended as it is presently very misleading. In actuality, less than 1% (1,135 out of 117,500) of all snowmobile registrations processed at the \$45 member rate did not appear in NYSSA's membership database. Only 31 of the 1,135 reduced fee transactions in question were deemed invalid as a result of audit testing. Therefore, your report should state that 31 of 1,135

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Comment
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* See State Comptroller's Comments, page 13.

snowmobile registrations processed at the member rate, or less than 1%, did not appear in NYSSA's membership database.

In addition, nine of the 31 reduced fee transactions were deemed invalid even though a voucher was included with the processed transaction documentation. DMV has no control over the issuance of snowmobile club vouchers yet must rely on submitted vouchers to complete snowmobile registration transactions.

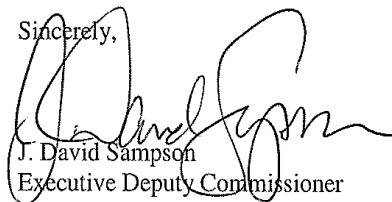
Finally, NYSSA indicated snowmobile clubs do not always update the membership database as required, the main factor in the failure to find a membership record in their data. DMV cannot be held accountable for the failure of a database system over which DMV has no control.

2. Improve communication and information-sharing with NYSSA to provide better assurance that discounts are given only to eligible registrants. Follow up on known risk areas.

Response: The Department will continue to communicate with NYSSA and follow up on known risk areas.

We will continue to look for improvement opportunities such as these and always welcome a chance to better serve the citizens of this State. If you have any questions concerning this matter, please contact me at (518) 474-0846.

Sincerely,



J. David Sampson
Executive Deputy Commissioner

JDS/mw

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Comment
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State Comptroller's Comments

1. The audit report is accurate as written. Auditors tested a sample of 50 of the 1,135 transactions. Of those 50 tested, 31 (or 62 percent) were not in NYSSA's membership database. We did not test the remaining 1,085 transactions. Therefore, it would be inaccurate to make the statement that only 31 of 1,035 snowmobile registrations processed at the member rate, or less than one percent, did not appear in NYSSA's membership database.
2. As the report states, both the Department and NYSSA have roles in assuring their information is accurate and can be relied on for appropriate decision making in the snowmobile process. While part of the responsibility lies with NYSSA and its member clubs and their roles in controls over membership access and voucher integrity, the Department is charged with collecting the correct fees, and needs to take steps to ensure it does. The risk that discounts will be given to ineligible registrants appears greater when the Department uses supervisory discretion, without a voucher, to grant discounts. Also, the Department shares registration data with NYSSA but never follows up on the results (as we did) to determine if there are snowmobilers who inappropriately received discounts because they were not a member of NYSSA. Given our findings, it's fair to conclude that discounts given to ineligible registrants may have been prevented through stronger Department verification and better communication with NYSSA.