January 20, 2017

Honorable Cindy Adams Dunn
Secretary
Department of Conservation and Natural Resources
Rachel Carson State Office Building, 7th floor
400 Market Street
Harrisburg, 17105

Dear Secretary Dunn:

Enclosed is the final audit report of the Snowmobile and All-Terrain Vehicle (ATV) Restricted Revenue Fund for the period July 1, 2014 through June 30, 2016. This performance audit was conducted in accordance with generally accepted government auditing standards. The report does not contain any findings or recommendations. Therefore, no additional action from the Department of Conservation and Natural Resources is needed.

Thank you for the cooperation and assistance provided to my staff during the course of this audit. If there are any questions or if additional information is needed, please contact me at 717-265-7275 or Greg Doerfler at 717-787-7469.

Sincerely,

Brian T. Lyman, CPA
Director, Bureau of Audits

Enclosure

cc: Michael Walsh
    Stacie Amsler
    Danielle Beish
    Sue Breski
COMMONWEALTH OF PENNSYLVANIA

BUREAU OF AUDITS

REPORT ON

PENNSYLVANIA DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES

SNOWMOBILE AND ATV RESTRICTED REVENUE FUND

For the Period
July 1, 2014 through June 30, 2016
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>BACKGROUND ................................................................. 1</td>
</tr>
<tr>
<td>AUDITOR’S REPORT ............................................................ 2</td>
</tr>
</tbody>
</table>
Pennsylvania Department of Conservation and Natural Resources
Snowmobile and ATV Restricted Revenue Fund
For the Period July 1, 2014 through June 30, 2016

BACKGROUND

In accordance with Title 75 (Vehicles), Pennsylvania (PA) Consolidated Statutes (C.S.) Chapter 77 as amended, snowmobiles and All-Terrain Vehicles (ATVs) operated in Pennsylvania, with limited exceptions, must be registered and titled with the Pennsylvania Department of Conservation and Natural Resources (DCNR). All registration fees, titling fees, and receipts from fines and penalties are placed in the Snowmobile and ATV Restricted Revenue Fund.

DCNR is to use the Snowmobile and ATV Restricted Revenue Fund for performing activities necessary to carry out the purposes of Chapter 77. These activities are to include registration and certificate of title activities, training, education, enforcement activities, construction and maintenance of snowmobile and ATV trails and acquisition of equipment, supplies and interests in land. DCNR may also grant money from the restricted revenue account to municipalities, non-profit organizations, and for-profit businesses for specific activities.

Title 75, PA C.S. Chapter 90 as amended, entitled DCNR to petition the Board of Finance and Revenue to refund annually up to a maximum of $1 million of the tax imposed for the fuel consumed in the operation of motorized recreational vehicles. These funds are also deposited in the Snowmobile and ATV Restricted Revenue Fund. This funding is to be used by DCNR for the improvement of public roadways, highways and bridges that are also used by recreational vehicles.

Sales tax related to the purchase or service of ATV and snowmobiles often is submitted directly to DCNR. When sales or use tax is submitted directly to DCNR, DCNR is responsible for remitting the tax to the PA Department of Revenue (DOR). As a licensed DOR agent, DCNR is permitted to keep 1% of these taxes if taxes are remitted to DOR by the 20th day of the following month. These funds are also deposited in to the Snowmobile and ATV Restricted Revenue Fund.

Since July 1, 2013, snowmobile and ATV titling and licensing activity has been processed by DCNR using the Snowmobile ATV Management System (SAMS). DCNR is responsible for ensuring accurate information is entered into SAP, the Commonwealth's accounting system.

Title 75, PA C.S. Chapter 77, section 7706 (c) provides that the restricted account shall be audited every two years. The previous audit covered fiscal years ended June 30, 2012 through June 30, 2014. This audit covers fiscal years ended June 30, 2015 and June 30, 2016.
We have conducted a performance audit of the Snowmobile and All-Terrain Vehicle (ATV) Restricted Revenue Fund (Fund) for the period July 1, 2014 through June 30, 2016. We conducted this 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.

The audit objectives, along with the scope, methodology and conclusion for each audit objective, are as follows:

<table>
<thead>
<tr>
<th>Audit Objective No.</th>
<th>Methodology/Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>To obtain evidence that all expenditures incurred during the audit period have been identified and properly supported, recorded, and classified, and to obtain evidence that expenditures are in accordance with the approved budget as to amount and purpose and with other regulations.</td>
</tr>
<tr>
<td></td>
<td>We obtained and documented an understanding of DCNR's procurement process and internal controls, including the approval and recording of expenditures. We interviewed DCNR personnel who communicated that they follow the Department of General Services (DGS) Procurement Handbook, applicable to all state agencies, and their own internal policies. We also reviewed the Snowmobile/ATV Law.</td>
</tr>
<tr>
<td></td>
<td>We obtained the universe of expenditures charged to the Fund during our audit period. For each fiscal year in our audit period, we determined a sample size of expenditures to test in each expenditure category (fixed assets, grants, non-expense items, operational, and personnel).</td>
</tr>
<tr>
<td></td>
<td>We selected a sample of seventy expenditure postings for detail testing, thirty-five transactions from each fiscal year. By design, our sample included fixed assets, grant payments, non-expense items, operational costs, and personnel costs.</td>
</tr>
</tbody>
</table>
**Audit Objective No. 1**  
(Continued)

**Methodology/Scope**  
(Continued)
For non-payroll expenditures, we obtained and reviewed invoices, contracts, purchase orders, grant agreements, and electronic approvals. For payroll expenditures, we obtained and reviewed SAP payroll posting detail and employee job descriptions. We determined the reasonableness and accuracy of all the sampled costs charged to the Fund.

We verified that the sampled expenditures were allowable under Section 7706 (a) of Title 75 (Vehicles) of the Pennsylvania Consolidated Statutes and, if applicable, they were in accordance with the Commonwealth Procurement Handbook requirements and DCNR's Bureau of Recreation and Conservation's Administrative Policy/Grant Guidelines.

We also verified that these expenditures were in accordance with the available budget and were properly identified, recorded and classified in the Commonwealth’s accounting system (SAP).

**Conclusion**
Expenditure controls appear to be adequate. Based on our detailed testing, sampled expenditures incurred during the audit period were identified and properly supported, recorded, and classified. The expenditures tested were determined to be in accordance with the approved budget, as to amount and purpose, and in accordance with relevant regulations.

**Related Findings and Recommendations**
None

---

**Audit Objective No. 2**

**Methodology/Scope**
In order to gain an understanding of the related revenue process, we interviewed DCNR management and Comptroller Operations cash management personnel. We also reviewed the Office of the Budget’s Revenue Processing Desk Procedure Manual, DCNR’s website, and related legislation.

DCNR provided the auditors with written information relating to their revenue accounting system, Snowmobile ATV Management System (SAMS). We reviewed the SAMS
Audit Objective No. 2  
(Continued)

Methodology/Scope  
(Continued)

Payment Processing Manual for DCNR Users, developed in December 2015. We also reviewed the Snowmobile/ATV Vehicle Owner Portal Users Guide and the Snowmobile/ATV Dealer Portal Users Guide. We documented DCNR’s processes and controls related to SAMS. We documented an understanding of DCNR's Fiscal Division's monthly reconciliations: YourPay to SAMS, YourPay with PNC Bank, and all revenue to SAP. We documented controls to ensure the Fund receives the 1% refund for sales tax collected by DCNR.

For each fiscal year in our audit period, we tested revenue flow in two directions:

1. As recorded in SAP, to SAMS.
2. As recorded in SAMS, to SAP.

For each test of revenues, we selected revenue transactions posted within each fiscal year in our audit period.

For the first reconciliation of revenues (SAP to SAMS), we judgmentally selected sample months January 2015 and December 2015. We randomly selected 20 revenue transactions for January 2015 and 5 revenue transactions for December 2015. For this sample of revenues posted in SAP, we verified that correct revenues were received and that the revenues were recorded in SAMS and posted to Treasury. For a sample of revenue transactions listed on revenue transmittals (RTs), we verified they were supported by corresponding Snowmobile/ATV titles and/or registrations. We also verified that the Liquid Fuels Tax transaction in fiscal year 2014 was received and posted in SAP and Treasury timely.

For the second reconciliation of revenues (SAMS to SAP), we judgmentally selected sample months January 2015 and March 2016. For each month, we obtained two SAMS-generated reports, one report listing all credit card transactions and one report listing all check transactions for the month. We then judgmentally selected 5 credit card transactions and 5 check transactions for each month, for a total of 20 transactions. For this sample of revenue transactions in SAMS, we verified that correct revenues were
Audit Objective No. 2
(Continued)

Methodology/Scope
(Continued)

received and that they were supported by corresponding Snowmobile/ATV titles and/or registrations. We verified that the revenues, including sales tax, were posted in SAP and Treasury in a timely manner. For the credit card transactions, we verified that the revenues were deposited to PNC Bank, included in the Fiscal Division's monthly reconciliations, subsequently swept into the Commonwealth's Wells Fargo account, and properly posted in SAP. For the check transactions, we verified that the checks were deposited and included in revenue transmittals (RTs) that were properly posted in SAP.

We selected March 2016 to test the Fiscal Division's reconciliations of YourPay to SAMS, YourPay to PNC Bank, and all revenue to SAP. We reviewed the Fiscal Division's reconciliation spreadsheet for March 2016 and documented the steps and calculations made. We documented the Fiscal Division's reconciliation of all revenue to SAP for March 2016, the sweep of credit card revenues from PNC Bank to Treasury, and the related post in SAP.

For the 1% sales tax refund for March 2016 to the Snowmobile/ATV Fund, we documented DCNR's reports sent to Comptroller Operations. We documented how Comptroller Operations determined the refund due DCNR and the adjustment memo to post the revenue to the Fund. As support for its adjustment memo, Comptroller Operations provided the Fiscal Division with the "Sales and Use Tax" e-TIDES report.

Conclusion

Based on our documentation of controls and our testing, we conclude that revenue accounts include all transactions that relate to the period and that all revenues received were transmitted to the State Treasury. We note that DCNR performed regular monthly reconciliations of revenues per YourPay, SAMS, and SAP. DCNR accounts for its annual revenue from the Liquid Fuels Tax refund. DCNR receives the monthly refund of 1% of sales tax collected on behalf of the Department of Revenue.

Related Findings and Recommendations

None
Audit Objective No. 3

To obtain evidence that encumbrances (i.e., commitments related to unperformed contracts for goods and services) are properly identified, supported, classified and recorded.

Methodology/Scope

In order to gain an understanding of DCNR’s procedures related to approving and recording encumbrances, we interviewed DCNR personnel who communicated that they follow the Department of General Services (DGS) Procurement Handbook, applicable to all state agencies, and their own internal policies. Expenditures from the restricted fund must also adhere to the Snowmobile/ATV Law.

For each fiscal year of the audit period, we obtained the universe of encumbrances charged to Snowmobile/ATV sub-fund 6014900000, and selected a sample of 3 encumbrances. For these encumbrances, we obtained and reviewed applicable DCNR documentation to determine whether the commitments were properly identified, supported, classified, and recorded. We selected one expenditure from each encumbrance, and tested that the expenditure was for allowable activities, contained supporting documentation, and was properly approved.

Conclusion

Based on our testing, commitments were properly identified, supported, classified, and recorded.

Related Findings and Recommendations

None
Department of Conservation and Natural Resources  
Snowmobile and ATV Restricted Revenue Fund  
For the Period July 1, 2014 through June 30, 2016

**Internal Controls**

In planning and performing our audit, we considered internal controls that are significant within the context of our audit objectives and assessed whether such controls had been properly designed and implemented. Based on our assessment of the internal controls, we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on DCNR’s internal control. No significant control deficiencies came to our attention during the audit.

This report is intended solely for the information and use of DCNR and Office of Budget management and is not intended to be and should not be used by anyone other than these specified parties.

Brian T. Lyman, CPA  
Director, Bureau of Audits  
January 12, 2017