

ATTESTATION ENGAGEMENT

Northampton County

Pennsylvania

48-000

Liquid Fuels Tax Fund

And Act 44 Tax Fund

For the Period

January 1, 2012 to December 31, 2012

August 2014



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Form MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Report of Act 44 Tax Fund With Adjustments of Northampton County for the period January 1, 2012 to December 31, 2012. The county's management is responsible for the Form MS-991 and the Report of Act 44 Tax Fund. Our responsibility is to express an opinion on the Form MS-991 With Adjustments and the Report of Act 44 Tax Fund With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting Northampton County's Form MS-991 and Report of Act 44 Tax Fund for the period January 1, 2012 to December 31, 2012 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each county's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

Independent Auditor's Report (Continued)

As discussed in the Findings and Recommendations and Comment section of this report:

- The county expended \$151,160.70 for various repairs of county bridges. We further noted that the county did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval (see Finding No. 1).
- The county expended \$3,162.08 in excess of the 10 percent limit for indirect/administrative costs. The county reimbursed \$3,162.08 to its Liquid Fuels Tax Fund on January 18, 2013, which was subsequent to our examination period (see Finding No. 2).
- In our prior examination period the county expended \$1,640.83 from the Liquid Fuels Tax Fund and failed to file documentation for bridge reimbursements as per agreement. The county reimbursed \$1,640.83 to its Liquid Fuels Tax Fund on May 13, 2013, which was subsequent to our examination period (see Comment).

In our opinion, except for the bulleted matters discussed above, the Form MS-991 With Adjustments and the Report of Act 44 Tax Fund With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund and the Report of Act 44 Tax Fund of Northampton County for the period January 1, 2012 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Form MS-991 and the Report of Act 44 Tax Fund; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Form MS-991 and the Report of Act 44 Tax Fund. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Form MS-991 and the Report of Act 44 Tax Fund are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Form MS-991 and the Report of Act 44 Tax Fund or on compliance and other matters; accordingly, we express no such opinions.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Form MS-991 and the Report of Act 44 Tax Fund will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a

Independent Auditor's Report (Continued)

deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over reporting on the Form MS-991 and the Report of Act 44 Tax Fund was for the limited purpose of expressing an opinion on whether the Form MS-991 and the Report of Act 44 Tax Fund are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the Form MS-991 and the Report of Act 44 Tax Fund are free from material misstatement, we performed tests of Northampton County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Form MS-991 and the Report of Act 44 Tax Fund. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

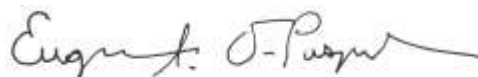
- Act 44 Funds Expended Without Obtaining Project Approvals.

We also noted an other matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Expenditures In Excess Of The 10 Percent Limit On Indirect/Administrative Costs - Recurring.

We are concerned in light of the county's failure to correct a previously reported finding regarding expenditures in excess of the 10 percent limit on indirect/administrative costs. During our current examination, we noted that the county expended its Act 44 Funds without obtaining project approvals and had expenditures in excess of the 10 percent limit on indirect/administrative costs. The municipality should strive to implement the recommendations and corrective actions noted in this report.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of Northampton County and is not intended to be and should not be used by anyone other than these specified parties.



Eugene A. DePasquale
Auditor General

July 31, 2014

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NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

Background

The Vehicle Code makes provisions and provides funding for County Liquid Fuels and Act 44 Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

The Vehicle Code imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. The Vehicle Code further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

The Vehicle Code, as recently amended by Act 44 of 2007 (July 18, 2007, P.L.169), requires the Pennsylvania Turnpike Commission to make annual contributions for the benefit of the Pennsylvania Department of Transportation's Motor License Fund, and further requires the Department of Transportation to distribute \$5,000,000 of the annual contribution to counties (75 Pa. C.S. § 8915.6). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2012	\$ 442,437.74	\$ -	\$ 442,437.74
<u>Receipts:</u>			
State allocations	622,195.48	-	622,195.48
Interest (Note 3)	330.97	-	330.97
Reimbursable agreements (Note 4)	57,672.51	-	57,672.51
Miscellaneous (Note 5)	10,687.82	-	10,687.82
Total receipts	<u>690,886.78</u>	<u>-</u>	<u>690,886.78</u>
Total funds available	<u>1,133,324.52</u>	<u>-</u>	<u>1,133,324.52</u>
<u>Expenditures:</u>			
Construction	16,467.07	-	16,467.07
Maintenance and repair	709,055.16	-	709,055.16
Administrative	65,381.63	-	65,381.63
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>790,903.86</u>	<u>-</u>	<u>790,903.86</u>
Balance, December 31, 2012	342,420.66	-	342,420.66
Unpaid encumbrances (Note 6)	<u>293,171.62</u>	<u>-</u>	<u>293,171.62</u>
Unencumbered balance, December 31, 2012	<u>\$ 49,249.04</u>	<u>\$ -</u>	<u>\$ 49,249.04</u>

Notes To Form MS-991 And Report Of Act 44 Tax Fund With Adjustments are an integral part of this report.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
2012 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2012	\$ 386,412.07	\$ -	\$ 386,412.07
<u>Receipts:</u>			
Act 44 Funds	133,044.55	-	133,044.55
Interest (Note 3)	280.33	-	280.33
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Total receipts	<u>133,324.88</u>	<u>-</u>	<u>133,324.88</u>
Total funds available	<u>519,736.95</u>	<u>-</u>	<u>519,736.95</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	185,770.00	-	185,770.00
Miscellaneous	-	-	-
Total expenditures	<u>185,770.00</u>	<u>-</u>	<u>185,770.00</u>
Balance, December 31, 2012	<u><u>\$ 333,966.95</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 333,966.95</u></u>

Notes To Form MS-991 And Report Of Act 44 Tax Fund With Adjustments are an integral part of this report.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

1. Criteria

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law;
- property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- construction, reconstruction, operation and maintenance of publicly owned ferryboat operations;
- interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges;
- acquisition, maintenance, repair and operation of traffic signs and signals;
- erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;
- indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

1. Criteria (continued)

- individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 15 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation will withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.
- B. *The Vehicle Code*, as recently amended by Act 44 of 2007 (July 18, 2007, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Pennsylvania Turnpike Commission's annual contribution of \$5,000,000 to the Commonwealth's Motor License Fund. The County's Act 44 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

1. Criteria (continued)

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Report of County Liquid Fuels Tax Fund With Adjustments and the Report of Act 44 Tax Fund With Adjustments do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund and the County Act 44 Tax Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the MS-991 form, *Report of County Liquid Fuels Tax Fund*:

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.

Refer to the related Notes: Note 3, Interest Earnings; Note 4, Reimbursable Agreements; and Note 5, Miscellaneous Receipts.
- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.
- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end).
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

Refer to Note 6, Encumbrances.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

2. Deposits

The County Code, Title 16 P.S § 17067, authorizes the county to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania that are insured by the FDIC or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2012. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the county's name.

Fund Balance

The fund balance for the Liquid Fuels Tax Fund consists of the following:

Cash	\$342,420.66
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The fund balance for the Act 44 Tax Fund consists of the following:

Cash	\$333,966.95
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NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in an interest-bearing account which earned \$330.97 during 2012, thus providing additional funds for road maintenance and repairs.

Additionally, the county deposited idle Act 44 tax money in an interest-bearing account which earned \$280.33 during 2012, thus providing additional funds for bridge maintenance and repairs.

4. Reimbursable Agreements

During our examination, we noted that the county entered into a reimbursable agreement with the Commonwealth of Pennsylvania for interchange lighting and bridge inspections. During our current examination period, the county received \$57,672.51 for interchange lighting as a result of this agreement and deposited this money into the Liquid Fuels Tax Fund. As of December 31, 2012, \$1,640.83 is due the Liquid Fuels Tax Fund.

5. Miscellaneous Receipts

The following miscellaneous receipts were deposited into the Liquid Fuels Tax Fund during the examination period:

Source	Description	Amount
County of Northampton	Reimbursement (Comment)	\$ 4,562.96
Insurance company	Reimbursement for damages	4,267.95
Resident	Reimbursement for damages	1,050.00
County of Lehigh	Broad Street bridge lighting	806.91
Total		<u>\$10,687.82</u>

6. Encumbrances

As of December 31, 2012, \$293,171.62 was encumbered for county projects.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

Finding No. 1 - Act 44 Funds Expended Without Obtaining Project Approvals

Our examination disclosed that the county expended \$151,160.70 during 2012 for various repairs of county bridges. For bridge maintenance and preservation activities counties must confer with the Department of Transportation to determine if project approval is required. The county did not maintain documentation that it conferred with the Department of Transportation to determine if a project approval was required. Additionally, we noted that the county did not file an application with the Department of Transportation for the repairs and also failed to submit specifications for approval.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Four, Section 4.6.6.1, states:

County Act 44 Fund monies may not be allocated or expended for construction or Reconstruction projects by the county without the prior approval of the application, contract, or plans for the proposed expenditure by PennDOT (Figure 4.a). In addition, any equipment valued at over \$4,000 dollars must be preapproved by PennDOT prior to purchase.

Additionally, *Publication 9*, Chapter Four, Section 4.6.6.2, states:

Completed work by the county or one of its political subdivisions must be approved by the Municipal Services district office before payment can be made.

Furthermore, *Publication 9*, Chapter Four, Section 4.7, states:

The criteria appearing below are used to determine when Project Approval is required for work on County owned bridges utilizing Act 44 funds, when construction, reconstruction, and/or resurfacing work exceeds one inch or more in depth, as well as other activities.

Bridges	For bridge maintenance/preservation activities, confer with Municipal Services to determine if a project approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas require project approval.
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The failure to comply with the Department of Transportation's *Publication 9* could result in the county having to reimburse \$151,160.70 to its Liquid Fuels Tax Fund.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

Finding No. 1 - Act 44 Funds Expended Without Obtaining Project Approvals (Continued)

Recommendations

We recommend that the county reimburse \$151,160.70 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the county contact the Department of Transportation before it expends money for bridge repairs, if required, and apply for and obtain prior approval for the repairs, and when the repairs are completed obtain approval for the completed work.

Management's Response

The county officials stated:

Northampton County is working with the Department of Transportation to resolve this finding.

Auditor's Conclusion

The Department of Transportation will determine if the county will be required to reimburse \$151,160.70 to its Liquid Fuels Tax Fund. During our next examination we will determine if the county complied with our recommendations.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

Finding No. 2 - Expenditures In Excess Of The 10 Percent Limit On Indirect/Administrative
Costs - Recurring

We cited the municipality for expending Liquid Fuels Tax Fund money in excess of the 10 percent limit on indirect/administrative costs in our prior report for the period January 1, 2011 to December 31, 2011. However, our examination disclosed that the county expended a total of \$65,381.63 from the Liquid Fuels Tax Fund in the 2012 calendar year for indirect/administrative costs, which is greater than 10 percent of the yearly Liquid Fuels Tax Fund allocation of \$622,195.48 to the county.

The Liquid Fuels and Fuels Tax Act of 75 Pa. C.S.A. § 9010(b)(2)(i)(G) permits the use of county liquid fuels tax funds for “Indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects. . .” However, the use of liquid fuels tax funds for indirect costs “. . . may not exceed 10% of the yearly allocation to the county.” By way of correspondence to county liquid fuels tax fund administrators dated October 28, 1994, and other correspondence, the Department of Transportation explained the use of county Liquid Fuels Tax Fund money for documented, permissible indirect costs.

The indirect/administrative costs charged to the Liquid Fuels Tax Fund by the county during 2012 are as follows:

Total indirect/administrative costs	\$65,381.63
Less 10% permissible amount	62,219.55
Excess expenditures for indirect/administrative costs	\$(3,162.08)

The county reimbursed \$3,162.08 to the Liquid Fuels Tax Fund on January 18, 2013, which was subsequent to our examination period.

This condition occurred because the county failed to comply with our prior examination recommendation to limit all indirect/administrative costs charged to the Liquid Fuels Tax Fund to the 10 percent maximum permitted by the Liquid Fuels and Fuels Tax Act.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

Finding No. 2 - Expenditures In Excess Of The 10 Percent Limit On Indirect/Administrative
Costs – Recurring (Continued)

Recommendation

We again recommend that, in the future, the county limit all indirect/administrative costs charged to the Liquid Fuels Tax Fund to the 10 percent maximum permitted by the Liquid Fuels and Fuels Tax Act.

Management's Response

The county accountant stated:

We are aware of the finding, money was reimbursed to the Liquid Fuels Tax Fund prior to the audit.

Auditor's Conclusion

This is a recurring finding and we strongly recommend that the municipality take corrective action to comply with our recommendation.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

Comment - Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$1,640.83 to its Liquid Fuels Tax Fund for failure to file documentation for bridge reimbursement as per agreement. We noted that the county reimbursed \$1,640.83 to its Liquid Fuels Tax Fund on May 13, 2013, which was subsequent to our examination period.

In our prior report we also recommended that the county comply with filing all necessary documentation as per agreement with the Department of Transportation in a timely manner.

During our current examination we noted that the county complied with our recommendation.

Additionally, our prior report noted that the county expended \$4,562.96 in excess of the 10 percent yearly Liquid Fuels Tax Fund allocation allowable for indirect/administrative costs. We noted that the county reimbursed \$4,562.96 to the Liquid Fuels Tax Fund on February 10, 2012. A similar finding was also written in our current report (see Finding No. 2).

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

An exit conference was held February 7, 2014. Those participating were:

NORTHAMPTON COUNTY

Mr. Stephen J. Kuchera, Accountant

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Sandra Gichiengo, Auditor

The results of the examination were presented and discussed in their entirety.

NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation

Northampton County
669 Washington Street
Easton, PA 18042-7411

The Honorable Margaret Ferraro	President of Council
The Honorable John A. Brown	County Executive
The Honorable Stephen J. Barron, Jr.	Controller
Mr. Stephen J. Kuchera	Accountant

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.