

# ATTESTATION ENGAGEMENT

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**Borough of Lansford**  
**Carbon County, Pennsylvania**  
**13-405**  
**Liquid Fuels Tax Fund**  
**For the Period**  
**January 1, 2012 to December 31, 2013**

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**January 2015**



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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Department of the 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 Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Lansford, Carbon County, for the period January 1, 2012 to December 31, 2013. The municipality's management is responsible for the Forms MS-965. Our responsibility is to express an opinion on the Forms MS-965 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 the Borough of Lansford, Carbon County's Forms MS-965 for the period January 1, 2012 to December 31, 2013 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 municipality'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*.

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

### Independent Auditor's Report (Continued)

As discussed in Finding No. 2, the borough expended \$10,684.80 on November 15, 2012, from the Liquid Fuels Tax Fund for the purchase of paving materials. However, documentation for price quotations was not available for examination. Additionally, as discussed in Finding No. 3, the municipality expended \$4,133.70 for superpave and \$1,137.03 for truck parts from its Liquid Fuels Tax Fund during 2012. However, the superpave and truck parts were purchased during 2011, which are retroactive expenditures.

In our opinion, except for the matters discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Borough of Lansford, Carbon County, for the period January 1, 2012 to December 31, 2013, 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 Forms MS-965; 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 Forms MS-965. 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 Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 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 Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a 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.

Independent Auditor's Report (Continued)

Our consideration of the internal control was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the finding listed below, that we consider to be a material weakness in internal control:

- A Complete Certified Record Of Borough Council Meeting Minutes From January 2012 To May 2013 Was Not Available For Examination.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of Lansford, Carbon 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 Forms MS-965. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Documentation For Price Quotations Was Not Available For Examination - Recurring.
- Retroactive Expenditures.

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

We appreciate the courtesy extended by the Borough of Lansford, Carbon County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale  
Auditor General

October 10, 2014

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BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

*The Vehicle Code*, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In this case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
2012 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,053.29	-	4,053.29
Traffic control devices	4,442.43	2,973.20	7,415.63
Street lighting	2,973.20	(2,973.20)	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	7,727.29	-	7,727.29
Maintenance and repair of roads and bridges	7,416.75	-	7,416.75
Highway construction and rebuilding projects	18,126.80	-	18,126.80
Miscellaneous (Note 6)	154,732.09	-	154,732.09
 Total (To Section 2, Line 5)	 <u>\$ 199,471.85</u>	 <u>\$ -</u>	 <u>\$ 199,471.85</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

BOROUGH OF LANSFORD  
 CARBON COUNTY  
 LIQUID FUELS TAX FUND  
 2012 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 221,718.19	\$ -	\$ 221,718.19
Receipts:			
2. State allocation	80,504.39	-	80,504.39
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	19.13	-	19.13
2c. Miscellaneous (Note 5)	306.00	-	306.00
3. Total receipts	<u>80,829.52</u>	<u>-</u>	<u>80,829.52</u>
4. Total funds available	<u>302,547.71</u>	<u>-</u>	<u>302,547.71</u>
5. Expenditures (Section 1)	<u>199,471.85</u>	<u>-</u>	<u>199,471.85</u>
6. Balance, December 31, 2012	<u><u>\$ 103,075.86</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 103,075.86</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.



BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
2012 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 32,922.95	\$ -	\$ 32,922.95
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,100.88	-	16,100.88
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	49,023.83	-	49,023.83
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>49,023.83</u>	<u>-</u>	<u>49,023.83</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 49,023.83</u>	<u>\$ -</u>	<u>\$ 49,023.83</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
2013 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 64,863.92	\$ -	\$ 64,863.92
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	9,372.56	-	9,372.56
Traffic control devices	1,251.87	2,990.24	4,242.11
Street lighting	2,990.24	(2,990.24)	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	3,629.82	-	3,629.82
Maintenance and repair of roads and bridges	3,241.48	-	3,241.48
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	2,317.81	-	2,317.81
 Total (To Section 2, Line 5)	 <u>\$ 87,667.70</u>	 <u>\$ -</u>	 <u>\$ 87,667.70</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

BOROUGH OF LANSFORD  
 CARBON COUNTY  
 LIQUID FUELS TAX FUND  
 2013 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ 103,075.86	\$ -	\$ 103,075.86
Receipts:			
2. State allocation	79,200.45	-	79,200.45
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	30.39	-	30.39
2c. Miscellaneous (Note 5)	13,105.01	-	13,105.01
3. Total receipts	<u>92,335.85</u>	<u>-</u>	<u>92,335.85</u>
4. Total funds available	<u>195,411.71</u>	<u>-</u>	<u>195,411.71</u>
5. Expenditures (Section 1)	<u>87,667.70</u>	<u>-</u>	<u>87,667.70</u>
6. Balance, December 31, 2013	<u><u>\$ 107,744.01</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 107,744.01</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
2013 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 49,023.83	\$ -	\$ 49,023.83
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	15,840.09	-	15,840.09
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	64,863.92	-	64,863.92
5. Less: Major equipment expenditures	<u>64,863.92</u>	<u>-</u>	<u>64,863.92</u>
6. Remainder	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

BOROUGH OF LANSFORD  
 CARBON COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria

Section 1

This section of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs, or less, than the amounts indicated below:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- Agility projects are exchanges of services with the Department of Transportation.

Section 2

This section of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria (Continued)

Section 2 (Continued)

- Expenditures include the total transferred from Section 1.

Section 3

This section of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Forms MS-965 have been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria (Continued)

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

General Fixed Assets

General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

2. Deposits

*The Borough Code*, Title 53 P.S § 46316, authorizes the borough 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 purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. 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 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.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2013. 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 municipality's name.

Fund Balance

The fund balance as of December 31, 2013 consists of the following:

Cash	<u>\$107,744.01</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$19.13 during 2012, and \$30.39 during 2013, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2012 - Section 1

Adjustments were made to "Traffic control devices" and "Street lighting" because expenditures of \$2,973.20 were misclassified.

2013 - Section 1

Adjustments were made to "Traffic control devices" and "Street lighting" because expenditures of \$2,990.24 were misclassified.



BOROUGH OF LANSFORD  
 CARBON COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2012 TO DECEMBER 31, 2013

5. Miscellaneous Receipts

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

<u>Source</u>	<u>Description</u>	<u>2012</u>	<u>2013</u>
Vendor	Refund of overpayment (Note 7)	\$306.00	\$ -
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	-	10,812.20
General Fund	Deposited in error (Note 8)	-	2,292.81
Total		<u>\$306.00</u>	<u>\$13,105.01</u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>2012</u>	<u>2013</u>
General Fund	Deposit in error (Note 8)	\$154,597.09	\$2,292.81
Financial institution	Bank service charges	135.00	25.00
Total		<u>\$154,732.09</u>	<u>\$2,317.81</u>

7. Overpayment Of Invoice

On November 29, 2012, the municipality expended \$340.00 from the Liquid Fuels Tax Fund to pay vendor invoice No. TI338399 for the purchase of a tire. However, the amount of the invoice was only \$34.00. On December 12, 2012, the municipality deposited \$306.00 into its Liquid Fuels Tax Fund that was received from the vendor to correct the overpayment of the invoice.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

8. Deposits In Error

On April 1, 2011, the municipality deposited the proceeds from a General Fund certificate of deposit of \$154,597.09 into its Liquid Fuels Tax Fund in error. On March 22, 2012, the municipality transferred \$100,000.00 from its Liquid Fuels Tax Fund to its General Fund and \$54,597.09 to its Street Light Fund to correct the deposit in error.

On June 24, 2013, the municipality deposited the proceeds from a General Fund certificate of deposit of \$2,292.81 into its Liquid Fuels Tax Fund in error. On September 25, 2013, the municipality transferred \$2,292.81 from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

9. Lease-Purchase Agreement

On October 30, 2013, the municipality entered into a lease-purchase agreement with Real Lease, Inc. to purchase a 2014 International truck model 7400 SFA and a new Galwin-Goodwin 400U dump body for \$125,945.00. The term of the loan was for four years. A principal and interest payment of \$75,945.00 was due on November 10, 2013. Four additional payments of \$13,511.20 are due annually on January 15 of each year. The total amount to be repaid, principal and interest, is \$129,989.80.

During the current examination period the municipality paid principal and interest of \$64,863.92 from the Liquid Fuels Tax Fund. This amount is reflected in major equipment purchases on the 2013 Form MS-965 - Section 1. Additionally, the municipality paid principal and interest of \$11,081.08 from the General Fund. As of December 31, 2013, the amount to be repaid, including principal and interest, was \$54,044.80.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

**Finding No. 1 - A Complete Certified Record Of Borough Council Meeting Minutes From January 2012 To May 2013 Was Not Available For Examination**

Our examination disclosed that the published minutes of borough council meetings from January 2012 to May 2013 were not available for our review.

Section 1111 of *The Borough Code* states, in part, that “the secretary shall attend all meetings of the borough council and keep full minutes of its proceedings. The secretary shall certify copies of any book, paper, bylaw, rule, regulation, resolution, ordinance or proceeding of the borough, under the seal, when so certified, shall be admissible in Commonwealth Court.” Furthermore, Section 1113 states, in part, that “the minute book shall be open to inspection of any taxpayer.”

The primary purpose of the minutes is to provide an official record of council meetings. Without a complete record of certified minutes, we were unable to determine if the minutes as presented included all references to road projects or other information regarding expenditures from the Liquid Fuels Tax Fund.

Recommendation

We recommend that, in the future, transcribed minutes for council meetings be certified by the borough secretary and available for public review within a reasonable period of time after each meeting.

Management’s Response

The secretary/treasurer stated:

The 2012 and 2013 meeting minutes are being transcribed. Due to the office having incompetent bookkeepers in the past, the minutes fell upon the council to complete. Some recordings are damaged or missing. We hope to get them all up to date and officiated soon. 2014 minutes are complete to date.

Auditor’s Conclusion

During our next examination we will determine if the municipality complied with our recommendation.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination - Recurring**

Our examination disclosed that the borough expended \$10,684.80 on November 15, 2012, from the Liquid Fuels Tax Fund for the purchase of paving materials. The borough was required to obtain three written or telephonic price quotations for this expenditure. However, documentation for price quotations was not available for examination.

The above expenditure was not made in compliance with the contract requirements of *The Borough Code*, 53 P.S. § 46402(a.1), (also found at § 1402(a.1) of *The Borough Code* as published by the Local Government Commission), which states, in part:

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts that exceed ten thousand dollars (\$10,000.00) . . . but are less than the amount [in excess of \$18,500.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

The failure to comply with *The Borough Code* could result in the borough having to reimburse \$10,684.80 to its Liquid Fuels Tax Fund.

A similar finding was written in our prior report. However, the borough obtained price quotations when required during 2013.

**Recommendations**

We recommend that the borough reimburse \$10,684.80 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We recommend that, in the future, the borough continue to comply with *The Borough Code* as noted in this finding. The thresholds for obtaining price quotations increased to purchases between \$10,000.00 and \$18,500.00 for 2012, \$10,200.00 and \$18,900.00 for 2013, \$10,300.00 and \$19,100.00 for 2014, and \$10,500.00 and \$19,400.00 for 2015.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination -  
Recurring (Continued)**

Management's Response

The secretary/treasurer stated:

There have been several attempts in searching our 2012 records for price quotes for materials regarding the Liquid Fuels account. Unfortunately, there have been several secretaries here and it seems the record keeping was not maintained. In 2012, we had a lot of issues with our records and the secretaries at that time. Due to the fact that I started in August 2013, there is nothing I can do to try to obtain such records that support 2012. The road ahead should be a lot smoother as our records are in better shape and being maintained.

Auditor's Conclusion

During our next examination we will determine if the municipality complied with our recommendations.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

**Finding No. 3 - Retroactive Expenditures**

Our examination disclosed that on March 2, 2012, the municipality expended \$4,133.70 for superpave that was purchased on October 8, 2011. Additionally, on June 3, 2012, the municipality expended \$1,137.03 for truck parts that were purchased from May 13, 2011 to December 30, 2011. Both of these expenditures are considered retroactive expenditures.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

8. Repayments of prior year's expenditures.
17. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were incurred during 2011 but not paid until 2012, the expenditures incurred were not paid in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$5,270.73 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$5,270.73 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We also recommend that, in the future, the municipality comply with the Department of Transportation's *Publication 9* as noted above.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

**Finding No. 3 - Retroactive Expenditures (Continued)**

Management's Response

The secretary/treasurer stated:

Due to the fact I was not working here in 2012, I have no control over what happened. The prior bookkeeper was not that familiar with the bookkeeping software and very late on paying bills. This is an internal control issue that has been corrected. The 2014 audit should not have these findings.

Auditor's Conclusion

During our next examination we will determine if the municipality complied with our recommendations.

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$10,812.20 to its Liquid Fuels Tax Fund. This amount consists of \$6,117.03 for failing to maintain documentation to support transfers and expenditures and \$4,695.17 for failing to maintain documentation for price quotations.

During our current examination we reviewed a letter dated July 7, 2013, from the Department of Transportation informing the municipality to reimburse \$10,812.20 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on November 12, 2013.

In our prior report we also recommended:

- That the municipality complies with Commonwealth of Pennsylvania Management Directive 210.11 by obtaining images of both the front and back of canceled checks from its financial institution.
- That the municipality officials reassess their fiscal policy and consider investing money in excess of current needs in investments outlined in Section 1316 of *The Borough Code* as published by the Local Government Commission.
- That the municipality complies with *The Borough Code* by obtaining price quotations when required.

During our current examination we noted that the municipality complied with the recommendations in the first two bullets above. A finding for failing to maintain documentation for price quotations was written in our current report (see Finding No. 2). However, this condition did not occur during 2013.



BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

An exit conference was held July 30, 2014. Those participating were:

BOROUGH OF LANSFORD

Mrs. Mary T. Fittos, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Robert A. Bauder, Auditor

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

BOROUGH OF LANSFORD  
CARBON COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2012 TO DECEMBER 31, 2013

This report was initially distributed to:

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

Borough of Lansford  
Carbon County  
1 West Ridge Street  
Lansford, PA 18232

The Honorable Martin Ditsky

President of Council

Mrs. Mary T. Fittos

Secretary/Treasurer

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](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](mailto:news@auditorgen.state.pa.us).