

ATTESTATION ENGAGEMENT

Borough of Sharon Hill
Delaware County, Pennsylvania
23-423

Liquid Fuels Tax Fund
For the Period
January 1, 2012 to December 31, 2013

June 2015



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 Leslie Richards
Acting 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 Sharon Hill, Delaware 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 Sharon Hill, Delaware 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 the Findings and Recommendations and Summary of Prior Examination Recommendations section of this report:

- On April 9, 2012, the municipality expended \$939.99 from its Liquid Fuels Tax Fund to purchase a laptop for the borough manager to use for Liquid Fuels Tax Fund purposes. However, as of December 12, 2014, the date of the exit conference for this examination, the municipal officials could not locate the laptop (Finding No. 1).
- The 2012 Liquid Fuels Tax Fund allocation of \$93,423.85 was deposited into and remained in the General Fund, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law. (Finding No. 2).
- The municipality expended \$81,592.63 on a construction project without filing a Final Completion Report MS-999 for the project with the Department of Transportation. (Finding No. 3).
- The municipality expended \$24,538.21 during 2012 from the Liquid Fuels Tax Fund without advertising for bids (Finding No. 4).
- The municipality didn't reimburse the Liquid Fuels Tax Fund for \$2,690.90 as directed by the Department of Transportation as a result of a finding in our prior examination report that identified expenditures totaling \$2,690.90 that lacked supporting documentation. (Summary of Prior Examination Recommendations).

In our opinion, except for the bulleted matters discussed above , 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 Sharon Hill, Delaware County, for the period January 1, 2012 to December 31, 2013, in conformity with the criteria set forth in Note 1.

Independent Auditor's Report (Continued)

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 Form 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.

Our consideration of the internal control was for the limited purpose of expressing an opinion on whether the Form 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:

- Missing Laptop.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of Sharon Hill, Delaware 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*:

- Late Receipt Of Allocations And Allocations Deposited Into The General Fund - Recurring.
- Failure To Timely Submit Final Completion Report.
- Noncompliance With Advertising And Bidding Requirements.

We are concerned that the municipality failed to comply with our prior examination findings regarding late receipt of allocation and liquid fuels allocation deposited into the General Fund. During our current examination the municipality had a missing laptop, received its allocations late and deposited them into the General Fund, failed to timely submit a final completion report, and failed to comply with advertising and bidding requirements. The failure to properly secure a laptop, the failure to deposit its Liquid Fuels Tax Fund allocation into the Liquid Fuels Tax Fund, the failure to timely submit a Final Completion Report, and the failure to advertise for bids for street lighting maintenance could result in the municipality having to reimburse \$200,494.68 to its Liquid Fuels Tax Fund. Additionally, the risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds. The municipality should strive to comply with 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 the Borough of Sharon Hill, Delaware 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 Sharon Hill, Delaware 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

April 30, 2015

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BOROUGH OF SHARON HILL
DELAWARE 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 SHARON HILL
 DELAWARE 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	939.99	-	939.99
Agility projects	-	-	-
Cleaning streets and gutters	31,215.90	4,800.00	36,015.90
Winter maintenance services	-	-	-
Traffic control devices	10,406.11	-	10,406.11
Street lighting	57,122.35	-	57,122.35
Storm sewers and drains	7,486.00	(4,800.00)	2,686.00
Repairs of tools and machinery	4,125.88	-	4,125.88
Maintenance and repair of roads and bridges	19,178.83	(7,419.33)	11,759.50
Highway construction and rebuilding projects	-	7,419.33	7,419.33
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 130,475.06</u>	 <u>\$ -</u>	 <u>\$ 130,475.06</u>

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

BOROUGH OF SHARON HILL
 DELAWARE 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	\$ 214,132.05	\$ -	\$ 214,132.05
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	800.97	-	800.97
2c. Miscellaneous	-	-	-
3. Total receipts	<u>800.97</u>	<u>-</u>	<u>800.97</u>
4. Total funds available	<u>214,933.02</u>	<u>-</u>	<u>214,933.02</u>
5. Expenditures (Section 1)	<u>130,475.06</u>	<u>-</u>	<u>130,475.06</u>
6. Balance, December 31, 2012	<u><u>\$ 84,457.96</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 84,457.96</u></u>

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

BOROUGH OF SHARON HILL
 DELAWARE 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	\$ 43,107.26	\$ -	\$ 43,107.26
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	43,107.26	-	43,107.26
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>43,107.26</u>	<u>-</u>	<u>43,107.26</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 43,107.26</u>	<u>\$ -</u>	<u>\$ 43,107.26</u>

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

BOROUGH OF SHARON HILL
 DELAWARE 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	399.99	-	399.99
Agility projects	-	-	-
Cleaning streets and gutters	35,372.85	-	35,372.85
Winter maintenance services	5,354.43	-	5,354.43
Traffic control devices	13,083.64	-	13,083.64
Street lighting	32,622.55	-	32,622.55
Storm sewers and drains	10,267.22	(2,500.00)	7,767.22
Repairs of tools and machinery	11,520.50	-	11,520.50
Maintenance and repair of roads and bridges	508.50	-	508.50
Highway construction and rebuilding projects	74,173.30	-	74,173.30
Miscellaneous (Bank services charges)	20.00	-	20.00
 Total (To Section 2, Line 5)	 <u>\$ 183,322.98</u>	 <u>\$ (2,500.00)</u>	 <u>\$ 180,822.98</u>

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

BOROUGH OF SHARON HILL
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ 84,457.96	\$ -	\$ 84,457.96
Receipts:			
2. State allocation	91,926.29	89,902.38	181,828.67
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	118.55	-	118.55
2c. Miscellaneous (Grants from General Fund)	<u>163,997.60</u>	<u>(89,902.38)</u>	<u>74,095.22</u>
3. Total receipts	<u>256,042.44</u>	<u>-</u>	<u>256,042.44</u>
4. Total funds available	<u>340,500.40</u>	<u>-</u>	<u>340,500.40</u>
5. Expenditures (Section 1)	<u>183,322.98</u>	<u>(2,500.00)</u>	<u>180,822.98</u>
6. Balance, December 31, 2013	<u>\$ 157,177.42</u>	<u>\$ 2,500.00</u>	<u>\$ 159,677.42</u>

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

BOROUGH OF SHARON HILL
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 43,107.26	\$ -	\$ 43,107.26
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	18,385.26	17,980.47	36,365.73
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	61,492.52	17,980.47	79,472.99
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>61,492.52</u>	<u>17,980.47</u>	<u>79,472.99</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 61,492.52</u>	<u>\$ 17,980.47</u>	<u>\$ 79,472.99</u>

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

BOROUGH OF SHARON HILL
 DELAWARE 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 SHARON HILL
DELAWARE 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 SHARON HILL
DELAWARE 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 financial institutions. 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 SHARON HILL
DELAWARE 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	\$159,677.42
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$800.97 during 2012, and \$118.55 during 2013, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2012 - Section 1

Adjustments were made to "Cleaning streets and gutters" and "Storm sewers and drains" because expenditures of \$4,800.00 were misclassified.

Adjustments were made to "Maintenance and repair of roads and bridges" and "Highway construction and rebuilding projects" because expenditures of \$7,419.33 were misclassified.

2013 - Section 1

An adjustment of (\$2,500.00) was made to "Storm sewers and drains" because these expenditures were overstated.

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

4. Adjustments (Continued)

2013 - Section 2

Adjustments were made to “State allocation” and “Miscellaneous” because the 2011 Liquid Fuels Tax Fund allocation of \$89,902.38, which was deposited into the Liquid Fuels Tax Fund on March 1, 2013, was misclassified.

2013 - Section 3

An adjustment of \$17,980.47 was made to “Current year equipment allocation” because the state allocation from 2013 - Section 2, which is used to calculate this figure, was understated.

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

Finding No. 1 - Missing Laptop

Our examination disclosed that on April 9, 2012, the municipality expended \$939.99 from its Liquid Fuels Tax Fund to purchase a laptop for the borough manger to use for Liquid Fuels Tax Fund purposes. However, as of December 12, 2014, the date of our exit conference for this examination, the municipal officials could not locate the laptop. On February 3, 2014, the municipality filed an incident report with the Sharon Hill Police Department regarding the missing laptop. However, the Police Department was unable to determine whether the laptop was either lost or stolen.

Good internal controls require the municipality to ensure that all assets are properly secured. The municipality should establish internal controls to ensure that it is able to account for all assets.

The failure of the municipality to properly secure the laptop could result in the municipality having to reimburse \$939.99 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the borough reimburse \$939.99 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality establish internal controls to account for all assets.

Management's Response

The borough manager stated:

The findings were issues from the previous administration. The current administration is working diligently to clean up the findings, so that future audits will be reflective of our action.

Auditor's Conclusion

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

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

Finding No. 2 - Late Receipt Of Allocations And Allocations Deposited Into The General Fund - Recurring

We cited the municipality for receiving its Liquid Fuels Tax Fund allocations late and depositing them into the General Fund in our prior report for the period January 1, 2009 to December 31, 2011. However, our current examination disclosed that that the 2011, 2012 and 2013 Liquid Fuels Tax Fund allocations of \$89,902.38, \$93,423.85 and \$91,926.29, which should have been distributed from the Department of Transportation to the municipality during the first week of April of each year, were not received until January 6, 2012, May 1, 2012, and June 28, 2013, respectively.

Additionally, all three allocations were deposited into the General Fund, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law. The 2011 and 2013 allocations were transferred from the General Fund to the Liquid Fuels Tax Fund on March 1, 2013 and July 10, 2013, respectively. As of December 12, 2014, the exit conference date of this report, the 2012 allocation remained in the General Fund.

The allocations were received late because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4.

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.

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

Finding No. 2 - Late Receipt Of Allocations And Allocations Deposited Into The General Fund - Recurring (Continued)

The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

. . .each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

These conditions occurred because the municipality did not have sufficient internal controls to provide assurance of complying with the requirements in the Department of Transportation's *Publication 9* related to ensuring that the allocations are received during the first week in April and to ensure that all liquid fuels tax money was promptly deposited into the Liquid Fuels Tax Fund upon receipt.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law as noted above could result in the municipality having to reimburse \$93,423.85 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$93,423.85 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

Additionally, we recommend that, in the future, the municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in April as outlined above.

We further recommend that, in the future, the municipality establish and implement adequate internal controls to ensure that all liquid fuels tax money is promptly deposited into the Liquid Fuels Tax Fund upon receipt.

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

Finding No. 2 - Late Receipt Of Allocations And Allocations Deposited Into The General Fund - Recurring (Continued)

Management's Response

The borough manager stated:

The findings were issues from the previous administration. The current administration is working diligently to clean up the findings, so that future audits will be reflective of our action.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendations. During our next examination we will determine if the municipality complied with our recommendations.

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

Finding No. 3 - Failure To Timely Submit Final Completion Report

Our examination disclosed that the municipality expended \$81,592.63 for project No. 12-23-423-01CA. Final payment was made on this project on February 13, 2013 although a Final Completion Report Form MS-999 was not filed with the Department of Transportation as of the date of this report.

The Department of Transportation's *Publication 9* outlines the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.8, states, in relevant part:

9. Upon completion of the project, local officials shall complete Form MS-999, Project Completion Report, and submit this form to the Municipal Services Representatives...The MS-999 must reflect actual quantities used and the total cost of the project. It shall also indicate the distribution of costs to the approved funding sources for the project.

Because the municipality failed to file a Final Completion Report, we were unable to determine if the project was completed to the satisfaction of the Department of Transportation. Additionally, we were unable to determine if the municipality expended the approved amount of Liquid Fuels Tax Fund money on the project.

Recommendations

We recommend that the municipality reimburse \$81,592.63 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

Additionally, we recommend that the municipality submit a completed Form MS-999 to the Department of Transportation for the project.

We further recommend that, in the future, the municipality comply with the Department of Transportation's *Publication 9* by submitting a Final Completion Report Form MS-999 for completed projects in a timely manner.

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

Finding No. 3 - Failure To Timely Submit Final Completion Report (Continued)

Management's Response

The borough manager stated:

The findings were issues from the previous administration. The current administration is working diligently to clean up the findings, so that future audits will be reflective of our action.

Auditor's Conclusion

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

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

Finding No. 4 - Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the borough expended \$24,538.21 during 2012 from the Liquid Fuels Tax Fund for street lighting maintenance without advertising for bids.

The above expenditures were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$18,900.00 for 2013, \$19,100.00 for 2014, and \$19,400.00 for 2015. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

The failure to comply with *The Borough Code* and the Department of Transportation's *Publication 9* could result in the borough having to reimburse \$24,538.21 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the borough reimburse \$24,538.21 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the borough comply with *The Borough Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The borough manager stated:

The findings were issues from the previous administration. The current administration is working diligently to clean up the findings, so that future audits will be reflective of our action.

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

Finding No. 4 - Noncompliance With Advertising And Bidding Requirements (Continued)

Auditor's Conclusion

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

BOROUGH OF SHARON HILL
DELAWARE 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 \$2,690.90 to its Liquid Fuels Tax Fund for failing to maintain documentation to support expenditures.

During our current examination we reviewed a letter dated February 28, 2014, from the Department of Transportation informing the municipality to reimburse \$2,690.90 to its Liquid Fuels Tax Fund. As of December 12, 2014, the exit conference date of this examination, the municipality had not reimbursed this amount to its Liquid Fuels Tax Fund.

In our prior report we also recommended:

- That the municipality comply 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 ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.
- That the municipality deposit all allocations immediately upon receipt.
- That the municipality deposit all liquid fuels tax money into the Liquid Fuels Tax Fund.
- That the municipality comply with the Department of Transportation's *Publication 9* to ensure that its allocations are received during the first week in April.

During our current examination we noted that the municipality complied with our first three bulleted recommendations but did not comply with the fourth and fifth bulleted recommendations (see Finding No. 2).

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

An exit conference was held December 12, 2014. Those participating were:

BOROUGH OF SHARON HILL

Mr. Stephen Travers, Borough Manager

Mr. William T. Smith, Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. John C. Socket, Auditor

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

BOROUGH OF SHARON HILL
DELAWARE 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 Leslie Richards
Acting Secretary
Department of Transportation

Borough of Sharon Hill
Delaware County
250 Sharon Avenue
Sharon Hill, PA 19079

Mr. Stephen Travers

Borough Manager

Mr. William T. Smith

Treasurer

This report is a matter of public record and is available online at <http://www.PaAuditor.gov>.
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@PaAuditor.gov.