

# ATTESTATION ENGAGEMENT

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Borough of New Paris  
Bedford County, Pennsylvania  
05-407

Liquid Fuels Tax Fund  
For the Period  
January 1, 2011 to December 31, 2014

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August 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  
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 New Paris, Bedford County, for the period January 1, 2011 to December 31, 2014. 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.

Except as discussed in the fifth paragraph, 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 New Paris, Bedford County's Forms MS-965 for the period January 1, 2011 to December 31, 2014 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, poor internal controls over records resulted in missing funds of \$1,200.00. Additionally, as discussed in Finding No. 3, the municipality did not receive its 2014 Liquid Fuels Tax Fund allocation of \$3,033.01.

We were unable to examine the images of the back of the canceled checks from the township's financial institution because the township failed to obtain them from its financial institution. Consequently, we were unable to perform procedures to determine whether disbursements were made in accordance with applicable laws and regulations.

In our opinion, except for the effects of the missing \$1,200.00, the failure to receive the 2014 Liquid Fuels Tax Fund allocation, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine an image of the back of the canceled checks, 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 New Paris, Bedford County, for the period January 1, 2011 to December 31, 2014, 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.

Our consideration of 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

### Independent Auditor's Report (Continued)

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 certain deficiencies in internal control, described in the findings listed below, that we consider to be material weaknesses in internal control:

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks
- Poor Internal Control Over Records Resulting In Missing Funds Of \$1,200.00.

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

- 2014 Liquid Fuels Tax Fund Allocation Was Not Received - Recurring.
- Liquid Fuels Allocations Deposited Into The General Fund.

We are concerned that the municipality failed to correct our prior examination finding for late receipt of allocation. During our current examination the municipality did not obtain images of the back of canceled checks from its financial institution, had poor internal control over records resulting in missing funds of \$1,200.00, the 2014 Liquid Fuels Tax Fund allocation was not received, and Liquid Fuels Tax Fund allocations were deposited into the General Fund.

Independent Auditor's Report (Continued)

Good internal controls ensure that by having a municipal official review the front and back of the canceled checks, any errors or misappropriations can be detected on a timely basis. Without this control, the potential exists for errors or misappropriations to go undetected for long periods of time. Additionally, good internal control procedures require that adequate documentation be maintained to verify all municipal activity. Without such documentation, the possibility exists that errors and misappropriations could occur and remain undetected. Furthermore, because the borough failed to file documents and information timely as noted above, the borough did not have use of the allocation. Also, 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 New Paris, Bedford 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 New Paris, Bedford 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

June 4, 2015

## CONTENTS

	<u>Page</u>
Background .....	1
Financial Section:	
2011 Form MS-965 With Adjustments .....	2
2012 Form MS-965 With Adjustments .....	5
2013 Form MS-965 With Adjustments .....	8
2014 Form MS-965 With Adjustments .....	11
Notes To Forms MS-965 With Adjustments .....	14
Findings And Recommendations:	
Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks .....	18
Finding No. 2 - Poor Internal Control Over Records Resulting In Missing Funds Of \$1,200.00 .....	20
Finding No. 3 - 2014 Liquid Fuels Tax Fund Allocation Was Not Received - Recurring .....	22
Finding No. 4 - Liquid Fuels Allocations Deposited Into The General Fund .....	24
Summary Of Exit Conference .....	25
Report Distribution .....	26

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

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 NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2011 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	1,646.02	-	1,646.02
Storm sewers and drains	1,200.00	-	1,200.00
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 2,846.02</u>	 <u>\$ -</u>	 <u>\$ 2,846.02</u>

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



BOROUGH OF NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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, 2011	\$ 9,006.61	\$ -	\$ 9,006.61
Receipts:			
2. State allocation	3,205.68	-	3,205.68
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	56.02	-	56.02
2c. Miscellaneous	-	-	-
3. Total receipts	<u>3,261.70</u>	<u>-</u>	<u>3,261.70</u>
4. Total funds available	<u>12,268.31</u>	<u>-</u>	<u>12,268.31</u>
5. Expenditures (Section 1)	<u>2,846.02</u>	<u>-</u>	<u>2,846.02</u>
6. Balance, December 31, 2011	<u>\$ 9,422.29</u>	<u>\$ -</u>	<u>\$ 9,422.29</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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	\$ 3,672.42	\$ -	\$ 3,672.42
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	641.14	-	641.14
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	4,313.56	-	4,313.56
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>4,313.56</u>	<u>-</u>	<u>4,313.56</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 4,313.56</u>	<u>\$ -</u>	<u>\$ 4,313.56</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD 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	268.47	(268.47)	-
Traffic control devices	102.09	-	102.09
Street lighting	1,728.52	-	1,728.52
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	268.47	268.47
Highway construction and rebuilding projects	645.40	-	645.40
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 2,744.48</u>	<u>\$ -</u>	<u>\$ 2,744.48</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD 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	\$ 9,422.29	\$ -	\$ 9,422.29
Receipts:			
2. State allocation	2,859.22	-	2,859.22
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	62.43	-	62.43
2c. Miscellaneous	-	-	-
3. Total receipts	<u>2,921.65</u>	<u>-</u>	<u>2,921.65</u>
4. Total funds available	<u>12,343.94</u>	<u>-</u>	<u>12,343.94</u>
5. Expenditures (Section 1)	<u>2,744.48</u>	<u>-</u>	<u>2,744.48</u>
6. Balance, December 31, 2012	<u><u>\$ 9,599.46</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,599.46</u></u>

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

BOROUGH OF NEW PARIS  
 BEDFORD 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	\$ 4,313.56	\$ -	\$ 4,313.56
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	571.84	-	571.84
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	4,885.40	-	4,885.40
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>4,885.40</u>	<u>-</u>	<u>4,885.40</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 4,885.40</u>	<u>\$ -</u>	<u>\$ 4,885.40</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2013 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	1,773.83	-	1,773.83
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 1,773.83</u>	 <u>\$ -</u>	 <u>\$ 1,773.83</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD 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	\$ 9,599.46	\$ -	\$ 9,599.46
Receipts:			
2. State allocation	2,813.57	-	2,813.57
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	50.58	-	50.58
2c. Miscellaneous	-	-	-
3. Total receipts	<u>2,864.15</u>	<u>-</u>	<u>2,864.15</u>
4. Total funds available	<u>12,463.61</u>	<u>-</u>	<u>12,463.61</u>
5. Expenditures (Section 1)	<u>1,773.83</u>	<u>-</u>	<u>1,773.83</u>
6. Balance, December 31, 2013	<u><u>\$ 10,689.78</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,689.78</u></u>

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

BOROUGH OF NEW PARIS  
 BEDFORD 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	\$ 4,885.40	\$ -	\$ 4,885.40
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	562.71	-	562.71
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	5,448.11	-	5,448.11
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>5,448.11</u>	<u>-</u>	<u>5,448.11</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 5,448.11</u>	<u>\$ -</u>	<u>\$ 5,448.11</u>

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



BOROUGH OF NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2014 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	-	-	-
Traffic control devices	-	-	-
Street lighting	1,305.20	-	1,305.20
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Bank service charges)	6.00	9.11	15.11
 Total (To Section 2, Line 5)	 <u>\$ 1,311.20</u>	 <u>\$ 9.11</u>	 <u>\$ 1,320.31</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2014 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, 2014	\$ 10,689.78	\$ -	\$ 10,689.78
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	41.58	-	41.58
2c. Miscellaneous	-	-	-
3. Total receipts	<u>41.58</u>	<u>-</u>	<u>41.58</u>
4. Total funds available	<u>10,731.36</u>	<u>-</u>	<u>10,731.36</u>
5. Expenditures (Section 1)	<u>1,311.20</u>	<u>9.11</u>	<u>1,320.31</u>
6. Balance, December 31, 2014	<u>\$ 9,420.16</u>	<u>\$ (9.11)</u>	<u>\$ 9,411.05</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 2014 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	\$ 5,448.11	\$ -	\$ 5,448.11
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	5,448.11	-	5,448.11
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>5,448.11</u>	<u>-</u>	<u>5,448.11</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 5,448.11</u>	<u>\$ -</u>	<u>\$ 5,448.11</u>

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

BOROUGH OF NEW PARIS  
 BEDFORD COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2011 TO DECEMBER 31, 2014

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 NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

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 NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

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 NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2014. 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, 2014 consists of the following:

Cash	\$9,411.05
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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 \$56.02 during 2011, \$62.43 during 2012, \$50.58 during 2013, and \$41.58 during 2014, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2012 - Section 1

Adjustments were made to "Winter maintenance services" and "Maintenance and repairs of roads and bridges" because expenditures of \$268.47 were misclassified.

2014 - Section 1

An adjustment of \$9.11 was made to "Miscellaneous" because bank service charges were understated.

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include  
The Back Of The Checks**

Our examination disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account for 2012 was not acceptable because the bank provided only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and back of the canceled checks. Because the test of disbursements was limited, we had to qualify our opinion as stated in the Independent Auditor's Report.

Good internal controls and the Commonwealth of Pennsylvania Management Directive 210.11, dated June 16, 1997, require that imaging systems comply with the provisions of the Internal Revenue Service (IRS) procedures for record keeping with electronic imaging. To be acceptable, the documents provided by the system must meet IRS procedures governing size, content, format, and pattern. Those procedures require that all images produced by the imaging system exhibit a high degree of legibility and readability when displayed on paper. Legibility includes the ability to identify all letters and numerals positively and quickly. Readability includes the ability to recognize a group of letters or numerals as words or completed numbers. Imaged documents must include the front and back of a document in which both the front and back are used.

Further, good internal controls ensure that by having a municipal official review the front and back of the canceled checks, any errors or misappropriations can be detected on a timely basis.

Without this control, the potential exists for errors or misappropriations to go undetected for long periods of time.

No checks were written during 2013 and 2014. All expenditures were paid via ACH transfers during those years.

**Recommendations**

We recommend that the municipal officials obtain images of the front and back of canceled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each canceled check for any errors or misappropriations.



BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include  
The Back Of The Checks (Continued)**

Management's Response

The municipal officials stated:

I have no idea about the findings. I became Secretary in March of 2015. It was before I was appointed.

Auditor's Conclusion

The municipal officials should obtain images of both the front and back of canceled checks in accordance with Directive 210.11. During our next examination we will determine if the municipality complied with our recommendations.

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 2 – Poor Internal Control Over Records Resulting In  
Missing Funds Of \$1,200.00**

Our examination disclosed that the borough's records were not adequately maintained. Because of the poor record keeping the borough could not provide records of minutes of borough council meetings for February 2012, June 2012, November 2012, December 2013, February 2014, and December 2014, and bank statements for May 2014 and June 2014.

Additionally, on January 7, 2011, the borough issued a check for \$1,200.00 payable to New Paris Borough from the Liquid Fuels Tax Fund account. The check was signed by two borough council members. The check cleared the Liquid Fuels Tax Fund on January 7, 2011 and the former Secretary/Treasurer's endorsement appeared on the back of the check. It could not be determined if the former Secretary/treasurer cashed the check. However, the funds were not deposited into the General Fund during January 2011 and it could not be determined if the funds were deposited to another borough account. Furthermore, there were no invoices or payroll records to support the transfer to the General Fund or any other funds.

It was also noted that the former Secretary/Treasurer was accused of misusing public tax funds and making unlawful transactions and will face further action. She was charged with theft by unlawful taking of movable property.

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 minutes, we were unable to determine if there were any references to road projects or other information regarding expenditures from the Liquid Fuels Tax Fund.

Additionally, good internal control procedures require that adequate documentation be maintained to verify all municipal activity. Without such documentation, the possibility exists that errors and misappropriations could occur and remain undetected.

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 2 – Poor Internal Control Over Records Resulting In  
Missing Funds Of \$1,200.00 (Continued)**

Recommendation

We recommend that the borough reimburse \$1,200.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipal officials review and improve internal controls over their records.

We also recommend that a municipal official who is not a check signer review the front and back of canceled checks and reconcile the bank statements to reduce the risk of error or misappropriations occurring and remaining undetected.

Management's Response

The municipal officials stated:

I have no idea about the findings. I became Secretary in March of 2015. It was before I was appointed.

Auditor's Conclusion

The municipal officials should review and improve their internal controls over their records. During our next examination we will determine if the municipality complied with our recommendation.

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 3 – 2014 Liquid Fuels Tax Fund Allocation Was Not Received - Recurring**

We cited the municipality for receiving its Liquid Fuels Tax Fund Allocation late in our prior report for the period January 1, 2009 to December 31, 2010. Our current examination disclosed that the 2014 Liquid Fuels Tax Fund allocation of \$3,033.01, which should have been distributed the first week of March of that year, was not received because the borough failed to comply with Department of Transportation Regulation 449.12 which requires the timely filing of particular documents and information, among them:

- Evidence that its treasurer is bonded in accordance with the law or that its treasurer is a bank requiring no bond.
- A report indicating the manner in which it is Liquid Fuels Tax Fund was expended in the preceding year.
- Survey of financial condition.
- Roster of municipal officials.

Because the borough failed to file documents and information timely as noted above, the borough did not have use of the allocation. Furthermore, had the allocation been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

This condition occurred because the municipality failed to comply with our prior examination recommendation to comply with the Department of Transportation Regulation 449.12.

**Recommendation**

We again recommend that, in the future, the municipality comply with Department of Transportation Regulation 449.12 as outlined above.

**Management's Response**

The municipal officials stated:

I have no idea about the findings. I became Secretary in March of 2015. It was before I was appointed.

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 3 – 2014 Liquid Fuels Tax Fund Allocation Was Not Received - Recurring**  
**(Continued)**

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendation. The borough should comply with Department of Transportation Regulation 449.12 as outlined in this finding. During our next examination we will determine if the municipality complied with our recommendation.

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

**Finding No. 4 - Liquid Fuels Allocations Deposited Into The General Fund**

Our examination disclosed that the municipality's 2011, 2012, and 2013 Liquid Fuels allocations were electronically deposited into the General Fund on April 29, 2011, March 30, 2012, and April 1, 2013, respectively. Additionally, the allocations of \$3,205.68 for 2011, \$2,859.22 for 2012, and \$2,813.57 for 2013, were not transferred to the Liquid Fuels Tax Fund until June 7, 2011, May 10, 2012, and April 4, 2013, respectively. Depositing Liquid Fuels Tax Fund monies into other funds is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law.

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.

Recommendation

The municipality should deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.

Management's Response

The municipal officials stated:

I have no idea about the findings. I became Secretary in March of 2015. It was before I was appointed.

Auditor's Conclusion

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

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

An exit conference was held May 4, 2015. Those participating were:

BOROUGH OF NEW PARIS

Ms. Christa Morton, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Michele A. Garman, CFE, Audit Supervisor

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

BOROUGH OF NEW PARIS  
BEDFORD COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2011 TO DECEMBER 31, 2014

This report was initially distributed to:

The Honorable Leslie Richards  
Secretary  
Department of Transportation

Borough of New Paris  
Bedford County  
3925 Cortland Drive  
P.O. Box 408  
New Paris, PA 15554

The Honorable Ronald Bollman

President of Council

Ms. Christa Morton

Secretary/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](mailto:news@PaAuditor.gov).