

ATTESTATION ENGAGEMENT

Fayette County

Pennsylvania

26-000

Liquid Fuels Tax Fund

And Act 44 Tax Fund

For the Period

January 1, 2013 to December 31, 2013

August 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DEPASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Leslie Richards
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Form MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Report of Act 44 Tax Fund With Adjustments of Fayette County for the period January 1, 2013 to December 31, 2013. The county's management is responsible for the Form MS-991 and the Report of Act 44 Tax Fund. Our responsibility is to express an opinion on the Form MS-991 With Adjustments and the Report of Act 44 Tax Fund With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting Fayette County's Form MS-991 and Report of Act 44 Tax Fund for the period January 1, 2013 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 county's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Form MS-991 With Adjustments and the Report of Act 44 Tax Fund 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 Examinations' Recommendations sections of this report:

- The county transferred \$4,266.00 from its Liquid Fuels Tax Fund to its General Fund on January 18, 2013 for retroactive expenditures (see Finding No. 2).
- In the 2008 and 2009 examination period the county expended \$11,692.75 for expenditures in excess of the 10 percent limit on administrative/indirect costs and \$2,202.28 for nonpermissible expenditures. As of the exit conference date of this examination of January 27, 2015, these amounts had not been reimbursed to the Liquid Fuels Tax Fund (see Summary of 2008-2009 Examination Recommendations).
- In the 2010-2012 examination period the county deposited Act 44 Tax Fund allocations of \$128,842.70 into its Liquid Fuels Tax Fund. As of the date of the exit conference of this examination of January 27, 2015, this amount had not been reimbursed to the Act 44 Tax Fund (see Summary of 2010-2012 Examination Recommendations).
- In the 2010-2012 examination period the county expended \$24,557.76 for nonpermissible expenditures and \$9,414.48 in excess of the 10 percent limit for indirect/administrative costs from its Liquid Fuels Tax Fund. As of the exit conference date of this examination of January 27, 2015, these amounts had not been reimbursed to the Liquid Fuels Tax Fund (see Summary of 2010-2012 Examination Recommendations).

In our opinion, except for the matters discussed in the preceding paragraph, the Form MS-991 With Adjustments and the Report of Act 44 Tax Fund With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund and Act 44 Tax Fund of Fayette County for the period January 1, 2013 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 Form MS-991 and the Report of Act 44 Tax Fund; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Form MS-991 and the Report of Act 44 Tax Fund. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Form MS-991 and the Report of Act 44 Tax Fund are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Form MS-991 and the Report of Act 44 Tax Fund or on compliance and other matters; accordingly, we express no such opinions.

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-991 and the Report of Act 44 Tax Fund will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency below to be a material weakness:

- Failure To Properly Prepare Form MS-991 And Report Of Act 44 Tax Fund - Recurring.

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

- Retroactive Expenditures.

We are concerned that the county failed to comply with our previously reported finding for failure to properly prepare Forms MS-991. During our current examination period, the county failed to properly prepare Form MS-991 and Report of Act 44 Tax Fund and made retroactive expenditures. The failure to properly prepare Form MS-991 and Report of Act 44 Tax Fund increases the risk that errors or misappropriations may occur and remain undetected. Additionally, the failure to comply with the Department of Transportation's *Publication 9* could result in the county having to reimburse \$4,266.00 to its Liquid Fuels Tax Fund. The county 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 Fayette 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 Fayette 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

July 29, 2015

CONTENTS

	<u>Page</u>
Background	1
Financial Section:	
2013 Form MS-991 With Adjustments	2
2013 Report Of Act 44 Tax Fund With Adjustments.....	3
Notes To Forms MS-991 And Reports Of Act 44 Tax Fund With Adjustments	4
Findings And Recommendations:	
Finding No. 1 - Failure To Properly Prepare Form MS-991 And Report Of Act 44 Tax Fund - Recurring.....	11
Finding No. 2 - Retroactive Expenditures	14
Summary Of Prior Examinations' Recommendations.....	16
Summary Of Exit Conference.....	18
Report Distribution	19

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Background

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

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

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

FAYETTE COUNTY
LIQUID FUELS TAX FUND
2013 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2013	\$ 373,461.82	\$ -	\$ 373,461.82
<u>Receipts:</u>			
State allocations	526,663.46	-	526,663.46
Interest (Note 3)	1,456.93	-	1,456.93
Reimbursable agreements (Note 4)	8,978.59	781,087.13	790,065.72
Miscellaneous (Note 5)	7,073.76	2,483.84	9,557.60
Total receipts	<u>544,172.74</u>	<u>783,570.97</u>	<u>1,327,743.71</u>
Total funds available	<u>917,634.56</u>	<u>783,570.97</u>	<u>1,701,205.53</u>
<u>Expenditures:</u>			
Construction	-	781,087.13	781,087.13
Maintenance and repair	517,842.25	28,303.58	546,145.83
Administrative	51,971.23	750.37	52,721.60
Grants to political subdivisions	-	3,500.00	3,500.00
Miscellaneous (Note 6)	34,250.37	(34,191.99)	58.38
Total expenditures	<u>604,063.85</u>	<u>779,449.09</u>	<u>1,383,512.94</u>
Balance, December 31, 2013	313,570.71	4,121.88	317,692.59
Unpaid encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered balance, December 31, 2013	<u>\$ 313,570.71</u>	<u>\$ 4,121.88</u>	<u>\$ 317,692.59</u>

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

FAYETTE COUNTY
LIQUID FUELS TAX FUND
2013 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2013	\$ 69,764.22	\$ -	\$ 69,764.22
<u>Receipts:</u>			
Act 44 Funds	823,907.19	(781,087.13)	42,820.06
Interest (Note 3)	431.28	-	431.28
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts (Note 5)	-	526,721.84	526,721.84
Total receipts	<u>824,338.47</u>	<u>(254,365.29)</u>	<u>569,973.18</u>
Total funds available	<u>894,102.69</u>	<u>(254,365.29)</u>	<u>639,737.40</u>
<u>Expenditures:</u>			
Construction	781,087.13	(781,087.13)	-
Maintenance and repair	11,233.27	(1,605.41)	9,627.86
Miscellaneous (Note 6)	-	526,663.46	526,663.46
Total expenditures	<u>792,320.40</u>	<u>(256,029.08)</u>	<u>536,291.32</u>
Balance, December 31, 2013	<u><u>\$ 101,782.29</u></u>	<u><u>\$ 1,663.79</u></u>	<u><u>\$ 103,446.08</u></u>

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

FAYETTE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

1. Criteria

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

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

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

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

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

FAYETTE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

1. Criteria (continued)

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

FAYETTE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

1. Criteria (continued)

Basis Of Presentation

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

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

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

Refer to the related Notes: Note 3, Interest Earnings; Note 4, Reimbursable Agreements; and Note 5, Miscellaneous Receipts.

- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.

Refer to related Note: Note 6, Miscellaneous Expenditures.

- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end).
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

FAYETTE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

2. Deposits

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

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

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

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

Fund Balance

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

Cash	\$317,692.59
------	--------------

The fund balance for the Act 44 Tax Fund consists of the following:

Cash	\$103,446.08
------	--------------

FAYETTE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in an interest-bearing account which earned \$1,456.93 during 2013, thus providing additional funds for road maintenance and repairs.

Additionally, the county deposited idle Act 44 tax money in an interest-bearing account which earned \$431.28 during 2013, thus providing additional funds for road maintenance and repairs.

4. Reimbursable Agreements

During our examination, we noted that the county entered into reimbursable agreements with the Department of Transportation for bridge construction and inspections. During our current examination period, the county received \$790,065.72 as a result of these agreements and deposited the money into the Liquid Fuels Tax Fund. As of December 31, 2013, \$17,673.85 was due the Liquid Fuels Tax Fund.

5. Miscellaneous Receipts

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

<u>Source</u>	<u>Description</u>	<u>Amount</u>
FCBHA	Snow removal	\$3,275.00
General Fund	Snow removal	2,073.76
CYS	Snow removal	1,725.00
Act 44 Tax Fund	Reimbursement for bridge repairs	<u>2,483.84</u>
Total		<u><u>\$9,557.60</u></u>

FAYETTE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

5. Miscellaneous Receipts (Continued)

The following miscellaneous receipts were deposited into the Act 44 Tax Fund during the examination period:

<u>Source</u>	<u>Description</u>	<u>Amount</u>
Commonwealth of Pennsylvania	Deposit in error (Note 7)	\$253,950.44
Commonwealth of Pennsylvania	Deposit in error (Note 7)	272,713.02
Liquid Fuels Tax Fund	Interest earnings owed	<u>58.38</u>
Total		<u>\$526,721.84</u>

6. Miscellaneous Expenditures

On October 25, 2013, the county transferred \$58.38 from the Liquid Fuels Tax Fund to the Act 44 Tax Fund for interest earnings owed.

The following miscellaneous expenditures were paid from the Act 44 Tax Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>Amount</u>
Commonwealth of Pennsylvania	Correction of deposit in error (Note 7)	\$253,950.44
Commonwealth of Pennsylvania	Correction of deposit in error (Note 7)	272,713.02
Liquid Fuels Tax Fund	Reimbursement for bridge repairs	<u>2,483.84</u>
Total		<u>\$529,147.30</u>

FAYETTE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORM MS-991 AND
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

7. Deposits In Error

On June 3, 2013 and December 2, 2013, the Commonwealth of Pennsylvania deposited the county's Liquid Fuels Tax Fund allocations of \$253,950.44 and \$272,713.02, respectively, into the Act 44 Tax Fund in error. On June 9, 2013 and December 4, 2013, the county transferred \$253,950.44 and \$272,713.02, respectively, from the Act 44 Tax Fund to its Liquid Fuels Tax Fund to correct the deposits in error.

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Finding No. 1 - Failure To Properly Prepare Form MS-991 And Report Of Act 44 Tax Fund - Recurring

We cited the county for failure to properly prepare Forms MS-991 in our prior report for the period January 1, 2010 to December 31, 2012. Our current examination disclosed that there were numerous errors made in the preparation of the county's 2013 Form MS-991 and Report of Act 44 Tax Fund. These errors resulted in the following adjustments:

2013 Form MS-991

- An adjustment of \$781,087.13 was made to "Reimbursable agreements" because bridge construction and inspection reimbursements received on various dates were incorrectly reported on the Report of Act 44 Tax Fund.
- An adjustment of \$2,483.84 was made to "Miscellaneous" because these receipts were understated.
- An adjustment of \$781,087.13 was made to "Construction" because these expenditures were incorrectly reported on the Report of Act 44 Tax Fund.
- An adjustment of \$28,303.58 was made to "Maintenance and repair" because expenditures of \$781.27 were reported but were not expended, check Nos. 11670 for \$122.42 and 11815 for \$5,663.25 were voided but included as expenditures, expenditures of \$1,605.41 were incorrectly reported on the Report of Act 44 Tax Fund, expenditures of \$30,000.00 were misclassified as miscellaneous, and expenditures of \$3,265.11 were not reported.
- An adjustment of \$750.37 was made to "Administrative" because these expenditures were misclassified as miscellaneous.
- An adjustment of \$3,500.00 was made to "Grants to political subdivisions" because these expenditures were misclassified as miscellaneous.
- An adjustment of \$(34,191.99) was made to "Miscellaneous" because maintenance and repair expenditures of \$30,000.00 were misclassified, administrative expenditures of \$750.37 were misclassified, grants to political subdivision of \$3,500.00 were misclassified as miscellaneous, and an expenditure of \$58.38 was not reported.

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Finding No. 1 - Failure To Properly Prepare Form MS-991 And Report Of Act 44 Tax Fund - Recurring (Continued)

2013 Report of Act 44 Tax Fund

- An adjustment of \$(781,087.13) was made to “Act 44 Tax Funds” because bridge construction and inspection reimbursements deposited into the Liquid Fuels Tax Fund were incorrectly reported as Act 44 allocations.
- An adjustment of \$526,721.84 was made to “Miscellaneous Receipts” because Liquid Fuels Tax Fund allocations of \$253,950.44 and \$272,713.02 were deposited in error but were not reported and a receipt of \$58.38 was not reported.
- An adjustment of \$(781,087.13) was made to “Construction” because bridge construction and inspection invoices expended from the Liquid Fuels Tax Fund were incorrectly reported on the Report of Act 44 Tax Fund.
- An adjustment of \$1,605.41 was made to “Maintenance and repair” because expenditures from the Liquid Fuels Tax Fund were incorrectly reported on the Report of Act 44 Tax Fund.
- An adjustment of \$526,663.46 was made to “Miscellaneous” because the correction of deposits in error were not reported.

Good internal controls ensure that the county completes its Form MS-991 and Report of Act 44 Tax Fund accurately and completely. The failure to properly complete Form MS-991 and Report of Act 44 Tax Fund increases the risk that errors or misappropriations may occur and remain undetected.

This condition occurred because the county failed to comply with our prior examination recommendation to ensure that its Form MS-991 and Report of Act 44 Tax Fund are complete and accurate.

Recommendation

We again recommend that the county ensure that its Form MS-991 and Report of Act 44 Tax Fund are complete and accurate.

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Finding No. 1 - Failure To Properly Prepare Form MS-991 And Report Of Act 44 Tax Fund - Recurring (Continued)

Management's Response

The acting controller stated:

Due to a change in Controller and staff personnel, as well as new computer software, and also due to waiting on previously audited figures, the report was unfortunately postponed. With a small limited staff we will work harder to submit the report in a more timely fashion.

Auditor's Conclusion

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

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Finding No. 2 - Retroactive Expenditures

Our examination disclosed that the county transferred \$4,266.00 from its Liquid Fuels Tax Fund to its General Fund on January 18, 2013. The transfer was made to partially reimburse the liquid fuels portion of payroll expenses to the General Fund paid on April 2, 2012, which is a retroactive expenditure.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter One, Section 1.6.6.3, states, in relevant part:

Unacceptable Expenditures

10. Retroactive expenditures.

Because these expenditures were paid on April 2, 2012 from the General Fund and were not reimbursed by the Liquid Fuels Tax Fund until January 18, 2013, the expenditures incurred were not paid in a reasonable period of time. Therefore, the county did not comply with the Department of Transportation's *Publication 9*.

The failure to follow the Department of Transportation's *Publication 9* could result in the county having to reimburse \$4,266.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the county reimburse \$4,266.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The acting controller stated:

We were not aware that expenditures could not be paid after 90 days. The Controller's office along with the Bridge Department will be sure to be more diligent of invoice dates. We also intend to have a future meeting with PennDOT to discuss these findings to help us to be in more compliance.

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Finding No. 2 - Retroactive Expenditures

Auditor's Conclusion

Expenditures paid from the General Fund should not be reimbursed with Liquid Fuels Tax Fund money in subsequent years. During our next examination we will determine if the county complied with our recommendations.

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Summary Of 2008-2009 Examination Recommendations

In our 2008-2009 report, we recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$13,895.03 to its Liquid Fuels Tax Fund. This amount consists of \$2,202.28 for nonpermissible expenditures and \$11,692.75 for expenditures in excess of the 10 percent limit on indirect/administrative costs.

During our 2010-2012 examination we reviewed a letter dated November 29, 2013, from the Department of Transportation informing the county to reimburse \$13,895.03 to its Liquid Fuels Tax Fund. As of the exit conference date of this examination of January 27, 2015, \$13,895.03 had not been reimbursed to the Liquid Fuels Tax Fund.

Summary Of 2010-2012 Examination Recommendations

In our 2010-2012 report we recommended that the Department of Transportation review our examination findings to determine if the county should reimburse \$128,842.70 to its Act 44 Tax Fund because Act 44 Tax Fund allocations were deposited into the Liquid Fuels Tax Fund.

During our current examination we reviewed a letter dated August 18, 2014, from the Department of Transportation informing the county to reimburse \$128,842.70 to its Act 44 Tax Fund. As of the exit conference date of this examination January 27, 2015, \$128,842.70 had not been reimbursed to the Act 44 Tax Fund.

In our 2010-2012 report we also recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$33,972.24 to its Liquid Fuels Tax Fund. This amount consists of \$24,557.76 for nonpermissible expenditures and \$9,414.48 for expenditures in excess of the 10 percent limit on indirect/administrative costs.

During our 2013 examination we reviewed a letter dated August 18, 2014, from the Department of Transportation informing the county to reimburse \$33,972.24 to its Liquid Fuels Tax Fund. As of the exit conference date of this examination of January 27, 2015, \$33,972.24 had not been reimbursed to the Liquid Fuels Tax Fund.

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

Summary Of 2010-2012 Examination Recommendations (Continued)

In our 2010-2012 report we also recommended:

- That the county deposit all Act 44 tax money promptly into the Act 44 Tax Fund.
- That the county comply with the Liquid Fuels and Fuels Tax Act and the Department of Transportation's Regulations regarding permissible expenditures.
- That the county limit all indirect/administrative costs charged to the Liquid Fuels Tax Fund to the 10 percent maximum permitted by the Liquid Fuels and the Liquid Fuels Tax Act.
- That the county ensure that its Report of Act 44 Tax Fund is filed by January 31 each year.
- That the county ensure that its Forms MS-991 are complete and accurate.

During our current examination we noted that the county complied with our first four bulleted recommendations but did not comply with our fifth bulleted recommendation (see Finding No. 1).

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

An exit conference was held January 27, 2015. Those participating were:

FAYETTE COUNTY

Ms. Jeanine B. Wrona, Acting Controller
Mrs. Stacey Kreinbrook, Auditing and Accounting Manager
Mr. Eric Blanda, Acting Chief Deputy Controller
Ms. Carol Guman, Account Clerk III

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Brian Delaney, Auditor

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

FAYETTE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Fayette County
61 East Main Street
Uniontown, PA 15401

The Honorable Vincent Zaptosky	Chairman of the Board of Commissioners
The Honorable Nancy Wilson	Treasurer
Ms. Jeanine B. Wrona	Acting Controller
Mrs. Stacey Kreinbrook	Auditing and Accounting Manager

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.