

# ATTESTATION ENGAGEMENT

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Adams County  
Pennsylvania

01-000

Liquid Fuels Tax Fund  
And Act 44 Tax Fund

For the Period

January 1, 2013 to December 31, 2014

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January 2016



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-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 Tax Fund With Adjustments of Adams County for the period January 1, 2013 to December 31, 2014. The county's management is responsible for the Forms MS-991 and the Reports of Act 44 Tax Fund. Our responsibility is to express an opinion on the Forms MS-991 With Adjustments and the Reports 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 Adams County's Forms MS-991 and Reports of Act 44 Tax Fund for the period January 1, 2013 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 county's Liquid Fuels Tax Fund and Act 44 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 Finding No. 1, the adjustments included on the Forms MS-991 With Adjustments and the Reports 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 Examination Recommendations sections of this report:

- The county expended \$200,953.66 during 2014 for a bridge maintenance project which includes repairs to the concrete and stone masonry substructure, repairs to deck joints, repairs to the steel superstructure, repairs to the concrete superstructure, repairs to the bridge barrier, replacement of deck wearing surface, and installing new guide rail without obtaining the approval of the Department of Transportation (Finding No. 2).
- The county paid retroactive expenditures of \$120,860.35 from its Act 44 Tax Fund and \$47,295.87 from its Liquid Fuels Fund during the examination period (Finding No. 3).
- The county deposited reimbursements of \$62,789.94 into the Liquid Fuels Tax Fund during 2013 that were received from the Commonwealth of Pennsylvania for bridge construction invoices that were paid from the Act 44 Tax Fund. Additionally, the county deposited reimbursements \$32,466.17 into the Act 44 Tax Fund during 2014 that were received from the Commonwealth of Pennsylvania for bridge construction invoices that were paid from the Liquid Fuels Tax Fund. On July 1, 2014 the county transferred \$33,574.69 from its Act 44 Tax Fund to its Liquid Fuels Tax Fund, which was \$1,108.52 more than the 2014 deposits (Finding No. 4).
- During the 2011-2012 examination period the county expended \$316,613.87 from its Liquid Fuels Tax Fund and \$65,941.25 from its Act 44 Tax Fund for projects for which they failed to submit project completion reports. In addition, we recommended that the county should reimburse \$35,284.37 from its Liquid Fuels Tax Fund to its Act 44 Tax Fund for depositing reimbursements into the incorrect fund. As of the date of this report, the county had not reimbursed these amounts to its Liquid Fuels Tax Fund and Act 44 Tax Fund (Summary Of 2011-2012 Examination Recommendations).

In our opinion, except for the matters discussed in the preceding paragraphs, the Forms MS-991 With Adjustments and the Reports 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 Adams County for the period January 1, 2013 to December 31, 2014, 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-991 and the Reports 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 Forms MS-991 and the Reports 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 Forms MS-991 and the Reports 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 Forms MS-991 and the Reports of Act 44 Tax Fund 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-991 and the Reports of Act 44 Tax Fund 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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-991 and the Reports 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 Forms MS-991 And Reports Of Act 44 Tax Fund.

As part of obtaining reasonable assurance about whether the Forms MS-991 and the Reports of Act 44 Tax Fund are free from material misstatement, we performed tests of Adams 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-991 and the Reports 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Failure To Obtain Project Approval.

Independent Auditor's Report (Continued)

- Retroactive Expenditures.
  
- Act 44 Money Deposited Into The Liquid Fuels Tax Fund/Liquid Fuels Money Deposited Into The Act 44 Tax Fund - Recurring.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of Adams 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 Adams 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

September 14, 2015

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ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

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.

ADAMS 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	\$ 100,566.48	\$ -	\$ 100,566.48
<u>Receipts:</u>			
State allocations	180,719.50	-	180,719.50
Interest (Note 3)	155.18	-	155.18
Reimbursable agreements (Note 4)	374,134.19	-	374,134.19
Miscellaneous (Summary of 2010 Examination Recommendation)	-	9,965.00	9,965.00
Total receipts	<u>555,008.87</u>	<u>9,965.00</u>	<u>564,973.87</u>
Total funds available	<u>655,575.35</u>	<u>9,965.00</u>	<u>665,540.35</u>
<u>Expenditures:</u>			
Construction	-	315,643.48	315,643.48
Maintenance and repair	438,788.49	(337,234.81)	101,553.68
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous (Note 6)	-	87,300.66	87,300.66
Total expenditures	<u>438,788.49</u>	<u>65,709.33</u>	<u>504,497.82</u>
Balance, December 31, 2013	216,786.86	(55,744.33)	161,042.53
Unpaid encumbrances	-	-	-
Unencumbered balance, December 31, 2013	<u>\$ 216,786.86</u>	<u>\$ (55,744.33)</u>	<u>\$ 161,042.53</u>

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



ADAMS COUNTY  
LIQUID FUELS TAX FUND  
2014 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2014	\$ 216,786.86	\$ (55,744.33)	\$ 161,042.53
<u>Receipts:</u>			
State allocations	175,240.21	-	175,240.21
Interest (Note 3)	190.96	-	190.96
Reimbursable agreements (Note 4)	241,735.30	-	241,735.30
Miscellaneous (Note 5)	96,211.66	232,208.33	328,419.99
Total receipts	<u>513,378.13</u>	<u>232,208.33</u>	<u>745,586.46</u>
Total funds available	<u>730,164.99</u>	<u>176,464.00</u>	<u>906,628.99</u>
<u>Expenditures:</u>			
Construction	-	456,235.76	456,235.76
Maintenance and repair	469,159.08	(424,939.89)	44,219.19
Administrative	-	19,750.00	19,750.00
Grants to political subdivisions	-	-	-
Miscellaneous (Note 6)	-	111,347.98	111,347.98
Total expenditures	<u>469,159.08</u>	<u>162,393.85</u>	<u>631,552.93</u>
Balance, December 31, 2014	261,005.91	14,070.15	275,076.06
Unpaid encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered balance, December 31, 2014	<u>\$ 261,005.91</u>	<u>\$ 14,070.15</u>	<u>\$ 275,076.06</u>

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

ADAMS 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	\$ 83,263.14	\$ -	\$ 83,263.14
<u>Receipts:</u>			
Act 44 Funds	56,006.13	-	56,006.13
Interest (Note 3)	84.86	-	84.86
Reimbursable agreements	-	-	-
Miscellaneous (Refund of bank service charges)	-	15.00	15.00
Total receipts	<u>56,090.99</u>	<u>15.00</u>	<u>56,105.99</u>
Total funds available	<u>139,354.13</u>	<u>15.00</u>	<u>139,369.13</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	121,460.58	(121,460.58)	-
Miscellaneous (Bank service charges)	-	15.00	15.00
Total expenditures	<u>121,460.58</u>	<u>(121,445.58)</u>	<u>15.00</u>
Balance, December 31, 2013	<u>\$ 17,893.55</u>	<u>\$ 121,460.58</u>	<u>\$ 139,354.13</u>

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
2014 REPORT OF ACT 44 TAX FUND  
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2014	\$ 17,893.55	\$ 121,460.58	\$ 139,354.13
<u>Receipts:</u>			
Act 44 Funds	56,033.04	-	56,033.04
Interest (Note 3)	122.01	-	122.01
Reimbursable agreements (Note 4)	104,799.31	-	104,799.31
Miscellaneous	-	-	-
Total receipts	<u>160,954.36</u>	<u>-</u>	<u>160,954.36</u>
Total funds available	<u>178,847.91</u>	<u>121,460.58</u>	<u>300,308.49</u>
<u>Expenditures:</u>			
Construction	-	80,645.32	80,645.32
Maintenance and repair	64,087.81	6,640.34	70,728.15
Miscellaneous (Finding No. 4)	-	33,574.69	33,574.69
Total expenditures	<u>64,087.81</u>	<u>120,860.35</u>	<u>184,948.16</u>
Balance, December 31, 2014	<u>\$ 114,760.10</u>	<u>\$ 600.23</u>	<u>\$ 115,360.33</u>

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORMS MS-991 AND  
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORMS MS-991 AND  
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

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.

ADAMS COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORMS MS-991 AND  
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

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.

ADAMS COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORMS MS-991 AND  
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

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 purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan or savings bank's assets minus liabilities.

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

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 county's name.

2. Deposits (Continued)

Fund Balance

The fund balance for the Liquid Fuels Tax Fund as of December 31, 2014, consists of the following:

Cash	<u>\$275,076.06</u>
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The fund balance for the Act 44 Tax Fund as of December 31, 2014, consists of the following:

Cash	<u>\$115,360.33</u>
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ADAMS COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORMS MS-991 AND  
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in interest-bearing accounts which earned \$155.18 during 2013, and \$190.96 during 2014, thus providing additional funds for road maintenance and repairs.

Additionally, the county deposited idle Act 44 tax money in interest-bearing accounts which earned \$84.86 during 2013, and \$122.01 during 2014, thus providing additional funds for bridge maintenance and repairs.

4. Reimbursable Agreements

During our examination, we noted that the county entered into reimbursement agreements with the Department of Transportation for the inspection and reconstruction of county bridges. During our current examination period, the county received \$374,134.19 during 2013 and \$241,735.30 during 2014 that was deposited into the Liquid Fuels Tax Fund as a result of these agreements. In addition, the county received \$104,799.31 during 2014 that was deposited into the Act 44 Tax Fund as a result of these agreements. As of December 31, 2014, \$29,357.02 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>2014</u>
Cumberland Township	Share of Belmont Bridge expenses	\$ 30,346.19
Vendor	Reimbursement for project	65,865.47
Act 44 Tax Fund	Reimbursement for expenditures	146,841.05
Act 44 Tax Fund	Transfer (Finding No. 4)	33,574.69
Act 13 Tax Fund	Transfer in error (Note 8)	<u>51,792.59</u>
Total		<u>\$328,419.99</u>



ADAMS COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORMS MS-991 AND  
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

6. Miscellaneous Expenditures

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

<u>Payee</u>	<u>Description</u>	<u>2013</u>	<u>2014</u>
Various	Act 44 Expenditures	\$87,285.66	\$ 59,555.39
Financial institution	Bank service charge	15.00	-
Act 13 Tax Fund	Reimbursement for transfer in error (Note 8)	-	<u>51,792.59</u>
Totals		<u>\$87,300.66</u>	<u>\$111,347.98</u>

7. General Obligation Note

On November 3, 2006, the county borrowed \$600,000.00 from the Commonwealth of Pennsylvania Infrastructure Bank to replace Red Rock Bridge No. 119. The term of the note was for ten years and an interest rate of 4.0 percent. Principal and interest payments of \$36,694.03 are due semi-annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$427,044.14 and \$123,366.31, respectively.

During the current examination period the municipality paid principal of \$136,981.28 and interest of \$9,794.84 from the Liquid Fuels Tax Fund. These amounts are reflected in construction on the 2013 and 2014 Forms MS-991 with adjustments. The outstanding balance of the note as of December 31, 2014 was \$35,974.58 plus interest.

8. Transfers In Error

On December 12, 2014, the county transferred \$51,792.59 from its Liquid Fuels Tax Fund to its Act 13 Tax Fund in error. On December 22, 2014, the county transferred this amount from its Act 13 Tax Fund to its Liquid Fuels Tax Fund to correct the transfer in error.

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 1 - Failure To Properly Prepare Forms MS-991 And Reports Of Act 44 Tax Fund**

Our examination disclosed that there were numerous errors made in the preparation of the county's 2013 and 2014 Forms MS-991 and 2013 and 2014 Report Of Act 44 Tax Funds. These errors resulted in the following adjustments:

2013 - Form MS-991

An adjustment of \$9,965.00 was made to "Miscellaneous" because a reimbursement from the General Fund was not reported.

An adjustment of \$315,643.18 was made to "Construction" because these expenditures were misclassified as maintenance and repair.

An adjustment of \$(337,234.81) was made to "Maintenance and repair" because expenditures of \$315,643.48 for construction were misclassified and an expenditure of \$21,591.33 made in 2014 was incorrectly reported as an expenditure in 2013.

An adjustment of \$87,300.66 was made to "Miscellaneous" because these expenditures were not reported.

2014 - MS-991

An adjustment of \$(55,744.33) was made to "Balance, January 1, 2014" to reflect the adjustments made to the fund balance on the 2013 Form MS-991.

An adjustment of \$232,208.33 was made to "Miscellaneous" because these receipts were understated.

An adjustment of \$456,235.76 was made to "Construction" because expenditures of \$446,531.22 were misclassified as maintenance and repair and expenditures of \$9,704.54 were not reported.

An adjustment of \$(424,939.89) was made to "Maintenance and repair" because expenditures of \$446,531.22 for construction were misclassified and expenditures of \$21,591.33 were incorrectly reported as expenditures in 2013.

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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**Finding No. 1 - Failure To Properly Prepare Forms MS-991 And Reports Of Act 44 Tax Fund (Continued)**

2014 - MS-991 (Continued)

An adjustment of \$19,750.00 was made to “Administrative” expenditures because these expenditures were not reported.

An adjustment of \$111,347.98 was made to “Miscellaneous” because these expenditures were not reported.

2013 - Report Of Act 44 Tax Fund

An adjustment of \$15.00 was made to “Miscellaneous” because a reimbursement for a bank service charge was not reported.

An adjustment of \$(121,460.58) was made to "Maintenance and repair" because there were expenditures for maintenance and repair during 2013.

An adjustment of \$15.00 was made to “Miscellaneous” because a bank service charge was not reported.

2014 - Report Of Act 44 Tax Fund

An adjustment of \$121,460.58 was made to “Balance, January 1, 2014” to reflect the adjustments made to the fund balance on the 2013 Report of Act 44 Tax Fund.

An adjustment of \$80,645.32 was made to “Construction” because expenditures of \$16,579.61 were misclassified as maintenance and repair and expenditures of \$64,065.71 were not reported.

An adjustment of \$6,640.34 was made to "Maintenance and repair" because expenditures of \$16,579.61 for construction invoices were misclassified and these expenditures were understated by \$23,219.95.

An adjustment of \$33,574.69 was made to “Miscellaneous” expenditures because a transfer in error to the Liquid Fuels Tax Fund was not reported.

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 1 - Failure To Properly Prepare Forms MS-991 And Reports Of Act 44 Tax Fund (Continued)**

Good internal controls ensure that the municipality complete its Forms MS-991 and Reports Of Act 44 Tax Fund accurately and completely. The failure to properly complete Forms MS-991 and Reports Of Act 44 Tax Fund increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We recommend that the municipality ensure that its Forms MS-991 and Report Of Act 44 Tax Fund are complete and accurate.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 2 - Failure To Obtain Project Approval**

Our examination disclosed that the county expended \$200,953.66 during 2014 for a bridge project which included repairs to the concrete and stone masonry substructure, repairs to deck joints, repairs to the steel superstructure, repairs to the concrete superstructure, repairs to the bridge barrier, replacement of deck wearing surface, and installing new guide rail. The county should have obtained the approval off the Department of Transportation prior to the start of the project. We further noted that the county did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

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 6.6.1, states:

County Liquid Fuels Tax Fund monies may not be allocated or expended for construction or reconstruction projects by the county or any of its political subdivisions, without the prior approval of the application, contract or plans for the proposed expenditure by the Department of Transportation.

Furthermore, *Publication 9*, Chapter One, Section 6.6.2, states:

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

The failure to comply with the Department of Transportation's *Publication 9* could result in the county having to reimburse \$200,953.66 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the county reimburse \$200,953.66 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that before the county expends money on a project, it applies for and obtains prior approval of the project, and when the project is completed it obtains approval for the completed work.

**Management's Response**

The county officials offered no formal response at this time.

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 2 - Failure To Obtain Project Approval (Continued)**

Auditor's Conclusion

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 3 - Retroactive Expenditures**

Our examination disclosed that the county transferred \$120,860.35 from its Act 44 Tax Fund to its Liquid Fuels Fund on July 1, 2014 for the reimbursement of expenditures incurred from July 9, 2012 to November 27, 2013. The county also transferred \$31,295.87 from its Liquid Fuels Tax Fund to its Pooled Operating Fund on August 12, 2014 for expenditures incurred on January 25, 2013. In addition, the county transferred \$16,000.00 on October 31, 2014 from its Liquid Fuels Tax Fund to its Pooled Operating Fund for administrative expenditures incurred in 2012 and 2013. Because these expenditures were not reimbursed within the same calendar year in which the expenditures were made, these expenditures are considered to be retroactive.

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:

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

10. Retroactive expenditures.

Additionally, the Department of Transportation's *Publication 9*, Chapter 4, Section 4.6.6.3, states:

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

12. Retroactive Expenditures.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the county having to reimburse \$120,860.35 to its Act 44 Tax Fund and \$47,295.87 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the county reimburse \$120,860.35 to its Act 44 Tax Fund and \$47,295.87 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

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

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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



ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 4 - Act 44 Money Deposited Into The Liquid Fuels Tax Fund/Liquid Fuels Money Deposited Into The Act 44 Tax Fund - Recurring**

We cited the municipality for depositing Act 44 Tax Fund money into the Liquid Fuels Tax Fund in our prior report for the period January 1, 2011 to December 31, 2012. Our current examination disclosed that the county deposited reimbursements of \$62,789.94 into the Liquid Fuels Tax Fund during 2013 that were received from the Commonwealth of Pennsylvania for bridge construction invoices that were paid from the Act 44 Tax Fund. Because the invoices were paid from the Act 44 Tax Fund, the reimbursements should have been deposited into the Act 44 Tax Fund. Additionally, the county deposited reimbursements \$32,466.17 into the Act 44 Tax Fund during 2014 that were received from the Commonwealth of Pennsylvania for bridge construction invoices that were paid from the Liquid Fuels Tax Fund. Because the invoices were paid from the Liquid Fuels Tax Fund, the reimbursements should have been deposited into the Liquid Fuels Tax Fund. On July 1, 2014 the county transferred \$33,574.69 from its Act 44 Tax Fund to its Liquid Fuels Tax Fund, which was \$1,108.52 more than the 2014 deposits.

The practice of depositing Act 44 Tax Fund money into any account other than the Act 44 Tax Fund account is contrary to the Department of Transportation's *Publication 9*, Chapter Four, Section 4.5, which states:

Each county must deposit the Act 44 funds it receives into a special fund called the County Act 44 Fund, which may be used only for those purposes permitted by the Act.

The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Liquid Fuels and Fuels Tax Act, 75 Pa. C.S.A. § 9010(b)(2), which states, in part:

All money received by the counties...shall be deposited and maintained in a special fund designated as the County Liquid Fuels Tax Fund. No other money shall be deposited and commingled into the County Liquid Fuels Tax Fund, except in a county which does not have sufficient money in such special fund to provide for payments designated in the current annual budget.

When Liquid Fuels Tax Fund and Act 44 Tax Fund money is commingled, the potential for Liquid Fuels Tax Fund and Act 44 Tax Fund money to be used for unauthorized purposes increases significantly.

The failure to comply with the Liquid Fuels and Fuels Tax Act could result in the county having to reimburse \$63,898.46 from Liquid Fuels Tax Fund to its Act 44 Tax Fund.

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 4 - Act 44 Money Deposited Into The Liquid Fuels Tax Fund/Liquid Fuels Money Deposited Into The Act 44 Tax Fund - Recurring (Continued)**

This condition occurred because the county failed to comply with our prior examination recommendation to deposit all Liquid Fuels and Act 44 tax monies promptly into the proper fund.

Recommendations

We recommend that the county reimburse \$63,898.46 from its Liquid Fuels Tax Fund to its Act 44 Tax Fund upon official notification by the Department of Transportation.

We again recommend that, in the future, the county deposit all Liquid Fuels and Act 44 tax monies promptly into the proper fund.

Management's Response

The county officials offered no formal response at this time.

Auditor's Conclusion

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
SUMMARY OF PRIOR EXAMINATIONS RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

Summary Of 2010 Examination Recommendations

In our 2010 report we recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$9,965.00 to its Liquid Fuels Tax Fund for nonpermissible expenditures.

During our current examination we noted that the county reimbursed this amount to its Liquid Fuels Tax Fund on February 26, 2013.

Summary Of 2011-2012 Examination Recommendations

In our 2011-2012 report we recommended that the Department of Transportation review our examination findings to determine if the county should reimburse \$316,613.87 to its Liquid Fuels Tax Fund and \$65,941.25 to its Act 44 Tax Fund for failure to submit project completion reports. In addition, we recommended that the county should reimburse \$35,284.37 from its Liquid Fuels Tax Fund to its Act 44 Tax Fund for depositing reimbursements into the incorrect fund. A similar finding for depositing Act 44 Tax Fund money into the Liquid Fuels Tax Fund was also written in our current report (see Finding No. 4).

During our current examination we reviewed a letter dated August 5, 2014, from the Department of Transportation informing the county to reimburse \$316,613.87 to its Liquid Fuels Tax Fund, \$65,941.25 to its Act 44 Tax Fund; and \$35,284.37 from its Liquid Fuels Tax Fund to its Act 44 Tax Fund. As of the exit conference date of this examination, the county had not reimbursed these amounts to its Liquid Fuels Tax Fund and Act 44 Tax Fund.

In our prior report we also recommended:

- The county submit a completed Form MS-999 to the Department of Transportation for each project.
- The county 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.
- The county deposit all Act 44 tax money promptly into the Act 44 Tax Fund (see Finding No. 4).

During our current examination we noted that the county complied with the first prior recommendation, but did not comply with the second or third prior recommendations.

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

An exit conference was held August 3, 2015. Those participating were:

ADAMS COUNTY

Ms. Paula V. Neiman, Chief Clerk

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Auditor

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

ADAMS COUNTY  
LIQUID FUELS TAX FUND  
AND ACT 44 TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2013 TO DECEMBER 31, 2014

This report was initially distributed to:

**The Honorable Leslie Richards**  
**Secretary**  
**Department of Transportation**

Adams County  
117 Baltimore Street  
Gettysburg, PA 17325

<b>The Honorable Randy L. Phiel</b>	<b>Chairman of the Board of Commissioners</b>
<b>The Honorable Theresa A. Adamik</b>	<b>Treasurer</b>
<b>Ms. Paula V. Neiman</b>	<b>Chief Clerk</b>

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