

ATTESTATION ENGAGEMENT

Borough of Lansford
Carbon County, Pennsylvania
13-405
Liquid Fuels Tax Fund
For the Period
January 1, 2014 to December 31, 2014

June 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 Form MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Lansford, Carbon County, for the period January 1, 2014 to December 31, 2014. The municipality's management is responsible for the Form MS-965. Our responsibility is to express an opinion on the Form MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Borough of Lansford, Carbon County's Form MS-965 for the period January 1, 2014 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*.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the municipality was overcharged by \$1,885.09 for the purchase of road materials during 2014. The municipality reimbursed \$1,646.76 to its Liquid Fuels Tax Fund on December 23, 2014 and an additional \$233.33 on January 14, 2015, which is subsequent to our examination period. Additionally, as discussed in the Summary of Prior Examination Recommendations, in our prior examination we recommended that the municipality reimburse \$15,955.53 to its Liquid Fuels Tax Fund. This amount consists of \$10,684.80 for a failure to maintain documentation for price quotations and \$5,270.73 for retroactive expenditures. This amount was reimbursed to the municipality's Liquid Fuels Tax Fund on June 23, 2015, which was subsequent to our examination period.

In our opinion, except for the matters discussed in the preceding paragraph, the Form MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Borough of Lansford, Carbon County, for the period January 1, 2014 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 Form 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 Form 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 Form MS-965 is 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-965 or on compliance and other matters; accordingly, we express no such opinions.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Form MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Independent Auditor's Report (Continued)

Our consideration of the internal control was for the limited purpose of expressing an opinion on whether the Form MS-965 is 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. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the finding listed below, that we consider to be a significant deficiency in internal control:

- Vendor Overcharges.

As part of obtaining reasonable assurance about whether the Form MS-965 is free from material misstatement, we performed tests of the Borough of Lansford, Carbon County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Form 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 is required to be reported under *Government Auditing Standards*:

- Retroactive Expenditures - Recurring.

We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

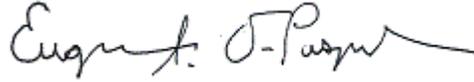
- Late Receipt Of Allocation.

We are concerned that the municipality failed to correct our prior examination finding for retroactive expenditures. During our current examination period the municipality was overcharged by a vendor, made retroactive expenditures, and received its Liquid Fuels Tax Fund allocation late. The failure to follow the recommendations in our findings increases the possibility that overpayments can be made on vendor invoices and go undetected for long periods of time. Additionally, because the municipality failed to file documents and information timely, the municipality did not have use of the 2014 allocation for more than four months. 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 Lansford, Carbon County, and is not intended to be and should not be used by anyone other than these specified parties.

Independent Auditor's Report (Continued)

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



February 23, 2016

Eugene A. DePasquale
Auditor General

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BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2014 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 LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
2014 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 24,915.37	\$ -	\$ 24,915.37
Minor equipment purchases	7,307.25	-	7,307.25
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	5,622.36	-	5,622.36
Winter maintenance services	51,057.43	-	51,057.43
Traffic control devices	10,393.83	-	10,393.83
Street lighting	-	-	-
Storm sewers and drains	14,177.40	-	14,177.40
Repairs of tools and machinery	14,277.53	-	14,277.53
Maintenance and repair of roads and bridges	19,379.62	-	19,379.62
Highway construction and rebuilding projects	14,539.00	-	14,539.00
Miscellaneous (Note 5)	2,276.35	-	2,276.35
 Total (To Section 2, Line 5)	 <u>\$ 163,946.14</u>	 <u>\$ -</u>	 <u>\$ 163,946.14</u>

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

BOROUGH OF LANSFORD
 CARBON 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	\$ 107,744.01	\$ -	\$ 107,744.01
Receipts:			
2. State allocation	85,350.57	-	85,350.57
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	18.55	-	18.55
2c. Miscellaneous (Note 4)	48,178.58	-	48,178.58
3. Total receipts	<u>133,547.70</u>	<u>-</u>	<u>133,547.70</u>
4. Total funds available	<u>241,291.71</u>	<u>-</u>	<u>241,291.71</u>
5. Expenditures (Section 1)	<u>163,946.14</u>	<u>-</u>	<u>163,946.14</u>
6. Balance, December 31, 2014	<u>\$ 77,345.57</u>	<u>\$ -</u>	<u>\$ 77,345.57</u>

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

BOROUGH OF LANSFORD
CARBON 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	\$ -	\$ -	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,070.11	-	17,070.11
3. PENNDOT approved adjustments	<u>7,845.26</u>	<u>-</u>	<u>7,845.26</u>
4. Total funds available for equipment acquisition	24,915.37	-	24,915.37
5. Less: Major equipment expenditures	<u>24,915.37</u>	<u>-</u>	<u>24,915.37</u>
6. Remainder	<u>-</u>	<u>-</u>	<u>-</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOROUGH OF LANSFORD
 CARBON COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORM MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2014 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 was received from the Department of Transportation in March of each year beginning in 2014. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation was received from the Department of Transportation in March of each year beginning in 2014. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 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 LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 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 a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

BOROUGH OF LANSFORD
 CARBON COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORM MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2014 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 borough's name.

Fund Balance

The fund balance consists of the following:

Cash	\$77,345.57
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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 \$18.55 during 2014, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

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

Source	Description	Amount
Commonwealth of Pennsylvania	Deposit in error (Note 5)	\$ 2,276.35
General Fund	Reimbursement (Finding No. 1)	1,646.76
General Fund	Reimbursement (Finding No. 2)	36,410.21
General Fund	Grant for equipment purchase	7,845.26
Total		\$48,178.58

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

5. Deposit In Error

On April 14, 2014, the Commonwealth of Pennsylvania deposited \$2,276.35 into its Liquid Fuels Tax Fund in error. On November 12, 2014, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

6. Lease-Purchase Agreement

On October 30, 2013, the municipality entered into a lease-purchase agreement with Real Lease, Inc. to purchase a 2014 International truck model 7400 SFA and a Galwin-Goodwin 400U dump body for \$125,945.00. The agreement was for a term of four years, with an initial principal and interest payment of \$75,945.00 and four additional payments of \$13,511.20 due annually. The total amount to be repaid, principal and interest, is \$129,989.80. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$64,863.92. Additionally, the municipality paid principal and interest of \$11,081.08 from the General Fund.

During the current examination period, the municipality paid principal and interest of \$13,511.20 from the General Fund. As of December 31, 2014 the amount to be repaid, including principal and interest, was \$40,533.60.

7. Lease-Purchase Agreement

On October 30, 2014, the municipality entered into a lease-purchase agreement with John Deere Financial Company to purchase a 2014 four wheel drive loader for \$122,869.05. The municipality made down payments of \$4,685.02 from the Liquid Fuels Tax Fund and \$15,314.98 from the General Fund. In addition, the municipality received a trade-in allowance of \$9,500.00 for a 1976 Case Loader. The total amount financed was \$93,537.05, which included a fee of \$168.00. The agreement was for a term of five years at an interest rate of 4.0 percent. Principal and interest payments of \$20,230.35 are due annually.

During the current examination period, the municipality paid principal of \$20,230.35 from the Liquid Fuels Tax Fund. This amount and the down payment is reflected in major equipment purchases on the 2014 Form MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2014 was \$73,306.70, plus interest.

BOROUGH OF LANSFORD
 CARBON COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2014 TO DECEMBER 31, 2014

Finding No. 1 - Vendor Overcharges

Our examination disclosed that the municipality was overcharged a total of \$1,885.09 during 2014 for the purchase of road materials as follows:

<u>Product</u>	<u>Quantity Purchased</u>	<u>Contract Price</u>	<u>Invoice Price</u>	<u>Unit Price Difference</u>	<u>Total Price Difference</u>
#57 Stone	112.95 tons	\$10.25	\$14.25	\$4.00	\$ 451.80
2A Stone	46.62 tons	\$8.50	\$12.25	\$3.75	174.83
25BC	24.99 tons	\$52.53	\$60.45	\$7.92	197.92
9.5mm<.3	150.07 tons	\$64.50	\$71.35	\$6.85	1,027.97
9.5mm 3-3	10.02 tons	\$64.50	\$67.75	\$3.25	32.57
Amount overpaid					<u>\$1,885.09</u>

Good internal controls ensure that invoice prices are compared to contract prices before payments are made on vendor invoices. The failure to follow this procedure increases the possibility that overpayments can be made on vendor invoices and go undetected for long periods of time.

On December 23, 2014, the municipality reimbursed \$1,646.76 to the Liquid Fuels Tax Fund. Additionally, the municipality reimbursed \$238.33 to the Liquid Fuels Tax Fund on January 14, 2015, which was subsequent to our examination period.

Recommendation

We recommend that the municipality compare invoice prices to contract prices prior to making payments on vendor invoices.

Management's Response

The Secretary/Treasurer stated:

I did not realize there was an overcharge, being we had a contract with the vendor, it was found by our PENNDOT municipal service representative. I contacted the vendor and they refunded the difference with the exception of \$238.33, in which we made a check to Liquid fuels and reimbursed it. This was resolved and finalized.

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

Finding No. 1 - Vendor Overcharges (Continued)

Auditor Conclusion

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

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

Finding No. 2 - Retroactive Expenditures - Recurring

We cited the municipality for making retroactive expenditures in our prior report for the period January 1, 2012 to December 31, 2013. Our current examination disclosed that the municipality transferred \$36,410.21 from its Liquid Fuels Tax Fund to its General Fund on February 18, 2014 for payroll expenditures incurred from December 28, 2012 to December 28, 2013, which are retroactive expenditures.

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

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

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

Because these expenditures were paid from the General Fund during 2013, and were not reimbursed with Liquid Fuels Tax Fund money until February 18, 2014, the expenditures incurred were not reimbursed in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

On September 11, 2014, the municipality reimbursed \$36,410.21 to the Liquid Fuels Tax Fund.

Recommendation

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

Management's Response

The Secretary/Treasurer stated:

I was not aware of the publication until after the transaction was made, once I spoke to our PENNDOT municipal service representative, he sent me the publication and I returned the money to liquid fuels to resolve this issue. It has been resolved.

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

Finding No. 2 - Retroactive Expenditures - Recurring (Continued)

Auditor Conclusion

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

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

Finding No. 3 - Late Receipt Of Allocation

Our examination disclosed that the 2014 Liquid Fuels Tax Fund allocation of \$85,350.57, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until July 28, 2014, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

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

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

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2014 allocation for more than four months. 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.

Recommendation

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

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

Finding No. 3 - Late Receipt Of Allocation (Continued)

Management's Response

The Secretary/Treasurer stated:

I do not remember why this was filed late to be honest. If it's the form MS 965 that was filed late, that was sent in on time I believe. Either way we have not filed late since then. I do recall a report I filed and had internet problems or problems with the website which was not compatible with my computer and hit submit but it did not submit. I believe it was resolved and has not occurred since. I'm thinking we even may have been transitioned into submitting them online as opposed to by paper so that may have been the hold up.

Auditor's Conclusion

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

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$15,955.53 to its Liquid Fuels Tax Fund. This amount consists of \$10,684.80 for a failure to maintain documentation for price quotations and \$5,270.73 for retroactive expenditures. A similar finding for retroactive expenditures was written in our current report (see Finding No. 2).

During our current examination, we reviewed a letter dated March 19, 2015, from the Department of Transportation informing the municipality to reimburse \$15,955.53 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on June 23, 2015, which was subsequent to our examination period.

In our prior report, we also recommended that the municipality:

- Ensure that transcribed minutes for council meetings be certified by the Borough Secretary and available for public review within a reasonable period of time after each meeting.
- Comply with *The Borough Code* and the Department of Transportation's *Publication 9* by obtaining price quotations for all purchases between \$10,000.00 and \$18,500.00. The thresholds for obtaining price quotations increased to purchases between \$10,200.00 and \$18,900.00 for 2013, and \$10,300.00 and \$19,100.00 for 2014, and \$10,500.00 and \$19,400.00 for 2015 and 2016.
- Comply with the Department of Transportation's *Publication 9* regarding retroactive expenditures.

During our current examination, we noted that the municipality complied with our first and second bulleted recommendations but did not comply with our third bulleted recommendation (see Finding No. 2).

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

An exit conference was held February 18, 2016. Those participating were:

BOROUGH OF LANSFORD

Mrs. Mary T. Fittos, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Matthew R. Hotchkiss, Auditor

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

BOROUGH OF LANSFORD
CARBON COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2014

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

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

The Honorable Martin Ditsky
President of Council

Mrs. Mary T. Fittos
Secretary/Treasurer

This report is a matter of public record and is available online at www.PaAuditor.gov. 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@PaAuditor.gov.