

ATTESTATION ENGAGEMENT

Borough of Boswell
Somerset County, Pennsylvania
55-404
Liquid Fuels Tax Fund
For the Period
January 1, 2014 to December 31, 2016

June 2017



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Boswell, Somerset County, for the period January 1, 2014 to December 31, 2016. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are fairly stated based on the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

Although management of the municipality provided us with a management representation letter on the date of our exit conference of March 22, 2017, held at the municipality, they did not respond to our request for an updated management representation letter including the disclosure of any subsequent events that affected the Forms MS-965 through the date of this report.

In our opinion, except for the possible effects of the matter discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Borough of Boswell, Somerset County, for the period January 1, 2014 to December 31, 2016, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Independent Auditor's Report (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies below to be material weaknesses.

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks - Recurring.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of Boswell, Somerset County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note matters that, while not required to be included in this report by *Government Auditing Standards*, have been included in the findings below:

- Contract Not Awarded To Lowest Responsible Bidder - Recurring.
- Late Receipt Of Allocations - Recurring.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Borough of Boswell, Somerset 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

May 30, 2017

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BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), 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 allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either 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 such a 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. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Background (Continued)

3. 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.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

BOROUGH OF BOSWELL
SOMERSET 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	17,935.20	-	17,935.20
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 17,935.20</u>	 <u>\$ -</u>	 <u>\$ 17,935.20</u>

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

BOROUGH OF BOSWELL
SOMERSET 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	\$ 18,698.44	\$.03	\$ 18,698.47
Receipts:			
2. State allocation	30,658.96	-	30,658.96
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	66.19	(.03)	66.16
2c. Miscellaneous	-	-	-
3. Total receipts	<u>30,725.15</u>	<u>(.03)</u>	<u>30,725.12</u>
4. Total funds available	<u>49,423.59</u>	<u>-</u>	<u>49,423.59</u>
5. Expenditures (Section 1)	<u>17,935.20</u>	<u>-</u>	<u>17,935.20</u>
6. Balance, December 31, 2014	<u><u>\$ 31,488.39</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,488.39</u></u>

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

BOROUGH OF BOSWELL
SOMERSET 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	\$ 18,242.70	\$ -	\$ 18,242.70
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	6,131.79	-	6,131.79
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	24,374.49	-	24,374.49
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>24,374.49</u>	<u>-</u>	<u>24,374.49</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 24,374.49</u>	<u>\$ -</u>	<u>\$ 24,374.49</u>

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2015 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,336.47	-	3,336.47
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	1,267.70	-	1,267.70
Repairs of tools and machinery	1,936.10	-	1,936.10
Maintenance and repair of roads and bridges	25,533.77	-	25,533.77
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 32,074.04</u>	 <u>\$ -</u>	 <u>\$ 32,074.04</u>

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2015 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2015	\$ 31,483.04	\$ 5.35	\$ 31,488.39
Receipts:			
2. State allocation	33,769.77	-	33,769.77
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	107.05	(5.35)	101.70
2c. Miscellaneous (Note 5)	1,049.76	3,750.24	4,800.00
3. Total receipts	34,926.58	3,744.89	38,671.47
4. Total funds available	66,409.62	3,750.24	70,159.86
5. Expenditures (Section 1)	32,074.04	-	32,074.04
6. Balance, December 31, 2015	<u>\$ 34,335.58</u>	<u>\$ 3,750.24</u>	<u>\$ 38,085.82</u>

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2015 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	\$ 24,374.49	\$ -	\$ 24,374.49
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	6,753.95	-	6,753.95
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	31,128.44	-	31,128.44
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>31,128.44</u>	<u>-</u>	<u>31,128.44</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 31,128.44</u>	<u>\$ -</u>	<u>\$ 31,128.44</u>

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2016 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	641.19	(36.00)	605.19
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,619.60	-	4,619.60
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	17,673.58	-	17,673.58
Repairs of tools and machinery	684.00	-	684.00
Maintenance and repair of roads and bridges	24,834.98	-	24,834.98
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	-	4,800.00	4,800.00
 Total (To Section 2, Line 5)	 <u>\$ 48,453.35</u>	 <u>\$ 4,764.00</u>	 <u>\$ 53,217.35</u>

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2016 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2016	\$ 34,340.96	\$ 3,744.86	\$ 38,085.82
Receipts:			
2. State allocation	39,427.29	-	39,427.29
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	92.69	-	92.69
2c. Miscellaneous (Note 5)	60.00	1,049.76	1,109.76
3. Total receipts	<u>39,579.98</u>	<u>1,049.76</u>	<u>40,629.74</u>
4. Total funds available	<u>73,920.94</u>	<u>4,794.62</u>	<u>78,715.56</u>
5. Expenditures (Section 1)	<u>48,453.35</u>	<u>4,764.00</u>	<u>53,217.35</u>
6. Balance, December 31, 2016	<u>\$ 25,467.59</u>	<u>\$ 30.62</u>	<u>\$ 25,498.21</u>

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2016 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	\$ 31,128.44	\$ -	\$ 31,128.44
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	7,885.46	-	7,885.46
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	39,013.90	-	39,013.90
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>39,013.90</u>	<u>-</u>	<u>39,013.90</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 25,467.59</u>	<u>\$ 30.62</u>	<u>\$ 25,498.21</u>

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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:

2012	2013	2014	2015/2016
\$10,000.00	\$10,200.00	\$10,300.00	\$10,500.00

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs, or less, than the amounts indicated below:

2012	2013	2014	2015/2016
\$10,000.00	\$10,200.00	\$10,300.00	\$10,500.00

- 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 BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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 BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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 BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2016. Custodial credit risk, as defined by GASB No. 40 as amended, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

Fund Balance

The fund balance as of December 31, 2016, consists of the following:

Cash	<u>\$25,498.21</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$66.16 during 2014, \$101.70 during 2015, and \$92.69 during 2016, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2014 - Section 2

An adjustment of \$.03 was made to "Balance, January 1, 2014" because an incorrect fund balance was reported.

An adjustment of \$(.03) was made to "Interest on investments" because interest earnings were overstated.

2015 - Section 2

An adjustment of \$5.35 was made to "Balance, January 1, 2015" because an incorrect fund balance was reported.

An adjustment of \$(5.35) was made to "Interest on investments" because interest earned was overstated.

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

4. Adjustments (Continued)

2015 - Section 2 (Continued)

An adjustment of \$3,750.24 was made to “Miscellaneous” because a receipt for winter maintenance from the Commonwealth of Pennsylvania was not reported.

2016 - Section 1

An adjustment of \$(36.00) was made to “Minor equipment purchases” because check No. 1027 was reported as \$284.40 but was issued for \$248.40.

An adjustment of \$4,800.00 was made to “Miscellaneous” because a payment in error was not reported (see Note 6).

2016 - Section 2

An adjustment of \$3,744.86 was made to “Balance, January 1, 2015” because an incorrect fund balance was carried forward.

An adjustment of \$1,049.76 was made to “Miscellaneous” because a reimbursement from the General Fund was not reported.

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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>2015</u>	<u>2016</u>
Commonwealth of Pennsylvania General Fund	Deposits in error (Note 6)	\$4,800.00	\$ -
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	-	1,049.76
General Fund	Reimbursement for prior year expenditure	<u>-</u>	<u>60.00</u>
Total		<u>\$4,800.00</u>	<u>\$1,109.76</u>

6. Deposits In Error

On May 19, 2015 and May 21, 2015, the municipality deposited \$2,045.00 and \$2,755.00, respectively, into its Liquid Fuels Tax Fund in error. On February 18, 2016, the municipality transferred \$4,800.00 from its Liquid Fuels Tax Fund to its General Fund to correct the deposits in error.

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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

We cited the municipality because the electronic imaging of canceled checks from the bank did not include the back of the checks in our prior report for the period January 1, 2012 to December 31, 2013. Our current examination disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and the back of the canceled checks. Although the municipality obtained and provided us with copies of the backs of those canceled checks that we needed to review for our examination, the municipality should be receiving images of the backs of all canceled checks in order to have good internal controls.

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

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

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

This finding occurred because the municipality failed to comply with our prior examination recommendation to obtain images of the front and back of canceled checks in accordance with Directive 210.11.

Recommendations

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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

Management's Response

The municipal officials stated:

We will contact Somerset Trust for images of back of checks.

Auditor's Conclusion

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Finding No. 2 - Contract Not Awarded To Lowest Responsible Bidder - Recurring

We cited the municipality for failing to award a contract to lowest responsible bidder in our prior report for the period January 1, 2012 to December 31, 2013. Our current examination disclosed that on May 19, 2014, the borough opened bids for double bituminous sealcoat, which is road oil. The borough received three bids for the double bituminous sealcoat as follows:

Vendor Unit Price/Square Yard:

Vendor A \$2.82
Vendor B \$2.67
Vendor C \$3.03

Although Vendor B was the low bidder for the double bituminous sealcoat, Vendor A was awarded the bid. No reason was given by the borough for not awarding the contract to Vendor B. Without evidence to the contrary, Vendor B is the lowest responsible bidder. On August 31, 2014, the borough purchased 6,360 gallons of double bituminous sealcoat from Vendor A for \$17,935.20. If the borough had purchased the double bituminous sealcoat from Vendor B, it would have cost \$16,981.20, resulting in a savings of \$954.00.

The above purchase was not made in compliance with the advertising, bidding, and contract requirements of *The Borough Code*, Title 53 P.S § 46316, as published by the Local Government Commission, which states:

All contracts or purchases in excess of the required advertising amount of eighteen thousand and five hundred dollars \$(18,500), except those specifically excluded, shall not be made except with and from the lowest responsible bidder...

The threshold for advertising for bids increased to \$19,100.00 in 2014 and \$19,400.00 for 2015 and 2016.

This finding occurred because the municipality did not comply with our prior examination recommendation comply with *The Borough Code* by awarding all contracts to the lowest responsible bidder.

The failure to comply with *The Borough Code* could result in the municipality having to reimburse \$954.00 to its Liquid Fuels Tax Fund.

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Finding No. 2 - Contract Not Awarded To Lowest Responsible Bidder - Recurring
(Continued)

Recommendations

We recommend that the borough reimburse \$954.00 to its Liquid Fuels Tax Fund upon official notification of the Department of Transportation.

We again further recommend that, in the future, the borough comply with *The Borough Code* as noted in this finding.

Management's Response

The municipal officials stated:

Although Council was aware of bidding process, they still awarded bid to local company.

Auditor's Conclusion

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Finding No. 3 - Late Receipt Of Allocations - Recurring

We cited the municipality for late receipt of allocations in our prior two reports with the most recent being for the period January 1, 2012 to December 31, 2013. Our current examination disclosed that the 2014 and 2016 Liquid Fuels Tax Fund allocations of \$30,658.96 and \$39,427.29, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until May 20, 2014, and May 19, 2016, respectively, 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 two months and the 2016 allocation for more than two months. Furthermore, had the allocations been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

This finding occurred because the municipality did not comply with our prior examination recommendation to comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March.

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Finding No. 3 - Late Receipt Of Allocations - Recurring (continued)

Recommendation

We again 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.

Management's Response

The municipal officials stated:

We filed our Forms MS-965 late.

Auditor's Conclusion

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$1,049.76 to its Liquid Fuels Tax Fund for a contract not being awarded to the lowest responsible bidder.

During our current examination, we reviewed a letter dated May 8, 2015, from the Department of Transportation informing the municipality to reimburse \$1,049.76 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on February 18, 2016.

In our prior report we also recommended that:

- The municipal officials obtain images of the front and back of canceled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each canceled check for any errors or misappropriations.
- The municipality comply with *The Borough Code* as it applies to advertising, bidding, and contract requirements.
- The municipality complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March.

During our current examination, we noted that the municipality did not comply with our recommendations (see Finding Nos. 1, 2 and 3).

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

An exit conference was held March 22, 2017. Those participating were:

BOROUGH OF BOSWELL

Mrs. Connie Knopsnyder, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ronald J. Fairman, Auditor

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

BOROUGH OF BOSWELL
SOMERSET COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Borough of Boswell
Somerset County
504 Hower Avenue
Boswell, PA 15531

The Honorable Mary Ann DeLuca
President of Council

Mrs. Connie Knopsnyder
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.