



**BUCKS COUNTY
09-000**

**LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2012**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
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 Bucks County for the period January 1, 2008 to December 31, 2012. 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 Bucks County's Forms MS-991 and Reports of Act 44 Tax Fund for the period January 1, 2008 to December 31, 2012 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

Independent Auditor's Report (Continued)

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.

As discussed in Finding No. 2, the county expended \$216,346.89 during 2008, \$466,061.54 during 2009, \$454,362.20 during 2010, \$454,446.09 during 2011, and \$483,608.54 during 2012, for the reconstruction of various county bridges without obtaining the approval of The Department of Transportation. Additionally, as discussed in Finding No. 3, the county expended \$28,304.00 more than the Liquid Fuels Tax Fund balance for the year ended December 31, 2010.

In our opinion, except for the matters discussed in the preceding paragraph, 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 Bucks County for the period January 1, 2008 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-991 and the Reports of Act 44 Tax Fund and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bucks County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of Bucks County's Forms MS-991 and the Reports of Act 44 Tax Fund that is more than inconsequential will not be prevented or detected by Bucks County's internal control.

Independent Auditor's Report (Continued)

We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund:

- Failure To Properly Prepare Forms MS-991 And Reports Of Act 44 Tax Fund.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-991 and the Reports of Act 44 Tax Fund will not be prevented or detected by Bucks County's internal control. Our consideration of the internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

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 - Recurring.
- County Expended More Than The Liquid Fuels Tax Fund Balance.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of Bucks County and is not intended to be and should not be used by anyone other than these specified parties.



October 3, 2013

EUGENE A. DEPASQUALE
Auditor General

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BUCKS COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2012

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.

BUCKS COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2008	\$ 111,096.68	\$ 21,492.35	\$ 132,589.03
<u>Receipts:</u>			
State allocations	419,239.27	-	419,239.27
Interest (Note 3)	1,674.93	-	1,674.93
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Accounts receivable	312,476.35	(312,476.35)	-
Total receipts	<u>733,390.55</u>	<u>(312,476.35)</u>	<u>420,914.20</u>
Total funds available	<u>844,487.23</u>	<u>(290,984.00)</u>	<u>553,503.23</u>
<u>Expenditures:</u>			
Construction	-	216,346.89	216,346.89
Maintenance and repair	624,137.42	(332,925.91)	291,211.51
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>624,137.42</u>	<u>(116,579.02)</u>	<u>507,558.40</u>
Balance, December 31, 2008	220,349.81	(174,404.98)	45,944.83
Unpaid encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered balance, December 31, 2008	<u>\$ 220,349.81</u>	<u>\$ (174,404.98)</u>	<u>\$ 45,944.83</u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2009 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2009	\$ 132,667.84	\$ (86,723.01)	\$ 45,944.83
<u>Receipts:</u>			
State allocations	399,953.48	-	399,953.48
Interest (Note 3)	112.79	-	112.79
Reimbursable agreements (Note 4)	-	86,723.00	86,723.00
Miscellaneous	-	-	-
Total receipts	<u>400,066.27</u>	<u>86,723.00</u>	<u>486,789.27</u>
Total funds available	<u>532,734.11</u>	<u>(.01)</u>	<u>532,734.10</u>
<u>Expenditures:</u>			
Construction	-	466,061.54	466,061.54
Maintenance and repair	500,017.74	(466,061.54)	33,956.20
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>500,017.74</u>	<u>-</u>	<u>500,017.74</u>
Balance, December 31, 2009	32,716.37	(.01)	32,716.36
Unpaid encumbrances	-	-	-
Unencumbered balance, December 31, 2009	<u>\$ 32,716.37</u>	<u>\$ (.01)</u>	<u>\$ 32,716.36</u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2010	\$ 32,716.36	\$ -	\$ 32,716.36
<u>Receipts:</u>			
State allocations	428,209.12	(80.00)	428,129.12
Interest (Note 3)	70.22	-	70.22
Reimbursable agreements	-	-	-
Miscellaneous (Note 5)	-	80.00	80.00
Total receipts	<u>428,279.34</u>	<u>-</u>	<u>428,279.34</u>
Total funds available	<u>460,995.70</u>	<u>-</u>	<u>460,995.70</u>
<u>Expenditures:</u>			
Construction	-	454,362.20	454,362.20
Maintenance and repair	460,995.70	(426,058.20)	34,937.50
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>460,995.70</u>	<u>28,304.00</u>	<u>489,299.70</u>
Balance, December 31, 2010	-	(28,304.00)	(28,304.00)
Unpaid encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered balance, December 31, 2010	<u>\$ -</u>	<u>\$ (28,304.00)</u>	<u>\$ (28,304.00)</u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2011 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2011	\$ -	\$ (28,304.00)	\$ (28,304.00)
<u>Receipts:</u>			
State allocations	428,939.75	(80.00)	428,859.75
Interest (Note 3)	27.85	2.33	30.18
Reimbursable agreements (Note 4)	-	224,482.80	224,482.80
Miscellaneous (Note 5)	-	80.00	80.00
Total receipts	<u>428,967.60</u>	<u>224,485.13</u>	<u>653,452.73</u>
Total funds available	<u>428,967.60</u>	<u>196,181.13</u>	<u>625,148.73</u>
<u>Expenditures:</u>			
Construction	-	454,466.09	454,466.09
Maintenance and repair	428,967.60	(287,011.35)	141,956.25
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>428,967.60</u>	<u>167,454.74</u>	<u>596,422.34</u>
Balance, December 31, 2011	-	28,726.39	28,726.39
Unpaid encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered balance, December 31, 2011	<u>\$ -</u>	<u>\$ 28,726.39</u>	<u>\$ 28,726.39</u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2012	\$ -	\$ 28,726.39	\$ 28,726.39
<u>Receipts:</u>			
State allocations	440,623.85	(80.00)	440,543.85
Interest (Note 3)	17.63	-	17.63
Reimbursable agreements (Note 4)	-	124,960.03	124,960.03
Miscellaneous (Note 5)	-	80.00	80.00
Total receipts	<u>440,641.48</u>	<u>124,960.03</u>	<u>565,601.51</u>
Total funds available	<u>440,641.48</u>	<u>153,686.42</u>	<u>594,327.90</u>
<u>Expenditures:</u>			
Construction	-	483,608.54	483,608.54
Maintenance and repair	440,641.48	(412,850.99)	27,790.49
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>440,641.48</u>	<u>70,757.55</u>	<u>511,399.03</u>
Balance, December 31, 2012	-	82,928.87	82,928.87
Unpaid encumbrances	-	-	-
Unencumbered balance, December 31, 2012	<u>\$ -</u>	<u>\$ 82,928.87</u>	<u>\$ 82,928.87</u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2008 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2008	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 44 Funds	138,071.37	(223.76)	137,847.61
Interest	-	-	-
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Total receipts	<u>138,071.37</u>	<u>(223.76)</u>	<u>137,847.61</u>
Total funds available	<u>138,071.37</u>	<u>(223.76)</u>	<u>137,847.61</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	138,071.37	(223.76)	137,847.61
Miscellaneous	-	-	-
Total expenditures	<u>138,071.37</u>	<u>(223.76)</u>	<u>137,847.61</u>
Balance, December 31, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2009 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2009	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 44 Funds	137,847.61	(137,847.61)	-
Interest	-	-	-
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Total receipts	<u>137,847.61</u>	<u>(137,847.61)</u>	<u>-</u>
Total funds available	<u>137,847.61</u>	<u>(137,847.61)</u>	<u>-</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2009	<u><u>\$ 137,847.61</u></u>	<u><u>\$ (137,847.61)</u></u>	<u><u>\$ -</u></u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2010 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2010	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 44 Funds	277,830.47	-	277,830.47
Interest	-	-	-
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Total receipts	<u>277,830.47</u>	<u>-</u>	<u>277,830.47</u>
Total funds available	<u>277,830.47</u>	<u>-</u>	<u>277,830.47</u>
<u>Expenditures:</u>			
Construction	11,949.82	-	11,949.82
Maintenance and repair	111,715.70	-	111,715.70
Miscellaneous	-	-	-
Total expenditures	<u>123,665.52</u>	<u>-</u>	<u>123,665.52</u>
Balance, December 31, 2010	<u>\$ 154,164.95</u>	<u>\$ -</u>	<u>\$ 154,164.95</u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2011 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2011	\$ -	\$ 154,164.95	\$ 154,164.95
<u>Receipts:</u>			
Act 44 Funds	138,289.15	-	138,289.15
Interest	-	-	-
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Total receipts	<u>138,289.15</u>	<u>-</u>	<u>138,289.15</u>
Total funds available	<u>138,289.15</u>	<u>154,164.95</u>	<u>292,454.10</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	138,289.15	-	138,289.15
Miscellaneous	-	-	-
Total expenditures	<u>138,289.15</u>	<u>-</u>	<u>138,289.15</u>
Balance, December 31, 2011	<u><u>\$ -</u></u>	<u><u>\$ 154,164.95</u></u>	<u><u>\$ 154,164.95</u></u>

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
2012 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2012	\$ -	\$ 154,164.95	\$ 154,164.95
<u>Receipts:</u>			
Act 44 Funds	137,912.96	-	137,912.96
Interest	-	-	-
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Total receipts	<u>137,912.96</u>	<u>-</u>	<u>137,912.96</u>
Total funds available	<u>137,912.96</u>	<u>154,164.95</u>	<u>292,077.91</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	137,912.96	(113,593.59)	24,319.37
Miscellaneous	-	-	-
Total expenditures	<u>137,912.96</u>	<u>(113,593.59)</u>	<u>24,319.37</u>
Balance, December 31, 2012	<u>\$ -</u>	<u>\$ 267,758.54</u>	<u>\$ 267,758.54</u>

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

BUCKS 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, 2008 TO DECEMBER 31, 2012

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

BUCKS 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, 2008 TO DECEMBER 31, 2012

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.

BUCKS 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, 2008 TO DECEMBER 31, 2012

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.
- 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.

BUCKS COUNTY
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NOTES TO FORMS MS-991 AND
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2. Deposits

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

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania that are insured by the FDIC or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's 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, 2012. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the county's name.

Fund Balance

The fund balance for the Liquid Fuels Tax Fund as of December 31, 2012 consists of the following:

Cash	<u>\$82,928.87</u>
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The fund balance for the Act 44 Tax Fund as of December 31, 2012 consists of the following:

Cash	<u>\$267,758.54</u>
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3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in an interest-bearing account which earned \$1,674.93 during 2008, \$112.79 during 2009, \$70.22 during 2010, \$30.18 during 2011, and \$17.63 during 2012, thus providing additional funds for road maintenance and repairs.

4. Reimbursable Agreements

During our examination, we noted that the county entered into various reimbursable agreements with the Department of Transportation. During our current examination period, the county received \$86,723.00 during 2009, \$224,482.80 during 2011, and \$124,960.03 during 2012 as a result of these agreements.

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>2010</u>	<u>2011</u>	<u>2012</u>
Commonwealth of Pennsylvania	Turnback allocation	<u>\$80.00</u>	<u>\$80.00</u>	<u>\$80.00</u>

BUCKS COUNTY
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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 2008, 2009, 2010, 2011, and 2012 Forms MS-991 and the 2008, 2009, 2011, and 2012 Reports of Act 44 Tax Fund. These adjustments are as follows:

2008 Form MS-991

- An adjustment of \$21,492.35 was made to "Balance, January 1, 2008" because an incorrect fund balance was reported.
- An adjustment of \$(312,476.35) was made to "Accounts receivable" because there were no accounts receivable.
- An adjustment of \$216,346.89 was made to "Construction" because these expenditures were misclassified as maintenance and repair.
- An adjustment of \$(332,925.91) was made to "Maintenance and repair" because accounts payable of \$138,071.37 were reported but not expended, expenditures of \$21,492.35 were not reported, and expenditures of \$216,346.89 for construction were misclassified.

2009 Form MS-991

- An adjustment of \$(86,723.01) was made to "Balance, January 1, 2009" because an incorrect fund balance was reported.
- An adjustment of \$86,723.00 was made to "Reimbursable agreements" because a bridge inspection reimbursement received on April 20, 2009 was not reported.
- Adjustments were made to "Construction" and "Maintenance and repair" because expenditures of \$466,061.54 were misclassified.

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

2010 Form MS-991

- Adjustments were made to “State allocations” and “Miscellaneous” because receipts of \$80.00 were misclassified.
- An adjustment of \$454,362.20 was made to “Construction” because these expenditures were misclassified as maintenance and repair.
- An adjustment of \$(426,058.20) was made to “Maintenance and repair” because these expenditures were understated by \$28,304.00 and expenditures of \$454,362.20 for construction were misclassified.

2011 Form MS-991

- An adjustment of \$(28,304.00) was made to “Balance, January 1, 2011” to reflect the adjustment made to the fund balance on the 2010 Form MS-991.
- Adjustments were made to “State allocations” and “Miscellaneous” because receipts of \$80.00 were misclassified.
- An adjustment of \$2.33 was made to “Interest” because interest earned was understated.
- An adjustment of \$224,482.80 was made to “Reimbursable agreements” because a bridge construction reimbursement received on February 24, 2011 was not reported.
- An adjustment of \$454,466.09 was made to “Construction” because these expenditures were misclassified as maintenance and repair.
- An adjustment of \$(287,011.35) was made to “Maintenance and repair” because these expenditures were understated by \$167,454.74 and expenditures of \$454,466.09 for construction were misclassified.

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

2012 Form MS-991

- An adjustment of \$28,726.39 was made to “Balance, January 1, 2012” to reflect the adjustment made to the fund balance on the 2011 Form MS-991.
- Adjustments were made to “State allocations” and “Miscellaneous” because receipts of \$80.00 were misclassified.
- An adjustment of \$124,960.03 was made to “Reimbursable agreements” because bridge inspection reimbursements were not reported.
- An adjustment of \$483,608.54 was made to “Construction” because these expenditures were misclassified as maintenance and repair.
- An adjustment of \$(412,850.99) was made to “Maintenance and repair” because these expenditures were understated by \$70,757.55 and expenditures of \$483,608.54 for construction were misclassified.

2008 Report Of Act 44 Tax Fund

- An adjustment of \$(223.76) was made to “Act 44 Funds” because this receipt was overstated.
- An adjustment of \$(223.76) was made to “Maintenance and repair” because these expenditures were overstated.

2009 Report Of Act 44 Tax Fund

- An adjustment of \$(137,847.61) was made to “Act 44 Funds” because there were no Act 44 allocations distributed during 2009.

2011 Report Of Act 44 Tax Fund

- An adjustment of \$154,164.95 was made to “Balance, January 1, 2011” because the beginning balance was understated.

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

2012 Report Of Act 44 Tax Fund

- An adjustment of \$154,164.95 was made to “Balance, January 1, 2012” because the fund balance was not reported.

Good internal controls ensure that the county completes 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 county ensure that its Forms MS-991 and Reports of Act 44 Tax Fund are complete and accurate.

Management’s Response

The county officials stated:

The county implemented procedures to report the Liquid Fuels and Act 44 transactions that are disbursed from the PLGIT account on a monthly basis. All invoices are paid through the county’s General Fund and recorded as an inter-fund payable from Liquid Fuels/Act 44. In 2013, the invoice transactions are being recorded on the MS-991 on a monthly basis and will insure timely completion.

Auditor’s Conclusion

The adjustments made to Forms MS-991 and Reports of Act 44 Tax Fund were made because various expenditures were misclassified or not reported. The county officials should ensure that its Forms MS-991 and Reports of Act 44 Tax Fund are complete and accurate. During our next examination we will determine if the county complied with our recommendation.

BUCKS COUNTY
LIQUID FUELS TAX FUND
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Finding No. 2 - Failure To Obtain Project Approval - Recurring

We cited the county for failure to obtain project approval in our prior report for the period ending December 31, 2007. However, our examination disclosed that the county expended \$216,346.89 during 2008, \$466,061.54 during 2009, \$454,362.20 during 2010, \$454,446.09 during 2011, and \$483,608.54 during 2012, for the reconstruction of various county bridges. Before reconstruction of a county bridge is done the county must obtain the approval of the Department of Transportation. We further noted that the county did not file an application with the Department of Transportation for these projects and also failed to submit specifications for approval. These expenditures are as follows:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Bridge No. 349	\$ 8,437.38	
Bridge No. 15	9,925.00	
Bridge No. 192	58,509.43	
Bridge No. 349	14,126.12	
Bridge No. 223	125,348.96	
2008 Total		\$ 216,346.89
Bridge No. 203	102,393.90	
Bridge No. 222	6,608.00	
Bridge No. 169 & 355	162,433.22	
Bridge No. 151	194,626.42	
2009 Total		466,061.54
Bridge No. 239	373,564.70	
Bridge No. 364	80,797.50	
2010 Total		454,362.20
Bridge No. 239	108,640.10	
Bridge No. 244	163,237.34	
Bridge No. 333	9,835.00	
Bridge No. 35	104,575.00	
Bridge No. 280	26,152.00	
Bridge No. 42	42,006.65	
2011 Total		454,446.09
Bridge No. 305	94,150.38	
Bridge No. 286	203,248.50	
Bridge No. 355	75,941.57	
Bridge No. 256	17,560.00	
Bridge No. 210	13,686.20	
Bridge No. 169	79,021.89	
2012 Total		483,608.54
Five Year Total		\$2,074,825.26

BUCKS COUNTY
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Finding No. 2 - Failure To Obtain Project Approval - Recurring (Continued)

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.

This condition existed because the county failed to comply with our prior examination recommendation that before the county expends money on a project, it applies for and obtains prior approval for the project, and when the project is completed it obtains approval for the completed work.

The county entered into an agreement with the Commonwealth of Pennsylvania for the reimbursement of 80 percent of the costs associated with the reconstruction of bridge No. 151. The county expended \$194,626.42 for costs related to the reconstruction of bridge No. 151. However, on February 24, 2011, the county deposited a reimbursement of \$224,482.80 into its Liquid Fuels Tax Fund that was received from the Commonwealth of Pennsylvania for costs related to bridge No. 151, which was \$29,856.38 more than the amount expended from the Liquid Fuels Tax Fund.

The failure to comply with the Department of Transportation's *Publication 9* could result in the county having to reimburse \$1,850,342.46 to its Liquid Fuels Tax Fund.

Recommendations

This is the second consecutive audit in which we have cited this finding. Because of the failure by the county to follow the procedures, we recommend that the county reimburse \$1,850,342.46 to its Liquid Fuels Tax Fund upon notification from the Department of Transportation.

BUCKS COUNTY
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Finding No. 2 - Failure To Obtain Project Approval - Recurring (Continued)

Recommendations (Continued)

We recommend that the county establish and implement procedures to assure 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 project.

Management's Response

The county officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the county comply with our recommendations.

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FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - County Expended More Than The Liquid Fuels Tax Fund Balance

Our examination disclosed that the county's Liquid Fuels Tax Fund account balance at December 31, 2010 was a negative \$28,304.00. Liquid Fuels Tax Fund money is deposited into a concentration account and is commingled with other county funds. The county maintains accounting records that identify the account balance for all funds deposited into the concentration account. The accounting records for the concentration account revealed a negative account balance of \$28,304.00 as of December 31, 2010 for the Liquid Fuels Tax Fund.

The Department of Transportation's *Publication 9*, Chapter 1, Section 1.10, states that:

A county's handling of its County Liquid Fuels Tax Fund is normally on a year-to-year basis. However, in an emergency, and with the prior approval of the Municipal Services district office, a county may obligate itself for the expenditure of its estimated receipts from the State Liquid Fuels Tax Fund for a period of two years. The county will then receive a credit for such expenditures against such subsequent receipts. Except for this, no county may carryover a credit balance against future receipts from the state from one year to the next.

The county did not have the approval from the Department of Transportation to obligate itself for the expenditure of its estimated receipts.

This condition occurred because, although the accounting records revealed a negative account balance for the Liquid Fuels Tax Fund, there was enough money in the clearing account to cover the 2010 Liquid Fuels Tax Fund expenditures. This condition did not occur in 2011 and 2012.

The failure to follow the Department of Transportation's *Publication 9* could result in the county having to reimburse \$28,304.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the county reimburse \$28,304.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the county continue to expend no more than the Liquid Fuels Tax Fund balance in a calendar year.

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Finding No. 3 - County Expended More Than The Liquid Fuels Tax Fund Balance (Continued)

Management's Response

The county officials stated:

The county General Fund pays all invoices approved for liquid fuels. The expenses and revenues are recorded in the liquid fuels fund and are recorded in the liquid fuels inter-fund. Since the county General Fund pays all expenses the inter-fund can have a receivable or payable balance to the General Fund. The \$28,304.00 is expenses paid for liquid fuels by the General Fund with the county funds. The balance is included in the inter-fund payable.

Auditors Conclusion

County officials should ensure that the Liquid Fuels Tax Fund does not carryover a credit balance against future receipts from the state from year to year as required by the Department of Transportation's *Publication 9*. During our next examination we will determine if the county complied with our recommendations.

BUCKS COUNTY
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AND ACT 44 TAX FUND
COMMENT
FOR THE PERIOD
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Comment - Summary Of Prior Audit Recommendation

In our prior report we recommended that the Department of Transportation review our audit finding to determine if the county should reimburse \$179,549.48 to its Liquid Fuels Tax Fund for failure to obtain project approval. A similar finding was also written in our current report (Finding No. 2).

During our current examination we reviewed a letter dated December 14, 2009 from the Department of Transportation informing the county that reimbursement would not be required.

BUCKS COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
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An exit conference was held October 3, 2013. Those participating were:

BUCKS COUNTY

Kimberly S. Doran, CPA, CGFM, Deputy Controller
Mrs. Sarah N. Vertus, Accountant/Auditor

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Sandra Gichiengo, Auditor

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

BUCKS COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2012

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation

Bucks County
55 East Court Street
Doylestown, PA 18901

The Honorable Robert G. Loughery	Chairman of the Board of Supervisors
The Honorable William R. Snyder	Treasurer
Kimberly S. Doran, CPA, CGFM	Deputy Controller

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.