CLARION COUNTY
16-000

LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
EXAMINATION REPORT

FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Released September 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL

COUNCIL 90
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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 Clarion County for the period January 1, 2010 to December 31, 2011. 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 Clarion County's Forms MS-991 and Reports of Act 44 Tax Fund for the period January 1, 2010 to December 31, 2011 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

As described in Note 4, the adjustments included on the Forms MS-991 With Adjustments are made by the Department of the Auditor General.

As discussed in the Finding No. 2, the county's unencumbered balance of $189,026.18 as of December 31, 2011 was greater than the receipts for the previous twelve months of $182,978.11. Therefore, the county may be required to distribute $97,537.13 to the political subdivisions within the county.

In our opinion, except for the matter 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 Clarion County for the period January 1, 2010 to December 31, 2011, 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 Clarion 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 Clarion 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 Clarion County's internal control. 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.

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 Clarion 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 instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Unencumbered Balance Was Greater Than the Receipts For The Previous Twelve Months.

We are concerned in light of the county's failure to correct a previously reported finding regarding the failure to properly prepare Forms MS-991. During our current examination the county failed to properly prepare its Forms MS-991 and its unencumbered balance as of December 31, 2011 was greater than its receipts for the previous twelve months. The municipality should strive to implement 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 Clarion County and is not intended to be and should not be used by anyone other than these specified parties.

January 14, 2013

EUGENE A. DEPASQUALE
Auditor General

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CLARION COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

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.

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

	Reported	Adjustments (Note 4)	Adjusted Amount
Balance, January 1, 2010	$ 185,247.65	$ 1.00	$ 185,248.65
Receipts:			
State allocations	123,652.15	-	123,652.15
Interest (Note 3)	583.94	(2.51)	581.43
Reimbursable agreements (Note 5)	42,648.35	-	42,648.35
Miscellaneous (Note 6)	-	1,322.00	1,322.00
Accounts receivable	-	-	-
Total receipts	166,884.44	1,319.49	168,203.93
Total funds available	352,132.09	1,320.49	353,452.58
Expenditures:			
Construction	1,394.27	(1,394.27)	-
Maintenance and repair	5,902.15	64.08	5,966.23
Administrative	545.25	(86.25)	459.00
Grants to political subdivisions	37,335.00	1,416.44	38,751.44
Accounts payable	-	-	-
Miscellaneous	-	-	-
Total expenditures	45,176.67	-	45,176.67
Balance, December 31, 2010	306,955.42	1,320.49	308,275.91
Unpaid encumbrances	84,152.29	104,386.76	188,539.05
Unencumbered balance, December 31, 2010	$ 222,803.13	$ (103,066.27)	$ 119,736.86

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

CLARION COUNTY
LIQUID FUELS TAX FUND
FORM MS-991 WITH ADJUSTMENTS

	Reported	Adjustments (Note 4)	Adjusted Amount
Balance, January 1, 2011	$ 308,275.91	$ -	$ 308,275.91
Receipts:			
State allocations	123,863.17	-	123,863.17
Interest (Note 3)	468.91	-	468.91
Reimbursable agreements (Note 5)	47,859.00	-	47,859.00
Miscellaneous	-	-	-
Accounts receivable	-	10,787.03	10,787.03
Total receipts	172,191.08	10,787.03	182,978.11
Total funds available	480,466.99	10,787.03	491,254.02
Expenditures:			
Construction	2,529.12	47,273.38	49,802.50
Maintenance and repair	136,937.71	(58,072.75)	78,864.96
Administrative	-	-	-
Grants to political subdivisions	60,918.96	-	60,918.96
Accounts payable	-	10,799.37	10,799.37
Miscellaneous	-	-	-
Total expenditures	200,385.79	-	200,385.79
Balance, December 31, 2011	280,081.20	10,787.03	290,868.23
Unpaid encumbrances (Note 7)	110,164.88	(8,322.83)	101,842.05
Unencumbered balance, December 31, 2011	$ 169,916.32	$ 19,109.86	$ 189,026.18

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

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

	Reported	Adjustments	Adjusted Amount
Balance, January 1, 2010	$ 2,128.71	$ -	$ 2,128.71
Receipts:			
Act 44 Funds	2,109.88	-	2,109.88
Interest (Note 3)	2.51	-	2.51
Reimburseable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Accounts receivable	-	-	-
Total receipts	2,112.39	-	2,112.39
Total funds available	4,241.10	-	4,241.10
Expenditures:			
Construction	-	-	-
Maintenance and repair	-	-	-
Accounts payable	-	-	-
Miscellaneous	-	-	-
Total expenditures	-	-	-
Balance, December 31, 2010	$ 4,241.10	$ -	$ 4,241.10

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

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

	Reported	Adjustments	Adjusted Amount
Balance, January 1, 2011	$ 4,241.10	$ -	$ 4,241.10
Receipts:			
Act 44 Funds	1,050.69	-	1,050.69
Interest (Note 3)	2.16	-	2.16
Reimburseable Agreement Receipts	-	-	-
Miscellaneous Receipts	-	-	-
Accounts receivable	-	-	-
Total receipts	1,052.85	-	1,052.85
Total funds available	5,293.95	-	5,293.95
Expenditures:			
Construction	-	-	-
Maintenance and repair	4,240.88	-	4,240.88
Accounts payable	-	-	-
Miscellaneous	-	-	-
Total expenditures	4,240.88	-	4,240.88
Balance, December 31, 2011	$ 1,053.07	$ -	$ 1,053.07

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

CLARION 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, 2010 TO DECEMBER 31, 2011

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;

1. Criteria (continued)

- 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 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.

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 5, Reimbursable Agreements; and Note 6, 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.

   Refer to Note 7, Encumbrances.

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 financial institutions. 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, 2011. 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, 2011, consists of the following:

Cash	$290,868.23

The fund balance for the Act 44 Tax Fund as of December 31, 2011, consists of the following:

Cash	$1,053.07

3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in interest-bearing accounts which earned $581.43 during 2010, and $468.91 during 2011, thus providing additional funds for road maintenance and repairs.

Additionally, the county deposited idle Act 44 tax money in an interest-bearing account which earned $2.51 during 2010, and $2.16 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2010 Form MS-991

An adjustment of $1.00 was made to "Balance, January 1, 2010" because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of $(2.51) was made to "Interest" because interest earned on Act 44 funds was incorrectly reported as Liquid Fuels Tax Fund interest.

An adjustment of $1,322.00 was made to "Miscellaneous" because these receipts were not reported.

An adjustment of $(1,394.27) was made to "Construction" because expenditures for grants to political subdivisions were misclassified as construction.

An adjustment of $64.08 was made to "Maintenance and repair" because expenditures of $86.25 were misclassified as administrative and grants to political subdivisions of $22.17 were misclassified.

An adjustment of $(86.25) was made to "Administrative" because expenditures for maintenance and repair were misclassified.

An adjustment of $1,416.44 was made to "Grants to political subdivisions" because grants of $22.17 were misclassified as maintenance and repair and grants were understated by $1,394.27.

4 Adjustments (Continued)

2010 Form MS-991 (Continued)

An adjustment of $104,386.76 was made to "Unpaid encumbrances" because the balances of the following encumbrances were reported incorrectly:

Encumbrance No.	Actual Amount	Reported Amount	Adjustment
03-16217-01CA	$ 14,790.75	$15,791.17	$ (1,000.42)
09-16215-01CA	-	8,000.00	(8,000.00)
97-16220-01CA	1,784.45	-	1,784.45
07-16205-01CA	10,000.00	-	10,000.00
08-16221-01CA	18,605.73	-	18,605.73
10-16201-01CA	30,000.00	-	30,000.00
10-16208-01CA	21,300.00	-	21,300.00
10-16212-01CA	13,300.00	-	13,300.00
10-16411-01CA	18,397.00	-	18,397.00
Totals	$128,177.93	$23,791.17	$104,386.76

2011 Form MS-991

An adjustment of $10,787.03 was made to "Accounts receivable" because these receivables were not reported.

Adjustments were made to "Construction," "Maintenance and repair," and "Accounts payable" because expenditures of $58,072.75 were misclassified.

4 Adjustments (Continued)

2011 Form MS-991 (Continued)

An adjustment of $(8,322.83) was made to "Unpaid encumbrances" because the balances of the following encumbrances were reported incorrectly:

Encumbrance No.	Actual Amount	Reported Amount	Adjustment
08-16000-01CA	$ -	$12,503.76	$(12,503.76)
03-16217-01CA	14,790.75	21,000.00	(6,209.25)
08-16211-01CA	18,605.73	20,000.00	(1,394.27)
97-16220-01CA	1,784.45	-	1,784.45
07-16205-01CA	10,000.00	-	10,000.00
Totals	$45,180.93	$53,503.76	$ (8,322.83)

5. Reimbursable Agreements

During our examination, we noted that the county entered into a reimbursement agreement with the Commonwealth of Pennsylvania for bridge inspections. During our current examination period, the county deposited $42,648.35 in 2010 and $47,859.00 in 2011 for bridge inspections into its Liquid Fuels Tax Fund as a result of this agreement. As of December 31, 2011, $10,787.03 is due the Liquid Fuels Tax Fund.

6. Miscellaneous Receipts

On September 23, 2010, the county deposited $1,322.00 into its Liquid Fuels Tax Fund that was received from Millcreek Township for the reimbursement of bridge inspections.

7. Encumbrances

As of December 31, 2011, $101,842.05 was encumbered. This amount consists of $35,000.00 for county projects and $66,842.05 for grants to political subdivisions.

CLARION COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

Finding No. 1 – Failure To Properly Prepare Form MS-991

Our examination disclosed that there were numerous errors made in the preparation of the county's 2010 and 2011 Form's MS-991. These adjustments, which are disclosed in Note 4, are as follows:

2010 Form MS-991

- An adjustment of $1.00 was made to "Balance, January 1, 2010" because of prior report adjustments that were not carried forward in the fund balance.

- An adjustment of $(2.51) was made to "Interest" because interest earned on Act 44 funds was incorrectly reported as Liquid Fuels Tax Fund interest.

- An adjustment of $1,322.00 was made to "Miscellaneous" because these receipts were not reported.

- An adjustment of $(1,394.27) was made to "Construction" because expenditures for grants to political subdivisions were misclassified as construction.

- An adjustment of $64.08 was made to "Maintenance and repair" because expenditures of $86.25 were misclassified as administrative and grants to political subdivisions of $22.17 were misclassified.

- An adjustment of $(86.25) was made to "Administrative" because expenditures for maintenance and repair were misclassified.

- An adjustment of $1,416.44 was made to "Grants to political subdivisions" because grants of $22.17 were misclassified as maintenance and repair and grants were understated by $1,394.27.

Finding No. 1 – Failure To Properly Prepare Form MS-991 (Continued)

2010 Form MS-991 (Continued)

- An adjustment of $104,386.76 was made to "Unpaid encumbrances" because the balances of the following encumbrances were reported incorrectly:

Encumbrance No.	Actual Amount	Reported Amount	Adjustment
03-16217-01CA	$ 14,790.75	$15,791.17	$ (1,000.42)
09-16215-01CA	-	8,000.00	(8,000.00)
97-16220-01CA	1,784.45	-	1,784.45
07-16205-01CA	10,000.00	-	10,000.00
08-16221-01CA	18,605.73	-	18,605.73
10-16201-01CA	30,000.00	-	30,000.00
10-16208-01CA	21,300.00	-	21,300.00
10-16212-01CA	13,300.00	-	13,300.00
10-16411-01CA	18,397.00	-	18,397.00
Totals	$128,177.93	$23,791.17	$104,386.76

2011 Form MS-991

- An adjustment of $10,787.03 was made to "Accounts receivable" because these receivables were not reported.

- Adjustments were made to "Construction," "Maintenance and repair," and "Accounts payable" because expenditures of $58,072.75 were misclassified.

Finding No. 1 – Failure To Properly Prepare Form MS-991 (Continued)

2011 Form MS-991 (Continued)

- An adjustment of $(8,322.83) was made to "Unpaid encumbrances" because the balances of the following encumbrances were reported incorrectly:

Encumbrance No.	Actual Amount	Reported Amount	Adjustment
08-16000-01CA	$ -	$12,503.76	$(12,503.76)
03-16217-01CA	14,790.75	21,000.00	(6,209.25)
08-16211-01CA	18,605.73	20,000.00	(1,394.27)
97-16220-01CA	1,784.45	-	1,784.45
07-16205-01CA	10,000.00	-	10,000.00
Totals	$45,180.93	$53,503.76	$ (8,322.83)

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

A similar finding was also written in our prior report.

Recommendation

We again recommend that the county ensure that its Form MS-991 is complete and accurate.

Management's Response

The county officials stated:

> We acknowledge the suggestion for internal control over preparation of Form 991. For calendar year 2010, we understand the reporting errors on the form may be due to the dot grant website issues: this can be prevented as the website is corrected. For the calendar year 2011, we understand the errors of not correctly reporting receivables on Form 991 which can be prevented with further training. At this time we feel confident that these errors can be avoided in future reports.

Finding No. 1 – Failure To Properly Prepare Form MS-991 (Continued)

Auditor's Conclusion

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

Finding No. 2 - Unencumbered Balance Was Greater Than The Receipts For The Previous Twelve Months

All counties receive allocations of Liquid Fuels Tax Fund money in June and December of each year. Liquid Fuels Tax Fund money is primarily used for the construction, reconstruction, and maintenance and repair of roads and bridges. Counties may also choose to grant Liquid Fuels Tax Fund money to the political subdivisions within the county. Additionally, if the unencumbered fund balance as of December 31 was greater than the receipts for the previous twelve months, the county must disburse a portion of its Liquid Fuels Tax Fund money to the political subdivisions within the county. This condition is referred to as a forced distribution.

Our examination disclosed that the county's unencumbered balance as of December 31, 2011 was $189,026.18, which was greater than the total receipts of $182,978.11 for the preceding twelve months.

The Liquid Fuels and Fuels Tax Act, 75 Pa. C.S.A. § 9010(c) states, in part:

> When the unencumbered balance in the County Liquid Fuels Tax Fund is greater than the receipts for the twelve months immediately preceding the date of either of the reports, the county commissioners shall notify the political subdivisions to make application within 90 days for participation in the redistribution of the unencumbered balance. Redistribution shall be effected within 120 days of the date of either of the reports.

In addition, the Department of Transportation's *Publication 9,* Chapter One, Section 1.9.1, states, in part:

> …This forced distribution applies only to that portion of the unencumbered balance in excess of fifty percent (50%) of the receipts for the previous twelve months….

The following calculation is how to apply the above formula as it pertains to Clarion County:

Unencumbered balance	$189,026.18
Less 50% of prior 12 months' receipts	91,489.05
Amount to be distributed	$ 97,537.13

Finding No. 2 - Unencumbered Balance Was Greater Than The Receipts For The Previous Twelve Months (Continued)

The failure to comply with the Liquid Fuels and Fuels Tax Act and the Department of Transportation's *Publication 9* could result in the county having to distribute $97,537.13 to the political subdivisions within the county.

Recommendation

Pursuant to the review of the Department of Transportation, we recommend that the Commissioners of Clarion County distribute $97,537.13 to the political subdivisions within the county in accordance with the provision of the Liquid Fuels and Fuels Tax Act and the Department of Transportation's *Publication 9*.

Management's Response

The county officials stated:

> We acknowledge the calendar year 2011 ending unencumbered balance as being greater than the receipts for the previous twelve months. The Clarion County Board of Commissioners took office on January 2, 2012, and were notified of the amount available to distribute to the municipalities. After consultation with a Municipal Services representative, a total of $159,310.00 was approved for distribution at a commissioners' meeting on March 13, 2012. To ensure we would not find ourselves in this position again, we distributed Liquid Fuels money to Clarion County municipalities on June 26, July 24, and December 11 totaling an additional $157,850.00. Distribution was presented and approved at Commissioners' meetings and these minutes are available for public viewing. We believe a forced distribution will not be necessary as our December 31, 2012 unencumbered balance totaled $54,123.00.

Auditor's Conclusion

We commend the Board of Commissioners for taking action regarding this issue. The Department of Transportation will determine if a forced distribution is necessary. During our next examination we will determine if the municipality complied with our recommendation.

CLARION COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

An exit conference was held January 14, 2013. Those participating were:

CLARION COUNTY

The Honorable Gregory A. Faller, Commissioner
Ms. Arlou Galan, Deputy Chief Clerk
Ms. Anjanette M. Keller, Chief Clerk

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Christopher Heglen, Auditor

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

CLARION COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2011

This report was initially distributed to:

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

Clarion County
330 Main Street
Room 200
Clarion, PA 16214

The Honorable Wayne R. Brosius	Chairman of the Board of Commissioners
The Honorable Theresa M. Snyder	Treasurer
Ms. Anjanette M. Keller	Chief Clerk

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.