

# ATTESTATION ENGAGEMENT

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## Montgomery County Pennsylvania 46-000

Liquid Fuels Tax Fund  
And Act 44 Tax Fund  
For the Period  
January 1, 2014 to December 31, 2014

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June 2016



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



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

### Independent Auditor's Report

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

We examined the accompanying Form MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Report of Act 44 Tax Fund With Adjustments of Montgomery County for the period January 1, 2014 to December 31, 2014. The county's management is responsible for the Form MS-991 and the Report of Act 44 Tax Fund. Our responsibility is to express an opinion on the Form MS-991 With Adjustments and the Report 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 Montgomery County's Form MS-991 and Report of Act 44 Tax Fund for the period January 1, 2014 to December 31, 2014 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each county's Liquid Fuels Tax Fund and Act 44 Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 3, the adjustments included on the Form MS-991 With Adjustments and the Report of Act 44 Tax Fund With Adjustments are made by the Department of the Auditor General.

### Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the county expended \$261,820.00 from the Act 44 Tax Fund for project No. 14-46000-001. Final payment was made on this project on June 20, 2014, although a Final Completion Report Form MS-999 was not filed with the Department of Transportation as of the exit conference date of this examination of March 31, 2016.

Although management of the county provided us with a management representation letter on the date of our exit conference of March 31, 2016, 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 Form MS-991 With Adjustments and the Report of Act 44 Tax Fund with Adjustments through the date of this report.

In our opinion, except for the county failing to file a Final Completion Report Form MS-999 for project No. 14-46000-001 and the possible effects of the county's failure to provide an updated management representation letter, the Form MS-991 With Adjustments and the Report of Act 44 Tax Fund With Adjustments presents, 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 Montgomery County for the period January 1, 2014 to December 31, 2014, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Form MS-991 and the Report of Act 44 Tax Fund; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Form MS-991 and the Report of Act 44 Tax Fund. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Form MS-991 and the Report 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 Form MS-991 and the Report of Act 44 Tax Fund or on compliance and other matters; accordingly, we express no such opinions.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Form MS-991 and the Report of Act 44 Tax Fund will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Form MS-991 and the Reports of Act 44 Tax Fund was for the limited purpose of expressing an opinion on whether the Form MS-991 and the Reports of Act 44 Tax Fund are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the Form MS-991 and the Report of Act 44 Tax Fund are free from material misstatement, we performed tests of Montgomery County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Form MS-991 and the Report of Act 44 Tax Fund. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Failure To Timely Submit Final Completion Report.

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

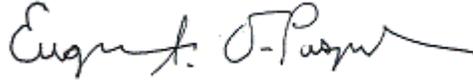
- Idle Funds Held In A Noninterest-Bearing Account - Recurring.

We are concerned that the county failed to comply with our previously reported finding for failing to maintain excess funds in an interest-bearing account. During our current examination period, the county did not maintain funds in an interest-bearing account and failed to timely submit final completion report for construction project No. 14-46000-001. If the county had invested the liquid fuels tax funds and act 44 tax funds in interest-bearing accounts, certificates of deposit, or other investments permitted by *The County Code*, additional money would have been earned for road maintenance and repairs. Additionally, failure to comply with the Department of Transportation's *Publication 9*, could result in the county having to reimburse \$261,820.00 to its Act 44 Tax Fund. The municipality should strive to comply with the recommendations and correct 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 Montgomery County and is not intended to be and should not be used by anyone other than these specified parties.

Independent Auditor's Report (Continued)

We appreciate the courtesy extended by Montgomery 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.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

May 5, 2016

Eugene A. DePasquale  
Auditor General

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

Background

*The Vehicle Code* makes provisions and provides funding for County Liquid Fuels and Act 44 Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

*The Vehicle Code* imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. The Vehicle Code further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

*The Vehicle Code*, as recently amended by Act 44 of 2007 (July 18, 2007, P.L.169), requires the Pennsylvania Turnpike Commission to make annual contributions for the benefit of the Pennsylvania Department of Transportation's Motor License Fund, and further requires the Department of Transportation to distribute \$5,000,000 of the annual contribution to counties (75 Pa. C.S. § 8915.6). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

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

	<u>Reported</u>	<u>Adjustments (Note 3)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2014	\$ 422,631.99	\$ (84,427.86)	\$ 338,204.13
<u>Receipts:</u>			
State allocations	1,154,185.91	-	1,154,185.91
Interest (Finding No. 1)	.34	-	.34
Reimbursable agreements	-	-	-
Miscellaneous (Note 4)	254,982.06	1,230,534.30	1,485,516.36
Accounts receivable	140,674.00	-	140,674.00
Total receipts	<u>1,549,842.31</u>	<u>1,230,534.30</u>	<u>2,780,376.61</u>
Total funds available	<u>1,972,474.30</u>	<u>1,146,106.44</u>	<u>3,118,580.74</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	1,791,803.20	268,638.28	2,060,441.48
Administrative	21.94	-	21.94
Grants to political subdivisions	-	-	-
Accounts payable	160,865.46	-	160,865.46
Miscellaneous (Note 5)	-	877,468.13	877,468.13
Total expenditures	<u>1,952,690.60</u>	<u>1,146,106.41</u>	<u>3,098,797.01</u>
Balance, December 31, 2014	19,783.70	.03	19,783.73
Unpaid encumbrances	-	-	-
Unencumbered balance, December 31, 2014	<u>\$ 19,783.70</u>	<u>\$ .03</u>	<u>\$ 19,783.73</u>

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

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

	<u>Reported</u>	<u>Adjustments (Note 3)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2014	\$ 596,607.85	\$ 84,427.95	\$ 681,035.80
<u>Receipts:</u>			
Act 44 Funds	227,468.13	-	227,468.13
Interest (Finding No. 1)	-	-	-
Reimbursable Agreement Receipts	-	-	-
Miscellaneous Receipts (Note 7)	2,200.00	(363.00)	1,837.00
Accounts receivable	-	-	-
Total receipts	<u>229,668.13</u>	<u>(363.00)</u>	<u>229,305.13</u>
Total funds available	<u>826,275.98</u>	<u>84,064.95</u>	<u>910,340.93</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	275,116.22	(363.00)	274,753.22
Accounts payable	-	-	-
Miscellaneous (Note 7)	-	84,427.95	84,427.95
Total expenditures	<u>275,116.22</u>	<u>84,064.95</u>	<u>359,181.17</u>
Balance, December 31, 2014	<u><u>\$ 551,159.76</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 551,159.76</u></u>

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

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORM MS-991 AND  
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

1. Criteria

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law;
- property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- construction, reconstruction, operation and maintenance of publicly owned ferryboat operations;
- interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges;
- acquisition, maintenance, repair and operation of traffic signs and signals;
- erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;
- indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORM MS-991 AND  
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

1. Criteria (Continued)

- individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 15 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation will withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.
- B. *The Vehicle Code*, as recently amended by Act 44 of 2007 (July 18, 2007, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Pennsylvania Turnpike Commission's annual contribution of \$5,000,000 to the Commonwealth's Motor License Fund. The County's Act 44 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORM MS-991 AND  
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

1. Criteria (Continued)

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Report of County Liquid Fuels Tax Fund With Adjustments and the Report of Act 44 Tax Fund With Adjustments do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund and the County Act 44 Tax Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the MS-991 form, *Report of County Liquid Fuels Tax Fund*:

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.

*Refer to the related Notes: Note 4, Miscellaneous Receipts.*

- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.

*Refer to related Note: Note 5, Miscellaneous Expenditures.*

- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end).
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORM MS-991 AND  
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

2. Deposits

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

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in 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, 2014. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the county's name.

Fund Balance

The fund balance for the Liquid Fuels Tax Fund consists of the following:

Cash	\$19,783.70
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The fund balance for the Act 44 Tax Fund consists of the following:

Cash	\$551,159.76
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MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORM MS-991 AND  
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

3. Adjustments

2014 Form MS-991

An adjustment of \$(84,427.86) was made to “Balance, January 1, 2014” because an incorrect fund balance was reported.

An adjustment of \$1,230,534.30 was made to “Miscellaneous” because these receipts were understated.

An adjustment of \$268,638.28 was made to “Maintenance and repair” because these expenditures were understated.

An adjustment of \$877,468.13 was made to “Miscellaneous” because these expenditures were not reported.

2014 Report of Act 44 Tax Fund

An adjustment of \$84,427.95 was made to “Balance, January 1, 2014” because an incorrect fund balance was reported.

An adjustment of \$(363.00) was made to “Miscellaneous” because these receipts were overstated.

An adjustments of \$(363.00) was made to “Maintenance and repair” because these expenditures were overstated.

An adjustment of \$84,427.95 was made to “Miscellaneous” because a transfer in error was not reported.

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORM MS-991 AND  
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

4. 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>Amount</u>
General Fund	Temporary loans (Note 6)	\$ 650,000.00
Act 44 Fund	Reimbursement for paving project	241,583.22
Act 44 Fund	Reimbursement for paving project	33,170.00
Act 44 Fund	Transfer in error (Note 7)	84,427.95
Commonwealth of Pennsylvania	Deposit in error (Note 8)	227,468.13
Commonwealth of Pennsylvania	Deposit in error (Note 8)	160,865.46
Various	Permit fees	<u>88,001.60</u>
Total		<u>\$1,485,516.36</u>

5. Miscellaneous Expenditures

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

<u>Payee</u>	<u>Description</u>	<u>Amount</u>
General Fund	Loan Repayment (Note 6)	\$650,000.00
Act 44 Fund	Correction of a deposit in error (Note 8)	<u>227,468.13</u>
Total		<u>\$877,468.13</u>

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND  
NOTES TO FORM MS-991 AND  
REPORT OF ACT 44 TAX FUND WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

6. Temporary Loans

During 2014, the county loaned a total of \$650,000.00 from its General Fund to its Liquid Fuels Tax Fund. The loans were as follows:

<u>Date Received</u>	<u>Amount</u>	<u>Date Repaid</u>
02/26/14	\$100,000.00	12/30/14
03/05/14	200,000.00	12/30/14
04/10/14	50,000.00	12/30/14
04/23/14	250,000.00	12/30/14
04/24/16	50,000.00	12/30/14
Totals	<u>\$650,000.00</u>	

7. Transfers In Error

On October 28, 2014, the county transferred \$84,427.95 from its Act 44 Tax Fund to its Liquid Fuels Tax Fund in error. As of the date of our exit conference of March 31, 2016, \$84,427.95 was due to the Act 44 Tax Fund.

On February 26, 2014, the county deposited \$1,837.00 into its Act 44 Fund that was received from its Liquid Fuels Tax Fund due to a transfer in error. As of the date of our exit conference of March 31, 2016, \$1,837.00 was due to the Liquid Fuels Tax Fund.

8. Deposit In Error

On December 4, 2014, the Commonwealth of Pennsylvania electronically deposited \$388,333.59 into the county's Liquid Fuels Tax Fund in error. On December 30, 2014 and February 20, 2015, the county transferred \$227,468.13 to its Act 44 Fund and \$160,865.46 to its Act 89 Fund, respectively, to correct the deposit in error.

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

**Finding No. 1 - Failure To Timely Submit Final Completion Report**

Our examination disclosed that the county expended \$261,820.00 from its Act 44 Tax Fund for project No. 14-46000-001. Final payment was made on this project on June 20, 2014, although a Final Completion Report Form MS-999 was not filed with the Department of Transportation as of the date of the exit conference of this examination of March 31, 2016.

Department of Transportation *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter 4, Section 4.7, Figure 4.b, states that Final Completion Report Form MS-999 is to be submitted to the appropriate Department of Transportation Municipal Services District Office upon completion of a project.

Because the county failed to file a Final Completion Report, we were unable to determine if the project was completed to the satisfaction of the Department of Transportation. Additionally, we were unable to determine if the county expended the approved amount of Act 44 Tax Fund money on the project.

**Recommendations**

We recommend that the county reimburse \$261,820.00 to its Act 44 Tax Fund upon official notification by the Department of Transportation.

Additionally, we recommend that the county submit a completed Form MS-999 to the Department of Transportation for the project.

We further recommend that, in the future, the county complies with the Department of Transportation's *Publication 9* by submitting a Final Completion Report Form MS-999 for completed projects in a timely manner.

**Management's Response**

The county officials offered no formal response at this time.

**Auditor's Conclusion**

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

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED  
DECEMBER 31, 2014

**Finding No. 2 - Idle Funds Held In A Noninterest-Bearing Account - Recurring**

We cited the county for maintaining idle funds in a noninterest-bearing account in our prior three reports with the most recent being for the period January 1, 2013 to December 31, 2013. Our examination disclosed that liquid fuels tax money and Act 44 tax money in excess of current needs were deposited in noninterest-bearing accounts from January 1, 2014 to December 31, 2014 with an average balance of \$321,000.00 in the Liquid Fuels Tax Fund and \$520,000.00 in the Act 44 Tax Fund.

The Department of Transportation's *Publication 9*, Chapter One, Section 1.6.1, states:

Monies in the County Liquid Fuels Tax Fund should be invested to earn interest until expended. . .

Additionally, the Department of Transportation's *Publication 9*, Chapter Four, Section 4.6.1, states:

Monies in the County Act 44 Fund should be invested to earn interest until expended. . .

*The County Code*, Section 1706, as published by the Local Government Commission, lists the types of permissible investments for county funds. If the county had invested the liquid fuels tax funds in interest-bearing accounts, certificates of deposit, or other investments permitted by *The County Code*, additional money would have been earned for road maintenance and repairs.

This condition occurred because the county failed to comply with our prior examination recommendation to deposit Liquid Fuels Tax Fund and Act 44 Fund monies into an interest-bearing account.

**Recommendation**

We again recommend that the county officials comply with the Department of Transportation's *Publication 9* by reassessing their fiscal policy and consider investing money in excess of current needs in investments outlined in *The County Code* as published by the Local Government Commission.

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

**Finding No. 2 - Idle Funds Held In A Noninterest-Bearing Account - Recurring (Continued)**

Management's Response

The First Deputy Controller stated:

I have reviewed the findings of your audit of the 2014 liquid fuel funds. I understand the reason behind the findings but feel that the issue of the funds not being in an interest bearing account may not be applicable in the current interest rate environment when one includes the costs of transferring funds and other fees that may be incurred.

Auditor's Conclusion

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

MONTGOMERY COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE YEAR ENDED  
DECEMBER 31, 2014

An exit conference was held March 31, 2016. Those participating were:

MONTGOMERY COUNTY

Mr. Thomas Landauer, First Deputy Controller

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Matthew R. Hotchkiss, Auditor

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

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

This report was initially distributed to:

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

**Montgomery County**  
P.O. Box 311  
Norristown, PA 19404

**The Honorable Joshua Shapiro**  
Chairman of the Board of Commissioners

**The Honorable Dr. Valerie Arkoosh**  
Vice-Chairman of the Board of Commissioners

**The Honorable Joseph C. Gale**  
County Commissioner

**Mr. Thomas Landauer**  
First Deputy Controller

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