

ATTESTATION ENGAGEMENT

Schuylkill County

Pennsylvania

53-000

Liquid Fuels, ACT 44,
And ACT 89 Tax Funds

For the Period

January 1, 2014 to December 31, 2016

August 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 and Act 89 Tax Funds With Adjustments of Schuylkill County for the period January 1, 2014 to December 31, 2016. The county's management is responsible for presenting the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Fund, in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Forms MS-991 With Adjustments and the Reports of Act 44 and Act 89 Tax Funds With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds are fairly stated based on the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each county's Liquid Fuels, Act 44, and Act 89 Tax Funds 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 Note 4, the adjustments included on the Forms MS-991 With Adjustments and the Reports of Act 44 and Act 89 Tax Funds With Adjustments are made by the Department of the Auditor General.

As discussed in the Findings and Recommendations section of this report:

- On December 5, 2016, the county deposited its 2016 Act 44 Tax Fund allocation of \$86,105.66 into the Liquid Fuels Tax Fund. The county transferred this amount from its Liquid Fuels Tax Fund to its Act 44 Tax Fund on January 31, 2017, which was subsequent to our examination period (see Finding No. 1).
- The county's unencumbered balance as of December 31, 2015, was \$673,003.96, which was greater than the total receipts of \$605,361.52 for the preceding twelve months, which could result in the county having to disburse \$370,323.20 to the political subdivisions within the county (see Finding No. 2).
- The county transferred \$231,498.01 on December 30, 2014, from the Liquid Fuels Tax Fund to the General Fund for the reimbursement of permissible Liquid Fuels Tax Fund payroll expenditures. However the county had only incurred permissible Liquid Fuels Tax Fund payroll expenditures of \$224,899.02 during 2014. Therefore, the amount transferred from the Liquid Fuels Tax Fund to the General Fund exceeded Liquid Fuels Tax Fund payroll expenditures by \$6,598.99 (see Finding No. 3).

In our opinion, except for the bulleted matters discussed above, the Forms MS-991 With Adjustments and the Reports of Act 44 and Act 89 Tax Funds With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels, Act 44, and Act 89 Tax Funds of Schuylkill County for the period January 1, 2014 to December 31, 2016, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Funds; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Funds. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Funds 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 and Act 89 Tax Funds or on compliance and other matters; accordingly, we express no such opinions.

Independent Auditor's Report (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Funds 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.

Our consideration of the internal control was for the limited purpose of expressing an opinion on whether the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Funds are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the finding listed below, that we consider to be a material weakness in internal control:

- Untimely Deposit Of Act 44 and Act 89 Tax Fund Monies And Act 44 Allocation Deposited Into The Liquid Fuels Tax Fund.

As part of obtaining reasonable assurance about whether the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Funds are free from material misstatement, we performed tests of Schuylkill County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-991 and the Reports of Act 44 and Act 89 Tax Funds. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Unencumbered Balance Was Greater Than The Receipts For The Previous Twelve Months.
- Amount Transferred From The Liquid Fuels Tax Fund To The General Fund Exceeded Liquid Fuels Tax Fund Payroll Expenditures - Recurring.

The purpose of this report is to determine whether the county's Liquid Fuels Tax Fund, Act 44 Tax Fund, and Act 89 Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

Independent Auditor's Report (Continued)

We appreciate the courtesy extended by Schuylkill 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.

August 11, 2017

Eugene A. DePasquale
Auditor General

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SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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 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.

The Vehicle Code, as amended by Act 89 of 2013 (November 25, 2013, P.L. 974, No.89) provides for semi-annual allocations to all that own public bridges (75 Pa. C.S. § 9502(a)(2)(iv)). These allocations are made on the first business day of June and December each year. The Commonwealth allocates the funds available through Act 89 to counties 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.

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

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2014	\$ 4,653,263.50	\$ -	\$ 4,653,263.50
<u>Receipts:</u>			
State allocations	591,525.74	-	591,525.74
Interest (Note 3)	14,627.17	-	14,627.17
Reimbursable agreements	-	-	-
Miscellaneous (Note 5)	3,622.98	-	3,622.98
Total receipts	<u>609,775.89</u>	<u>-</u>	<u>609,775.89</u>
Total funds available	<u>5,263,039.39</u>	<u>-</u>	<u>5,263,039.39</u>
<u>Expenditures:</u>			
Construction	717,350.60	3,666.88	721,017.48
Maintenance and repair	44,763.50	235,851.20	280,614.70
Administrative	251,344.50	(236,293.66)	15,050.84
Grants to political subdivisions	-	-	-
Miscellaneous	3,224.42	(3,224.42)	-
Total expenditures	<u>1,016,683.02</u>	<u>-</u>	<u>1,016,683.02</u>
Balance, December 31, 2014	4,246,356.37	-	4,246,356.37
Unpaid encumbrances	<u>4,155,459.39</u>	<u>(196,473.17)</u>	<u>3,958,986.22</u>
Unencumbered balance, December 31, 2014	<u>\$ 90,896.98</u>	<u>\$ 196,473.17</u>	<u>\$ 287,370.15</u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2015 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2015	\$ 4,246,356.37	\$ -	\$ 4,246,356.37
<u>Receipts:</u>			
State allocations	573,846.17	-	573,846.17
Interest (Note 3)	9,532.22	-	9,532.22
Reimbursable agreements	-	-	-
Miscellaneous (Note 5)	21,983.13	-	21,983.13
Total receipts	<u>605,361.52</u>	<u>-</u>	<u>605,361.52</u>
Total funds available	<u>4,851,717.89</u>	<u>-</u>	<u>4,851,717.89</u>
<u>Expenditures:</u>			
Construction	970,638.37	-	970,638.37
Maintenance and repair	271,749.34	-	271,749.34
Administrative	10,343.62	-	10,343.62
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>1,252,731.33</u>	<u>-</u>	<u>1,252,731.33</u>
Balance, December 31, 2015	3,598,986.56	-	3,598,986.56
Unpaid encumbrances	<u>2,896,676.73</u>	<u>29,305.87</u>	<u>2,925,982.60</u>
Unencumbered balance, December 31, 2015	<u>\$ 702,309.83</u>	<u>\$ (29,305.87)</u>	<u>\$ 673,003.96</u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2016 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2016	\$ 3,598,986.56	\$ -	\$ 3,598,986.56
<u>Receipts:</u>			
State allocations	591,621.27	-	591,621.27
Interest (Note 3)	9,748.98	-	9,748.98
Reimbursable agreements	-	-	-
Miscellaneous (Note 5)	88,703.66	-	88,703.66
Total receipts	<u>690,073.91</u>	<u>-</u>	<u>690,073.91</u>
Total funds available	<u>4,289,060.47</u>	<u>-</u>	<u>4,289,060.47</u>
<u>Expenditures:</u>			
Construction	1,357,198.57	-	1,357,198.57
Maintenance and repair	276,562.99	1,218.26	277,781.25
Administrative	13,631.83	(364.38)	13,267.45
Grants to political subdivisions	-	-	-
Miscellaneous	853.88	(853.88)	-
Total expenditures	<u>1,648,247.27</u>	<u>-</u>	<u>1,648,247.27</u>
Balance, December 31, 2016	2,640,813.20	-	2,640,813.20
Unpaid encumbrances (Note 6)	<u>2,456,065.56</u>	<u>(46,587.40)</u>	<u>2,409,478.16</u>
Unencumbered balance, December 31, 2016	<u>\$ 184,747.64</u>	<u>\$ 46,587.40</u>	<u>\$ 231,335.04</u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

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

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2014	\$ 504,387.64	\$ (10,076.99)	\$ 494,310.65
<u>Receipts:</u>			
Act 44 Funds	87,992.28	-	87,992.28
Interest (Note 3)	1,592.15	-	1,592.15
Reimbursable agreements	-	-	-
Miscellaneous (Finding No. 1)	-	62,228.14	62,228.14
	<u>89,584.43</u>	<u>62,228.14</u>	<u>151,812.57</u>
Total receipts			
	<u>593,972.07</u>	<u>52,151.15</u>	<u>646,123.22</u>
Total funds available			
<u>Expenditures:</u>			
Construction	26,125.00	115,610.58	141,735.58
Maintenance and repair	116,867.58	(116,867.58)	-
Miscellaneous	-	-	-
	<u>142,992.58</u>	<u>(1,257.00)</u>	<u>141,735.58</u>
Total expenditures			
Balance, December 31, 2014	<u>\$ 450,979.49</u>	<u>\$ 53,408.15</u>	<u>\$ 504,387.64</u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2015 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2015	\$ 504,387.64	\$ -	\$ 504,387.64
<u>Receipts:</u>			
Act 44 Funds	-	-	-
Interest (Note 3)	928.21	-	928.21
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>928.21</u>	<u>-</u>	<u>928.21</u>
Total funds available	<u>505,315.85</u>	<u>-</u>	<u>505,315.85</u>
<u>Expenditures:</u>			
Construction	1,385.60	-	1,385.60
Maintenance and repair	-	-	-
Miscellaneous (Finding No. 1)	<u>62,258.25</u>	<u>-</u>	<u>62,258.25</u>
Total expenditures	<u>63,643.85</u>	<u>-</u>	<u>63,643.85</u>
Balance, December 31, 2015	<u><u>\$ 441,672.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 441,672.00</u></u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2016 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2016	\$ 441,672.00	\$ -	\$ 441,672.00
<u>Receipts:</u>			
Act 44 Funds	172,929.97	(86,105.66)	86,824.31
Interest (Note 3)	1,339.69	-	1,339.69
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>174,269.66</u>	<u>(86,105.66)</u>	<u>88,164.00</u>
Total funds available	<u>615,941.66</u>	<u>(86,105.66)</u>	<u>529,836.00</u>
<u>Expenditures:</u>			
Construction	307,341.02	-	307,341.02
Maintenance and repair	-	-	-
Miscellaneous	<u>86,105.66</u>	<u>(86,105.66)</u>	<u>-</u>
Total expenditures	<u>393,446.68</u>	<u>(86,105.66)</u>	<u>307,341.02</u>
Balance, December 31, 2016	<u>\$ 222,494.98</u>	<u>\$ -</u>	<u>\$ 222,494.98</u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2014 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2014	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 89 Funds	-	-	-
Interest	-	-	-
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	-	-	-
Total funds available	-	-	-
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	-	-	-
Balance, December 31, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2015 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2015	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 89 Funds	199,779.11	(30.11)	199,749.00
Interest (Note 3)	25.02	30.11	55.13
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>199,804.13</u>	<u>-</u>	<u>199,804.13</u>
Total funds available	<u>199,804.13</u>	<u>-</u>	<u>199,804.13</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2015	<u>\$ 199,804.13</u>	<u>\$ -</u>	<u>\$ 199,804.13</u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2016 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2016	\$ 199,804.13	\$ -	\$ 199,804.13
<u>Receipts:</u>			
Act 89 Funds	150,896.88	-	150,896.88
Interest (Note 3)	614.31	-	614.31
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>151,511.19</u>	<u>-</u>	<u>151,511.19</u>
Total funds available	<u>351,315.32</u>	<u>-</u>	<u>351,315.32</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2016	<u><u>\$ 351,315.32</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 351,315.32</u></u>

Notes To Forms MS-991 and Reports of Act 44 and Act 89 Tax Funds With Adjustments are an integral part of this report.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

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 31 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 may 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 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.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

1. Criteria (Continued)

(1) Funds received by the counties must be deposited in a special fund designated as the County Act 44 Fund and no other money may be deposited and commingled. (Note: Act 44 and Act 89 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). 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 public bridges for which the county is legally responsible.
- Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.
- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
- Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
- Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 44 Fund.
- Inspection costs associated with bridges.
- Purchase of right-of-way for bridge construction, reconstruction, or maintenance.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

1. Criteria (Continued)

- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
- (4) In order to receive Act 44 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.

C. *The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 89 funds distributed to the counties from the Department of Transportation. The County's Act 89 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) Funds received by the counties must be deposited in a special fund designated as the County Act 89 Fund and no other money may be deposited and commingled. (Note: Act 89 and Act 44 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). 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 public bridges for which the county is legally responsible.
 - Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.
 - County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
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1. Criteria (Continued)

- Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
 - Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 89 Fund.
 - Inspection costs associated with bridges.
 - Purchase of right-of-way for bridge construction, reconstruction, or maintenance.
- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
- (4) In order to receive Act 89 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.

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 Reports of Act 44 and Act 89 Tax Funds 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 and Act 89 Tax Funds, respectively.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
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JANUARY 1, 2014 TO DECEMBER 31, 2016

1. Criteria (Continued)

The Pennsylvania Department of Transportation prescribes that the county report the following on the Form MS-991, *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 the County's Liquid Fuels Tax Fund allocations, 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; 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.

Refer to the related Notes: Note 6, Encumbrances.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Reports Of Act 44 Tax Fund and Act 89 Tax Fund:

- A. The balance in the County Act 44 and Act 89 Tax Fund at the beginning of the report calendar year.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

1. Criteria (Continued)

- B. Receipts which must be itemized and include the County's Act 44 and Act 89 allocations, 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.

- C. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- D. Expenditures for county-owned bridges.
- E. The balance in the fund at the close of the report calendar year.

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 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.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
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JANUARY 1, 2014 TO DECEMBER 31, 2016

2. Deposits (Continued)

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

Fund Balance

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

Cash	<u>\$2,640,813.20</u>
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The fund balance for the Act 44 Tax Fund consists of the following:

Cash	<u>\$222,494.98</u>
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The fund balance for the Act 89 Tax Fund consists of the following:

Cash	<u>\$351,315.32</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 \$14,627.17 during 2014, \$9,532.22 during 2015, and \$9,748.98 during 2016, 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 \$1,592.15 during 2014, \$928.21 during 2015, and \$1,339.69 during 2016, thus providing additional funds for bridge maintenance and repairs.

Furthermore, the county deposited idle Act 89 tax money in an interest-bearing account which earned \$55.13 during 2015, and \$614.31 during 2016, thus providing additional funds for bridge maintenance and repairs.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
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JANUARY 1, 2014 TO DECEMBER 31, 2016

4. Adjustments

2014 Form MS-991

Adjustments were made to “Construction,” “Maintenance and repair,” “Administrative,” and “Miscellaneous” because expenditures of \$239,518.08 were misclassified.

An adjustment of \$(196,473.17) was made to “Unpaid encumbrances” because the balances of the following encumbrances were reported incorrectly:

<u>Encumbrance No.</u>	<u>Actual Amount</u>	<u>Reported Amount</u>	<u>Adjustment</u>
05-53000-01	\$-	\$184,515.00	\$(184,515.00)
11-53000-001	-	11,958.17	(11,958.17)
Totals	<u>\$-</u>	<u>\$196,473.17</u>	<u>\$(196,473.17)</u>

2015 Form MS-991

An adjustment of \$29,305.87 was made to “Unpaid encumbrances” because the balances of the following encumbrances were reported incorrectly:

<u>Encumbrance No.</u>	<u>Actual Amount</u>	<u>Reported Amount</u>	<u>Adjustment</u>
91-53000-001	\$922,505.06	\$935,000.00	\$(12,494.94)
12-53000-001	41,800.81	-	41,800.81
Totals	<u>\$964,305.87</u>	<u>\$935,000.00</u>	<u>\$ 29,305.87</u>

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

4. Adjustments (Continued)

2016 Form MS-991

Adjustments were made to “Maintenance and repair,” “Administrative,” and “Miscellaneous” because expenditures of \$1,218.26 were misclassified.

An adjustment of \$(46,587.40) was made to “Unpaid encumbrances” because the balances of the following encumbrances were reported incorrectly:

<u>Encumbrance No.</u>	<u>Actual Amount</u>	<u>Reported Amount</u>	<u>Adjustment</u>
00-53000-001	\$ 5,912.12	\$37,974.77	\$(32,062.65)
05-53000-001	15,495.61	30,020.36	(14,524.75)
Totals	<u>\$21,407.73</u>	<u>\$67,995.13</u>	<u>\$(46,587.40)</u>

2014 Report Of Act 44 Tax Fund

An adjustment of \$(10,076.99) was made to “Balance, January 1, 2014” because an incorrect fund balance was reported.

An adjustment of \$62,228.14 was made to “Miscellaneous” because this receipt was not reported.

An adjustment of \$115,610.58 was made to “Construction” because these expenditures were misclassified as maintenance and repair.

An adjustment of \$(116,867.58) was made to “Maintenance and repair” because expenditures of \$115,610.58 for construction were misclassified and these expenditures were overstated by \$1,257.00.

2016 Report Of Act 44 Tax Fund

An adjustment of \$(86,105.66) was made to “Act 44 Funds” because the 2016 allocation was deposited into the Liquid Fuels Tax Fund (see Note 6).

An adjustment of \$(86,105.66) was made to “Miscellaneous” because there were no miscellaneous expenditures.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
NOTES TO FORMS MS-991 AND REPORTS OF
ACT 44 AND ACT 89 TAX FUNDS WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

4. Adjustments (Continued)

2015 Report of Act 89 Tax Fund

Adjustments were made to “Act 89 Funds” and “Interest” because receipts of \$30.11 were misclassified.

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>2014</u>	<u>2015</u>	<u>2016</u>
General Fund	Reimbursements (Summary Of Prior Examination Recommendations)	\$3,414.39	\$19,622.84	\$ -
Commonwealth of Pennsylvania	Gas tax refund	176.03	591.09	-
Vendor	Refund for overpayment	32.56	-	-
Borough of Orwigsburg	Refund for materials	-	1,769.20	-
Insurance company	Reimbursement for damages	-	-	2,598.00
Commonwealth of Pennsylvania	Act 44 allocation (Finding No. 1)	-	-	<u>86,105.66</u>
Totals		<u>\$3,622.98</u>	<u>\$21,983.13</u>	<u>\$88,703.66</u>

6. Encumbrances

As of December 31, 2016, \$2,409,478.16 was encumbered. This amount consists of \$2,379,478.16 for county projects and \$30,000.00 for grants to political subdivisions.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

**Finding No. 1 - Untimely Deposit Of Act 44 And Act 89 Tax Fund Monies And Act 44
Allocation Deposited Into Liquid Fuels Tax Fund**

Our examination disclosed that the 2014 Act 44 Tax Fund allocation of \$87,992.28, which was received on December 4, 2014, was not deposited into the Act 44 Tax Fund until December 24, 2014.

Additionally, we noted that the 2014 Act 89 Tax Fund allocation of \$62,228.14 which was received on December 3, 2014, was not deposited into the Act 44 Tax Fund until December 24, 2014. The county combined its Act 44 Tax Funds and its Act 89 Tax Funds until an Act 89 Tax Fund account could be opened on February 24, 2015.

Furthermore, on December 5, 2016, the county deposited its 2016 Act 44 Tax Fund allocation of \$86,105.66 into the Liquid Fuels Tax Fund. The county transferred this amount from its Liquid Fuels Tax Fund to its Act 44 Tax Fund on January 31, 2017, which was subsequent to our examination period.

Good internal control procedures require that all funds received be deposited immediately upon receipt. The failure to do so increases the risk that errors and misappropriations may occur and remain undetected. Additionally, had the allocations been deposited in a timely manner, money may have been available for investment, potentially earning interest income which could have been used for road maintenance and repairs.

Additionally, the Department of Transportation's *Publication 9*, Chapter 4, Section 4.5, states:

Each county must deposit the A44 funds it receives into a special fund called the County Act44 Fund, which may be used only for the purposes permitted in the Act. . . . (Note Act 44 and Act 89 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing.)

When Act 44 money is commingled with the Liquid Fuels Tax Fund money the potential exists for Act 44 money to be used for unauthorized purposes increases significantly.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

**Finding No. 1 - Untimely Deposit Of Act 44 And Act 89 Tax Fund Monies And Act 44
Allocation Deposited Into Liquid Fuels Tax Fund (Continued)**

Recommendations

We recommend that, in the future, the county deposit all allocations immediately upon receipt.

In addition, the county officials may desire to take advantage of the electronic transfer of funds being offered by the Department of Transportation.

We further recommend that the county deposit all Act 44 money promptly into the Act 44 Tax Fund.

Management's Response

The county engineer/real estate director stated:

2014 Act 44 and Act 89: Notification received by Schuylkill County on November 17, 2014, for Act 44 and Act 89. Checks to be issued on December 1, 2014. Deposits were made on December 24, 2014.

Auditor's Conclusion

The county officials should ensure that all allocations are deposited into their respective funds immediately upon receipt. During our next examination we will determine if the county complied with our recommendations.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

**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, 2015, was \$673,003.96, which was greater than the total receipts of \$605,361.52 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 Schuylkill County:

Unencumbered balance	\$673,003.96
Less 50% of prior 12 months' receipts	<u>302,680.76</u>
Amount to be distributed	<u><u>\$370,323.20</u></u>

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

**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 \$370,323.20 to the political subdivisions within the county.

Recommendation

Pursuant to the review of the Department of Transportation, we recommend that the Commissioners of Schuylkill County distribute \$370,323.20 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 engineer/real estate director stated:

Schuylkill County encountered numerous issues with data submission into the Dot Grants Program. Many meetings were held with PennDot to resolve program and data entry issues. As a result, the 2015 Liquid Fuels Report could not be submitted until November 2016. It was discussed amongst the county and PennDot that a forced distribution would occur, however, PennDot stated that forced distribution would be waived as the Dot Grant issues delayed the county from being able to encumber funds for bridge projects.

Auditor's Conclusion

The Department of Transportation will determine if the county will be required to distribute \$370,323.20 to the political subdivisions within the county. During our next examination we will determine if the county complied with our recommendation.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Finding No. 3 - Amount Transferred From The Liquid Fuels Tax Fund To The General Fund Exceeded Liquid Fuels Tax Fund Payroll Expenditures - Recurring

Our examination disclosed that the county transferred \$231,498.01 on December 30, 2014, from the Liquid Fuels Tax Fund to the General Fund for the reimbursement of Liquid Fuels Tax Fund payroll expenditures. However, the county had only incurred permissible Liquid Fuels Tax Fund payroll expenditures of \$224,899.02 during 2014. Therefore, the amount transferred from the Liquid Fuels Tax Fund to the General Fund exceeded Liquid Fuels Tax Fund payroll expenditures by \$6,598.99.

The practice of transferring liquid fuels money in excess of the amount incurred for permissible liquid fuels expenditures into any account other than the Liquid Fuels Tax Fund account is contrary to the Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.5, which states:

. . . each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

Good internal accounting controls ensure that disbursements are made from the Liquid Fuels Tax Fund only for expenditures incurred. When Liquid Fuels Tax Fund money is commingled with the General Fund or other funds, the potential for Liquid Fuels Tax Fund money to be used for unauthorized purposes increases significantly.

A similar finding was also written in our prior report. However, the county has taken actions to correct the finding and has reimbursed only permissible Liquid Fuels Tax Fund payroll expenditures during 2015 and 2016.

Recommendations

We recommend that the county reimburse \$6,598.99 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the county continues to transfer money from the Liquid Fuels Tax Fund to other funds only for permissible expenditures incurred.

Management's Response

The county officials offered no formal response at this time.

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

**Finding No. 3 - Amount Transferred From The Liquid Fuels Tax Fund To The General
Fund Exceeded Liquid Fuels Tax Fund Payroll Expenditures - Recurring
(Continued)**

Auditor's Conclusion

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

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$19,622.84 to its Liquid Fuels Tax Fund for transferring Liquid Fuels Tax Fund money in excess of the amount incurred for permissible liquid fuels payroll expenditures during 2012. We also noted that the county transferred \$3,414.39 in excess of the amount incurred during 2013. This amount was reimbursed to its Liquid Fuels Tax Fund on January 28, 2014.

During our current examination, we reviewed a letter dated May 15, 2015, from the Department of Transportation informing the county to reimburse \$19,622.84 to its Liquid Fuels Tax Fund. We noted that the county reimbursed this amount to its Liquid Fuels Tax Fund on June 1, 2015.

We also recommended that the county transfer money from the Liquid Fuels Tax Fund to other funds only for permissible expenditures incurred.

During our current examination we noted that the county complied with our recommendation during 2015 (see Finding No. 3).

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

An exit conference was held June 26, 2017. Those participating were:

SCHUYLKILL COUNTY

Lisa M. Mahall, P.E., County Engineer/Real Estate Director

Ms. Jacqueline C. Pellish, Engineering Assistant

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Tammy Fleisher, Audit Supervisor

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

SCHUYLKILL COUNTY
LIQUID FUELS, ACT 44,
AND ACT 89 TAX FUNDS
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2014 TO DECEMBER 31, 2016

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Schuylkill County
401 North Second Street
Pottsville, PA 17901

The Honorable George F. Halcovage, Jr.
Chairman of the Board of Commissioners

The Honorable Linda L. Marchalk
Treasurer

Christy D. Joy, CPA
Controller

Lisa M. Mahall, P.E.
County Engineer/Real Estate Director

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.