

ATTESTATION ENGAGEMENT

Borough of Newville
Cumberland County, Pennsylvania
21-408
Liquid Fuels Tax Fund
For the Period
January 1, 2012 to December 31, 2013

April 2015



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



Commonwealth of Pennsylvania
Department of the Auditor General
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Newville, Cumberland County, for the period January 1, 2012 to December 31, 2013. The municipality's management is responsible for the Forms MS-965. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Borough of Newville, Cumberland County's Forms MS-965 for the period January 1, 2012 to December 31, 2013 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 municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

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

Independent Auditor's Report (Continued)

As discussed in Finding No. 2, the 2013 Liquid Fuels Tax Fund allocation of \$24,357.67, which was received on April 1, 2013, was deposited into the General Fund on May 30, 2013. Depositing Liquid Fuels Tax Fund money into the General Fund is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law.

Although management of the municipality provided us with a management representation letter on the date of our exit conference of August 26, 2014, held at the municipality, they did not respond to our request for an updated management representation letter including the disclosure of any subsequent events that affected the Forms MS-965 through the date of this report.

In our opinion, except for the 2013 Liquid Fuels Tax Fund allocations being deposited into the General Fund and the possible effects of the municipalities failure to provide an updated management representation letter, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Borough of Newville, Cumberland County, for the period January 1, 2012 to December 31, 2013, in conformity with the criteria set forth in Note 1.

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

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

Independent Auditor's Report (Continued)

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

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks - Recurring.
- Untimely Deposit Of 2012 and 2013 Allocations And 2013 Allocation Deposited Into The General Fund.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of Newville, Cumberland County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Failure To File Form MS-965 For 2013.

We are concerned that the municipality failed to correct a previously reported finding regarding obtaining images of the fronts and backs of canceled checks from its financial institution. Without the control of having a municipal official review the front and back of canceled checks, the potential exists for errors or misappropriations to go undetected for long periods of time. During our current examination period the imaging of canceled checks from the bank did not include the back of the checks, the municipality failed to deposit its 2012 and 2013 allocations timely and deposited its 2013 allocation into the General Fund, and failed to timely file Form MS-965 for 2013. 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 the Borough of Newville, Cumberland County, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended by the Borough of Newville, Cumberland County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

February 2, 2015

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BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

The Vehicle Code, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In this case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

BOROUGH OF NEWVILLE
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2012 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 1,165.00	\$ (1,165.00)	\$ -
Minor equipment purchases	-	1,165.00	1,165.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	3,766.75	-	3,766.75
Winter maintenance services	-	-	-
Traffic control devices	1,165.83	-	1,165.83
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	17,026.74	-	17,026.74
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 23,124.32</u>	 <u>\$ -</u>	 <u>\$ 23,124.32</u>

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

BOROUGH OF NEWVILLE
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2012 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2012	\$ 3,551.25	\$ -	\$ 3,551.25
Receipts:			
2. State allocation	24,757.06	-	24,757.06
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	3.56	-	3.56
2c. Miscellaneous	-	-	-
3. Total receipts	<u>24,760.62</u>	<u>-</u>	<u>24,760.62</u>
4. Total funds available	<u>28,311.87</u>	<u>-</u>	<u>28,311.87</u>
5. Expenditures (Section 1)	<u>23,124.32</u>	<u>-</u>	<u>23,124.32</u>
6. Balance, December 31, 2012	<u><u>\$ 5,187.55</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,187.55</u></u>

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

BOROUGH OF NEWVILLE
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2012 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 3,551.25	\$ -	\$ 3,551.25
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	4,951.41	-	4,951.41
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	8,502.66	-	8,502.66
5. Less: Major equipment expenditures	<u>1,165.00</u>	<u>(1,165.00)</u>	<u>-</u>
6. Remainder	<u>7,337.66</u>	<u>1,165.00</u>	<u>8,502.66</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 5,187.55</u>	<u>\$ -</u>	<u>\$ 5,187.55</u>

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

BOROUGH OF NEWVILLE
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	3,187.50	3,187.50
Winter maintenance services	-	-	-
Traffic control devices	-	3,193.91	3,193.91
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	744.06	744.06
Maintenance and repair of roads and bridges	-	274.20	274.20
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 \$ -	 \$ 7,399.67	 \$ 7,399.67

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

BOROUGH OF NEWVILLE
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ -	\$ 5,187.55	\$ 5,187.55
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	2,320.00	2,320.00
2b. Interest on investments (Note 3)	-	.68	.68
2c. Miscellaneous	-	-	-
3. Total receipts	<u>-</u>	<u>2,320.68</u>	<u>2,320.68</u>
4. Total funds available	<u>-</u>	<u>7,508.23</u>	<u>7,508.23</u>
5. Expenditures (Section 1)	<u>-</u>	<u>7,399.67</u>	<u>7,399.67</u>
6. Balance, December 31, 2013	<u>\$ -</u>	<u>\$ 108.56</u>	<u>\$ 108.56</u>

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

BOROUGH OF NEWVILLE
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ -	\$ 5,187.55	\$ 5,187.55
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	464.00	464.00
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	-	5,651.55	5,651.55
5. Less: Major equipment expenditures	-	-	-
6. Remainder	-	5,651.55	5,651.55
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	\$ -	\$ 108.56	\$ 108.56

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

BOROUGH OF NEWVILLE
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria

Section 1

This section of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

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

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- Agility projects are exchanges of services with the Department of Transportation.

Section 2

This section of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria (Continued)

Section 2 (Continued)

- Expenditures include the total transferred from Section 1.

Section 3

This section of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Forms MS-965 have been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria (Continued)

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

General Fixed Assets

General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

2. Deposits

The Borough Code, Title 53 P.S § 46316, authorizes the borough to deposit its funds in the following:

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

Deposits consist of receipts and deposits in a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2013. 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 municipality's name.

Fund Balance

The fund balance as of December 31, 2013 consists of the following:

Cash	\$108.56
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$3.56 during 2012, and \$.68 during 2013, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2012 - Section 1

Adjustments were made to "Major equipment purchases" and "Minor equipment purchases" because expenditures of \$1,165.00 were misclassified.

2012 - Section 3

An adjustment of \$(1,165.00) was made to "Major equipment expenditures" to reflect the adjustment made to major equipment purchase in 2012 - Section 1.

2013 - Section 1

Adjustments were made to this section because the municipality failed to file its 2013 Form MS-965 with the Department of Transportation (see Finding No. 3).

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

4. Adjustments (Continued)

2013 - Section 2

Adjustments were made to this section because the municipality failed to file its 2013 Form MS-965 with the Department of Transportation (see Finding No. 3).

2013 - Section 3

Adjustments were made to this section because the municipality failed to file its 2013 Form MS-965 with the Department of Transportation (see Finding No. 3).

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

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

We cited the municipality for failing to obtain images of the back of canceled checks in our prior report for the period January 1, 2010 to December 31, 2011. Our current examination disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and the back of the canceled checks.

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

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

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

The municipality obtained and provided us with copies of the backs of the canceled checks requested for examination.

This condition occurred because the municipality failed to comply with our prior examination recommendations to obtain images of the front and back of canceled checks and to have municipal officials review the front and back of canceled checks to check for any errors or misappropriations.

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

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

Recommendations

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

Management's Response

The municipal officials stated:

We acknowledge these findings and will move to make the corrections as quickly as possible.

Auditor's Conclusion

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

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 2 - Untimely Deposit Of 2012 And 2013 Allocations And 2013 Allocation Deposited Into General Fund

Our examination disclosed that the 2012 Liquid Fuels Tax Fund allocation of \$24,757.06, which was received on April 19, 2012, was not deposited into the Liquid Fuels Tax Fund until June 6, 2012. Additionally, the 2013 Liquid Fuels Tax Fund allocation of \$24,357.67, which was received on April 1, 2013, was deposited into the General Fund on May 30, 2013. Depositing Liquid Fuels Tax Fund money into the General Fund is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law.

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 into the Liquid Fuels Tax Fund, money may have been available for investment, potentially earning interest income which could have been used for road maintenance and repairs.

Additionally, the practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, 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 . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

Recommendations

We recommend that the municipality reimburse \$24,357.67 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality deposit all allocations into the Liquid Fuels Tax Fund immediately upon receipt.

In addition, the municipal officials should consider using the electronic transfer of funds offered by the Department of Transportation.

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

**Finding No. 2 - Untimely Deposit Of 2012 And 2013 Allocations And 2013 Allocation
Deposited Into General Fund (Continued)**

Management's Response

The municipal officials stated:

We acknowledge these findings and will move to make the corrections as quickly as possible.

Auditor's Conclusion

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

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 3 - Failure To File Form MS-965 For 2013

Our examination disclosed that there municipality failed to file its 2013 Form MS-965 with the Department of Transportation as required by the Department of Transportation's *Publication 9*.

The Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, states,

To qualify for the annual Liquid Fuels Tax Fund allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).

Additionally, the Department of Transportation's *Publication 9*, Chapter Two, Section 2.9, states that the Form MS-965 should be filed with the Department of Transportation by January 31 of each year.

Prudent business practice dictates that adequate internal controls should be implemented to ensure compliance with applicable requirements, including completing its Form MS-965 accurately and completely. The municipality lacked adequate internal controls to ensure that the Form MS-965 was completed accurately and completely, and filed with the Department of Transportation. These failures increase the risk that errors or misappropriations may occur and remain undetected.

Recommendations

We recommend that the municipality implement internal controls to ensure that its Form MS-965 is complete and accurate and filed timely with the Department of Transportation.

We further recommend that the municipality immediately file its 2013 Form MS-965 with the Department of Transportation.

Management's Response

The municipal officials stated:

We acknowledge these findings and will move to make the corrections as quickly as possible.

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 3 - Failure To File Form MS-965 For 2013 (Continued)

Auditor's Conclusion

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

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

An exit conference was held August 26, 2014. Those participating were:

BOROUGH OF NEWVILLE

Mr. Fred Potzer, Borough Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ryan W. Shrauder, Auditor

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

BOROUGH OF NEWVILLE
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

This report was initially distributed to:

The Honorable Leslie Richards
Acting Secretary
Department of Transportation

Borough of Newville
Cumberland County
4 West Street
Newville, PA 17241

The Honorable Jody Gilbert

President of Council

Mr. Fred Potzer

Borough Manager

This report is a matter of public record and is available online at <http://www.PaAuditor.gov>.
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@PaAuditor.gov.