

# ATTESTATION ENGAGEMENT

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Township of Allegheny  
Venango County, Pennsylvania  
60-201

Liquid Fuels Tax Fund  
For the Period  
January 1, 2017 to December 31, 2018

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March 2020



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

Yassmin Gramian, P. E.  
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 Township of Allegheny, Venango County, for the period January 1, 2017 to December 31, 2018. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. 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-965, 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 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 the Findings and Recommendations section of this report:

- The municipality did not maintain documentation to support transfers for payroll of \$27,151.54 during 2017 and \$44,971.57 during 2018 (see Finding No. 1).
- The municipality paid invoices for \$2,473.50 and \$211.99 twice. The municipality reimbursed \$211.99 to the Liquid Fuels Tax Fund on January 29, 2019, which was subsequent to our examination period (see Finding No. 2).
- The municipality expended \$282.16 during 2018 from the Liquid Fuels Tax Fund for nonpermissible expenditures (see Finding No. 4)

In our opinion, except for the bulleted matters discussed above, 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 Township of Allegheny, Venango County, for the period January 1, 2017 to December 31, 2018, in accordance 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.

*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-965 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 the 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. We did identify certain deficiencies in internal control, described in the findings listed below, that we consider to be material weaknesses in internal control:

- Documentation Supporting Transfers Was Not Available For Examination.
- Duplicate Payment Of Invoices.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Allegheny, Venango 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*:

- Liquid Fuels Money Loaned To The General Fund.
- Nonpermissible Expenditures - Recurring.

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:

- Late Receipt Of Allocations - Recurring.

The examination findings for nonpermissible expenditures and late receipt of allocations contained in this report cite conditions that existed in the operation of the municipality during the previous engagement period and were not corrected during the current examination period. The municipality should strive to comply with the recommendations noted in this report.

The purpose of this report is to determine whether the municipality's Liquid Fuels 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 the Township of Allegheny, Venango County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



February 13, 2020

Eugene A. DePasquale  
Auditor General

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TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), 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 allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either 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 such a 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. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.



TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
2017 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	-	-	-
Winter maintenance services	6,803.75	-	6,803.75
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	2,702.94	2,702.94
Repairs of tools and machinery	24,615.28	791.66	25,406.94
Maintenance and repair of roads and bridges	42,822.49	(5,176.44)	37,646.05
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	791.66	1,681.84	2,473.50
	<u>791.66</u>	<u>1,681.84</u>	<u>2,473.50</u>
Total (To Section 2, Line 5)	<u>\$ 75,033.18</u>	<u>\$ -</u>	<u>\$ 75,033.18</u>

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

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
2017 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, 2017	\$ 54,010.55	\$ -	\$ 54,010.55
Receipts:			
2. State allocation	83,610.63	-	83,610.63
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	242.51	-	242.51
2c. Miscellaneous	-	-	-
3. Total receipts	<u>83,853.14</u>	<u>-</u>	<u>83,853.14</u>
4. Total funds available	<u>137,863.69</u>	<u>-</u>	<u>137,863.69</u>
5. Expenditures (Section 1)	<u>75,033.18</u>	<u>-</u>	<u>75,033.18</u>
6. Balance, December 31, 2017	<u><u>\$ 62,830.51</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 62,830.51</u></u>

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

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
2017 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 31,321.33	\$ -	\$ 31,321.33
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	16,722.13	-	16,722.13
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	48,043.46	-	48,043.46
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>48,043.46</u>	<u>-</u>	<u>48,043.46</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 48,043.46</u>	<u>\$ -</u>	<u>\$ 48,043.46</u>

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

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
2018 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	4,000.00	-	4,000.00
Computer/Computer related training	802.14	70.00	872.14
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	13,947.00	-	13,947.00
Traffic control devices	794.77	-	794.77
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	22,208.63	24.10	22,232.73
Maintenance and repair of roads and bridges	44,343.78	(24.10)	44,319.68
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	10,776.14	(70.00)	10,706.14
 Total (To Section 2, Line 5)	 <u>\$ 96,872.46</u>	 <u>\$ -</u>	 <u>\$ 96,872.46</u>

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

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
2018 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, 2018	\$ 62,830.51	\$ -	\$ 62,830.51
Receipts:			
2. State allocation	87,615.94	-	87,615.94
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	452.37	-	452.37
2c. Miscellaneous (Note 5)	<u>11,177.41</u>	<u>-</u>	<u>11,177.41</u>
3. Total receipts	<u>99,245.72</u>	<u>-</u>	<u>99,245.72</u>
4. Total funds available	<u>162,076.23</u>	<u>-</u>	<u>162,076.23</u>
5. Expenditures (Section 1)	<u>96,872.46</u>	<u>-</u>	<u>96,872.46</u>
6. Balance, December 31, 2018	<u><u>\$ 65,203.77</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,203.77</u></u>

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

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
2018 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 48,043.46	\$ -	\$ 48,043.46
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	17,523.19	-	17,523.19
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	65,566.65	-	65,566.65
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>65,566.65</u>	<u>-</u>	<u>65,566.65</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 65,203.77</u>	<u>\$ -</u>	<u>\$ 65,203.77</u>

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

TOWNSHIP OF ALLEGHENY  
 VENANGO COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2017 TO DECEMBER 31, 2018

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:

2014	2015/2016	2017	2018
\$10,300.00	\$10,500.00	\$10,700.00	\$10,900.00

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

2014	2015/2016	2017	2018
\$10,300.00	\$10,500.00	\$10,700.00	\$10,900.00

- 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 available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

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.



TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

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 Second Class Township Code*, Title 53 P.S. § 68204, authorizes the township 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.

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2018. 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 municipality's name.

Fund Balance

The fund balance as of December 31, 2018, consists of the following:

Cash	<u><u>\$65,203.77</u></u>
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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 \$242.51 during 2017, and \$452.37 during 2018, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2017 - Section 1

An adjustment of \$2,702.94 was made to "Storm sewers and drains" because these expenditures were misclassified as maintenance and repair of roads and bridges.

An adjustment of \$791.66 was made to "Repairs of tools and machinery" because these expenditures were misclassified as miscellaneous.

An adjustment of \$(5,176.44) was made to "Maintenance and repair of roads and bridges" because expenditures of \$2,702.94 for storm sewers and drains and miscellaneous expenditures of \$2,473.50 were misclassified.

An adjustment of \$(1,681.84) was made to "Miscellaneous" because expenditures of \$791.66 for repairs of tools and machinery were misclassified and expenditures of \$2,473.50 were misclassified as maintenance and repair of roads and bridges.

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

4. Adjustments (Continued)

2018 - Section 1

Adjustments were made to “Miscellaneous” and “Computer/computer related training” because expenditures of \$70.00 were misclassified.

Adjustments were made to “Maintenance and repair of roads and bridges” and “Repairs of tools and machinery” because expenditures of \$24.10 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>2018</u>
General Fund	Repayment of loan (Finding No. 3)	\$10,000.00
General Fund	Reimbursement for stone	1,177.41
	Total	<u>\$11,177.41</u>

6. 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>2018</u>	<u>2018</u>
General Fund	Loan (Finding No. 3)	\$ -	\$10,000.00
Financial institution	Business checks	-	211.99
Financial institution	Duplicate payment (Finding No. 2)	2,473.50	211.99
Supervisor	Mileage for road inspections (Finding No. 4)	-	166.16
United States Postal Service	Post office box rental (Finding No. 4)	-	116.00
	Total	<u>\$2,473.50</u>	<u>\$10,706.14</u>

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

**Finding No. 1 - Documentation Supporting Transfers Was Not Available For Examination**

Our examination disclosed that the municipality did not maintain documentation, such as invoices or payroll records, to support transfers from the Liquid Fuels Tax Fund to the General Fund of \$27,151.54 during 2017 and \$44,971.57 during 2018.

Good internal control procedures ensure that there is documentation to support all expenditures.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without adequate documentation, we could not determine if the transfers were permissible according to the Liquid Fuels Tax Municipal Allocation Law.

The failure to maintain documentation of payroll expenditures as noted above could result in the municipality having to reimburse \$72,123.11 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$72,123.11 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

**Finding No. 1 - Documentation Supporting Transfers Was Not Available For Examination**  
**(Continued)**

Management's Response

The municipal officials stated:

Information is not available on any reports that would be appropriate for the Liquid Fuels audit. PennDot will be working with us on any issues.

Auditor's Conclusion

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

TOWNSHIP OF ALLEGHENY  
 VENANGO COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2017 TO DECEMBER 31, 2018

**Finding No. 2 - Duplicate Payment Of Invoices**

Our examination disclosed that the municipality paid the following invoices twice:

<u>Invoice Number</u>	<u>First Check No.</u>	<u>First Date Paid</u>	<u>Second Check No.</u>	<u>Second Date Paid</u>	<u>Invoice Amount</u>
15830	2148	05/16/17	2158	08/08/17	\$2,473.50
None	2242	10/09/18	EFT	10/18/18	211.99
				Total	<u>\$2,685.49</u>

The municipality reimbursed \$211.99 to the Liquid Fuels Tax Fund on January 29, 2019, which was subsequent to our examination period. Although the remaining \$2,473.50 should be reimbursed to the Liquid Fuels Tax Fund, the primary concern is the inadequate internal controls which enabled the duplicate payment of \$2,473.50 to remain undetected and the duplicate payment of \$211.99 to remain undetected for three months.

Good internal controls ensure that all invoices are reviewed timely to avoid duplicate payments. The failure to follow this procedure increases the possibility that duplicate payments can be made on vendor invoices and go undetected for long periods of time.

**Recommendations**

We recommend that the municipality reimburse \$2,473.50 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation. We also recommend that the municipal officials contact the vendor as soon as possible to obtain reimbursement.

We further recommend that the municipality establish and implement internal controls to ensure vendor invoices are reviewed timely to avoid duplicate payments.

**Management's Response**

The municipal officials stated:

The vendor was contacted and stated it was two different invoices that happened to be the same amounts.

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
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**Finding No. 2 - Duplicate Payment Of Invoices (Continued)**

Auditor's Conclusion

When reviewing copies of imaged checks, the memo lines refer to the same invoice numbers. The Department of Transportation will determine if the municipality is required to reimburse \$2,473.50 to its Liquid Fuels Tax Fund. During our next examination, we will determine if the municipality complied with our recommendations.

TOWNSHIP OF ALLEGHENY  
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**Finding No. 3 - Liquid Fuels Money Loaned To General Fund**

Our examination disclosed that on April 5, 2018, the municipality loaned \$10,000.00 from its Liquid Fuels Tax Fund to its General Fund. Further examination revealed that \$10,000.00 was reimbursed to the Liquid Fuels Tax Fund on December 6, 2018.

Liquid Fuels Tax Fund money appropriated to the municipality in accordance with 72 P.S. § 2615.4 of the Liquid Fuels Tax Municipal Allocation Law can only be expended for purposes authorized by 72 P.S. § 2615.4. The authorized purposes described by 72 P.S. § 2615.4 do not include loaning money from the municipality's Liquid Fuels Tax Fund to the General Fund or any other fund.

If the liquid fuels tax money was maintained in the Liquid Fuels Tax Fund during the entire examination period, money may have been available for investment purposes, potentially earning additional interest which could have been used for road maintenance and repairs. Additionally, the risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

Recommendation

We recommend that, in the future, the municipality discontinue the practice of loaning liquid fuels money to other funds or accounts.

Management's Response

The municipal officials stated:

This was replaced as soon we found out that this was wrong. All parties were new to their positions.

Auditor's Conclusion

During our net examination we will determine if the municipality complied with our recommendation.



TOWNSHIP OF ALLEGHENY  
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**Finding No. 4 - Nonpermissible Expenditures - Recurring**

We cited the municipality for nonpermissible expenditures in our prior report for the period January 1, 2014 to December 31, 2016. Our current examination disclosed that the municipality expended \$282.16 during 2018 from the Liquid Fuels Tax Fund for the following nonpermissible items:

Description	Amount
Mileage for road inspection	\$166.16
Post office box rental	116.00
	_____
2018 Total	\$282.16

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance, and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including mileage reimbursement and post office box rentals, are outside the scope of permissible expenditures.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation’s Regulations as noted above could result in the municipality having to reimburse \$282.16 to its Liquid Fuels Tax Fund.

This finding occurred because the municipality failed to comply with our prior examination recommendation to comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation’s Regulations regarding permissible expenditures.

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
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FINDINGS AND RECOMMENDATIONS  
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**Finding No. 4 - Nonpermissible Expenditures - Recurring (Continued)**

Recommendations

We recommend that the municipality reimburse \$282.16 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again further recommend that, in the future, the municipality complies with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

Management's Response

The municipal officials stated:

The amounts were reimbursed back into the Liquid Fuels fund.

Auditor's Conclusion

These expenditures were not reimbursed to the municipality's Liquid Fuels Tax Fund during our examination period. Additionally, this is a recurring finding. We strongly recommend that the township comply with our recommendations. During our next examination will determine if the municipality complied with our recommendations.

TOWNSHIP OF ALLEGHENY  
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**Finding No. 5 - Late Receipt Of Allocations - Recurring**

We cited the municipality for late receipt of allocation in our prior report for the period January 1, 2014 to December 31, 2016. Our current examination disclosed that the 2017 and 2018 Liquid Fuels Tax Fund allocation of \$83,610.63 and \$87,615.94, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until May 18, 2017, and July 11, 2018, respectively, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition by March 15<sup>th</sup>.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2017 allocation for more than two months and 2018 allocation for more than four months. Furthermore, had the allocation been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

This finding occurred because the municipality did not comply with our prior examination recommendation that the municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March as outlined above.

TOWNSHIP OF ALLEGHENY  
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**Finding No. 5 - Late Receipt Of Allocation - Recurring (Continued)**

Recommendation

We recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March as outlined above.

Management's Response

The municipal officials stated:

This happened in 2018 when new secretary started and quick books from the old secretary for January and February of 2018 were lost. We are aware of the finding for 2017 and will wait for the report before discussing it with our Penndot representative.

Auditor's Conclusion

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

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
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Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$4,864.23 to its Liquid Fuels Tax Fund for nonpermissible expenditures.

During our current examination we reviewed a letter dated August 8, 2017, from the Department of Transportation, informing the municipality that the reimbursement of \$4,864.23 would not be required.

In our prior report we also recommended

- The municipality comply with the Liquid Fuels Tax Municipal Allocation Law regarding permissible expenditures.
- The municipality file all required documents and information timely to receive its allocation during the first week in March.

During our current examination we noted that the municipality did not comply with our bulleted recommendations (see Finding No 4 and Finding No. 5.)

TOWNSHIP OF ALLEGHENY  
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SUMMARY OF EXIT CONFERENCE  
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An exit conference was held January 15, 2020. Those participating were:

TOWNSHIP OF ALLEGHENY

Ms. Patricia Butler, Secretary/Treasurer

The Honorable David Repasky, Chairman of the Board of Supervisors

The Honorable Sherman Copeland, Supervisor

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Joel S. Schwartz, Auditor

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

TOWNSHIP OF ALLEGHENY  
VENANGO COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2017 TO DECEMBER 31, 2018

This report was initially distributed to:

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Acting Secretary  
Department of Transportation

**Township of Allegheny**  
Venango County  
15969 Tionesta Road  
P. O. Box 269  
Pleasantville, PA 16341

**The Honorable David Repasky**  
Chairman of the Board of Supervisors

**Ms. Patricia Butler**  
Secretary/Treasurer

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