

ATTESTATION ENGAGEMENT

Bedford County
Pennsylvania
05-000

Liquid Fuels, Act 44, and Act 89
Tax Funds
For the Period
January 1, 2019 to December 31, 2020

August 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 and Act 89 Tax Funds With Adjustments of Bedford County for the period January 1, 2019 to December 31, 2020 (Forms). The county's management is responsible for presenting the Forms in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms 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 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms. 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 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.

As described in the Auditor Description of Select Transactions section of this report, the adjustments included on the Forms 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 county made duplicate payments in 2020 totaling \$5,702.00. The county received credits from the vendor as reimbursement of \$2,096.90 in 2020 and \$3,613.10 in 2021, which was subsequent to our examination period (see Finding No. 1).
- The county's 2020 unencumbered balance was greater than the receipts for the previous twelve months, which could result in a forced distribution of \$55,910.68 of Liquid Fuels Tax Fund money to the municipalities within the county (see Finding No. 2).
- The county expended \$23,834.49 during 2020 for bridge maintenance without advertising for bids (see Finding No. 3).

In our opinion, except for the bulleted matters discussed above, the Forms present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund, the Act 44 Tax Fund, and the Act 89 Tax Fund of Bedford County for the period January 1, 2019 to December 31, 2020, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

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; 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. 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 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms 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 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 Forms will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency below to be a material weakness:

- Duplicate Payment Of Invoices - Recurring.

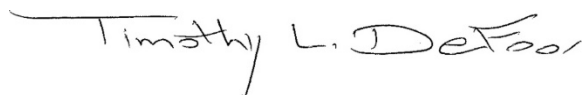
As part of obtaining reasonable assurance about whether the Forms are free from material misstatement, we performed tests of Bedford County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms. 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.
- Noncompliance With Advertising And Bidding Requirements.

The examination finding for duplicate payment of invoices contained in this report cite a condition that existed in the operation of the county during the previous engagement period and was not corrected during the current examination period. The county should strive to comply with the recommendation noted in this report.

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.

We appreciate the courtesy extended by Bedford 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.



Timothy L. DeFoor
Auditor General
July 19, 2022

CONTENTS

	<u>Page</u>
Background	1
Financial Section:	
2019 Form MS-991 With Adjustments	9
2020 Form MS-991 With Adjustments	10
2019 Report Of Act 44 Tax Fund With Adjustments.....	11
2020 Report Of Act 44 Tax Fund With Adjustments.....	12
2019 Report Of Act 89 Tax Fund With Adjustments.....	13
2020 Report Of Act 89 Tax Fund With Adjustments.....	14
Auditor Description Of Select Transactions.....	15
Findings And Recommendations:	
Finding No. 1 - Duplicate Payment Of Invoices - Recurring.....	17
Finding No. 2 - Unencumbered Balance Was Greater Than The Receipts For The Previous Twelve Months	19
Finding No. 3 - Noncompliance With Advertising And Bidding Requirements	21
Summary Of Prior Examination Recommendations.....	23
Summary Of Exit Conference.....	24
Report Distribution	25

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background

The Vehicle Code makes provisions and provides funding for the County Liquid Fuels, Act 44 and Act 89 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) and Act 89 of 2013 (November 25, 2013, P.L. 169), provides the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund (75 Pa. C.S. § 8915.6(b)(2) and as of July 1, 2014 § 9301(b)). 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 counties 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.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

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;

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- Indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and
 - Individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 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) and Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from 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.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (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.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (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.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- 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 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.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Form MS-991 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, the County Act 44 Tax Fund and the County Act 89 Tax Fund respectively.

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.
- 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)

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- 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.

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.
- 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.
- C. Total Act 44 and Act 89 funds available for expenditure.
- D. Expenditures for county-owned bridges.
- E. The balance in the fund at the close of the report calendar year.

Basis Of Accounting

The accompanying Form MS-991 With Adjustments, Report of Act 44 Tax Fund With Adjustments, and Report of Act 89 Tax Fund 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.

BEDFORD COUNTY
LIQUID FUELS TAX FUND
2019 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2019	\$ 185,894.34	\$ (1,640.37)	\$ 184,253.97
<u>Receipts:</u>			
State allocations	140,905.16	-	140,905.16
Interest	974.55	-	974.55
Reimbursable agreements	-	-	-
Miscellaneous	<u>10,498.18</u>	<u>1,640.37</u>	<u>12,138.55</u>
Total receipts	<u>152,377.89</u>	<u>1,640.37</u>	<u>154,018.26</u>
Total funds available	<u>338,272.23</u>	<u>-</u>	<u>338,272.23</u>
<u>Expenditures:</u>			
Construction	10,332.00	.75	10,332.75
Maintenance and repair	57,420.20	-	57,420.20
Administrative	226.69	-	226.69
Grants to political subdivisions	5,633.26	-	5,633.26
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>73,612.15</u>	<u>.75</u>	<u>73,612.90</u>
Balance, December 31, 2019	264,660.08	(.75)	264,659.33
Unpaid encumbrances	<u>134,600.00</u>	<u>(2,583.00)</u>	<u>132,017.00</u>
Unencumbered balance, December 31, 2019	<u><u>\$ 130,060.08</u></u>	<u><u>\$ 2,582.25</u></u>	<u><u>\$ 132,642.33</u></u>

BEDFORD COUNTY
LIQUID FUELS TAX FUND
2020 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 264,660.08	\$ (.75)	\$ 264,659.33
<u>Receipts:</u>			
State allocations	102,219.09	-	102,219.09
Interest	517.88	-	517.88
Reimbursable agreements	-	-	-
Miscellaneous	<u>120.00</u>	<u>-</u>	<u>120.00</u>
Total receipts	<u>102,856.97</u>	<u>-</u>	<u>102,856.97</u>
Total funds available	<u>367,517.05</u>	<u>(.75)</u>	<u>367,516.30</u>
<u>Expenditures:</u>			
Construction	35,101.44	-	35,101.44
Maintenance and repair	31,003.84	(60.30)	30,943.54
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>66,105.28</u>	<u>(60.30)</u>	<u>66,044.98</u>
Balance, December 31, 2020	301,411.77	59.55	301,471.32
Unpaid encumbrances	<u>204,600.00</u>	<u>(10,467.85)</u>	<u>194,132.15</u>
Unencumbered balance, December 31, 2020	<u><u>\$ 96,811.77</u></u>	<u><u>\$ 10,527.40</u></u>	<u><u>\$ 107,339.17</u></u>

BEDFORD COUNTY
2019 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2019	\$ 115,786.76	\$ -	\$ 115,786.76
<u>Receipts:</u>			
Act 44 Funds	41,250.24	-	41,250.24
Interest	612.00	-	612.00
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
	<u>41,862.24</u>	<u>-</u>	<u>41,862.24</u>
Total receipts	<u>41,862.24</u>	<u>-</u>	<u>41,862.24</u>
Total funds available	<u>157,649.00</u>	<u>-</u>	<u>157,649.00</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2019	<u><u>\$ 157,649.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 157,649.00</u></u>

BEDFORD COUNTY
2020 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 157,649.00	\$ -	\$ 157,649.00
<u>Receipts:</u>			
Act 44 Funds	41,059.66	-	41,059.66
Interest	327.92	-	327.92
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
	<u>41,387.58</u>	<u>-</u>	<u>41,387.58</u>
Total receipts	<u>41,387.58</u>	<u>-</u>	<u>41,387.58</u>
Total funds available	<u>199,036.58</u>	<u>-</u>	<u>199,036.58</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2020	<u><u>\$ 199,036.58</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 199,036.58</u></u>

BEDFORD COUNTY
2019 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2019	\$ 181,408.14	\$ -	\$ 181,408.14
<u>Receipts:</u>			
Act 89 Funds	78,205.52	-	78,205.52
Interest	1,020.64	-	1,020.64
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
	<u>79,226.16</u>	<u>-</u>	<u>79,226.16</u>
Total receipts			
	<u>79,226.16</u>	<u>-</u>	<u>79,226.16</u>
Total funds available	<u>260,634.30</u>	<u>-</u>	<u>260,634.30</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2019	<u><u>\$ 260,634.30</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 260,634.30</u></u>

BEDFORD COUNTY
2020 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 260,634.30	\$ -	\$ 260,634.30
<u>Receipts:</u>			
Act 89 Funds	72,892.62	-	72,892.62
Interest	582.99	.47	583.46
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
	<u>73,475.61</u>	<u>.47</u>	<u>73,476.08</u>
Total receipts			
	<u>73,475.61</u>	<u>.47</u>	<u>73,476.08</u>
Total funds available	<u>334,109.91</u>	<u>.47</u>	<u>334,110.38</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2020	<u><u>\$ 334,109.91</u></u>	<u><u>\$.47</u></u>	<u><u>\$ 334,110.38</u></u>

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

The following information relates to certain types of transactions for which the Pennsylvania Department of Transportation requested that we provide additional detail:

Adjustments

2019 Form MS-991

An adjustment of \$(1,640.37) was made to “Balance, January 1, 2019” because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$1,640.37 was made to “Miscellaneous” because these receipts were understated.

An adjustment of \$.75 was made to “Construction” because check No. 5988 was reported as \$10,332.00 but was issued for \$10,332.75

An adjustment of \$(2,583.00) was made to “Unpaid encumbrances” because the balance for encumbrance No. 18-05-000-02BR was reported incorrectly.

2020 Form MS-991

An adjustment of \$(.75) was made to “Balance, January 1, 2020” because an incorrect fund balance was reported.

An adjustment of \$(60.30) was made to “Maintenance and repair” because check No. 5997 for \$59.55 was voided but was included as an expenditure and expenditures were overstated by \$.75.

An adjustment of \$(10,467.85) was made to “Unpaid encumbrances” because the balance for encumbrance No. 18-05-000-02BR was reported incorrectly.

2020 Report of Act 89 Tax Fund

An adjustment of \$.47 was made to “Interest” because interest earned was understated.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

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>2019</u>	<u>2020</u>
Commonwealth of Pennsylvania	Turnback funds	\$ 120.00	\$120.00
Capital Reserve Account	Reimbursement for payments in error	10,378.18	-
South Woodbury Township	Reimbursement (Summary Of Prior Examination Recommendations)	1,640.37	-
Totals		<u>\$12,138.55</u>	<u>\$120.00</u>

Payments In Error

On April 23, 2019 and May 28, 2019 the county expended \$1,869.00 and \$8,509.18, respectively, from the Liquid Fuels Tax Fund in error. On December 16, 2019, the county transferred this amount from the Capital Reserve Account to the Liquid Fuels Tax Fund to correct the payments in error.

Encumbrances

As of December 31, 2020, \$194,132.15 was encumbered for county projects.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Finding No. 1 - Duplicate Payment Of Invoices - Recurring

We cited the county for duplicate payment of an invoice in our prior report for the period January 1, 2018 to December 31, 2018. Our current examination disclosed that the county 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>
27371	6011	07/20/2020	6016	08/11/2020	\$1,080.00
27239	6016	08/11/2020	6019	09/10/2020	<u>4,622.00</u>
Total					<u>\$5,702.00</u>

Although this money was reimbursed to the Liquid Fuels Tax Fund as \$2,088.90 in credits to future invoices during 2020 and \$3,613.10 in credits to future invoices during 2021, the primary concern is the inadequate internal controls which enabled the duplicate payments of \$5,702.00 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.

The county officials stated that this condition occurred because the county had an employee shortage due to COVID-19.

Recommendation

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

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Finding No. 1 - Duplicate Payment Of Invoices - Recurring (Continued)

Management's Response

The county officials stated:

The County was impacted by effects of the COVID-19 pandemic including key personnel missing work for extended periods of time. The County is currently in the process of upgrading its MUNIS software to ensure future duplicate payments do not occur. The Finance Department will communicate to its employees to follow its established control procedures to review all invoices prior to payment to ensure, in the future, duplicate payments do not occur.

Auditor's Conclusion

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

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

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, 2020 was \$107,339.17, which was greater than the total receipts of \$102,856.97 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 Bedford County:

Unencumbered balance	\$107,339.17
Less 50% of prior 12 months' receipts	<u>51,428.49</u>
Amount to be distributed	<u><u>\$ 55,910.68</u></u>

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

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

The county officials stated delays in the progress of bridge projects and the restructuring of the county's finance department contributed to this condition.

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 \$55,910.68 to the political subdivisions within the county.

Recommendation

Pursuant to the review of the Department of Transportation, we recommend that the Commissioners of Bedford County distribute \$55,910.68 to the political subdivisions within the county in accordance with the provision of the Liquid Fuels and Fuels Tax Act and the Department of Transportation's *Publication 9*.

Management's Response

The county officials stated:

Delays in the progress of bridge projects and the restructuring of the County's Finance Department contributed to this finding. The county will implement additional internal controls to include additional checks and balances such as reviewing receipts, expenditures, encumbered balances, and unencumbered balances prior to year-end to ensure that the unencumbered balance at the end of the calendar year does not exceed the previous twelve months Liquid Fuels receipts.

Auditor's Conclusion

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

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Finding No. 3 - Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the county expended \$23,834.49 during 2020 from the Liquid Fuels Tax Fund for bridge maintenance without advertising for bids. These expenditures were as follows:

<u>Invoice Date</u>	<u>Invoice Number</u>	<u>Date Paid</u>	<u>Check Number</u>	<u>Amount</u>
03/08/2020	2527	04/20/2020	6005	\$10,387.68
04/21/2020	2557	06/11/2020	6009	1,665.27
04/21/2020	2554	06/11/2020	6009	3,985.64
04/22/2020	2556	06/11/2020	6009	5,024.54
04/22/2020	2555	06/11/2020	6009	2,771.36
Total				<u>\$23,834.49</u>

The above expenditures were not made in compliance with the advertising, bidding and contract requirements of *The County Code*, 53 P.S. § 1802(b), (also found at § 1802(b) of *The County Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid and awarded by contract. The bidding threshold increased to purchases over \$20,600.00 for 2019, \$21,000.00 for 2020, \$21,300.00 for 2021, and \$21,900.00 for 2022. *The County Code*, 53 P.S. § 1803, (also found at § 1803 of *The County Code* as published by the Local Government Commission) further states that advertising, bidding, and contract requirements should not be evaded through piecemeal purchases.

County officials stated that they did obtain price quotations for the work. However, because of turnover it was unable to locate the quotes.

The failure to comply with *The County Code* could result in the county having to reimburse \$23,834.49 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the county reimburse \$23,834.49 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the county complies with *The County Code* as noted in this finding.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Finding No. 3 - Noncompliance With Advertising And Bidding Requirements (Continued)

Management's Response

The county officials stated:

It is the county's policy to obtain quotes from contractors prior to the work being performed. Per discussion with the maintenance department, the county did obtain quotes from two or three contractors for those projects. Due to staff turnover, county personnel were unable to locate the obtain quotes. In the future, the county will ensure the obtained quotes are filed in a folder in the Finance Department.

Auditor's Conclusion

Because the expenditures were over \$21,000.00, county officials were required to advertise for bids for the bridge maintenance. During our next examination, we will determine if the county complied with our recommendations.

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
SUMMARY OF PRIOR EXAMINATION RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Summary Of Prior Examination Recommendation

In our prior report, we cited the county for a duplicate payment of county aid in the amount of \$1,640.37. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on April 26, 2019.

In our prior report, we recommended that the county establish and implement internal controls to ensure that expenditures are reviewed timely to avoid duplicate payments.

During our current examination, we noted that the county did not comply with our recommendation (see Finding No. 1).

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

An exit conference was held March 7, 2022. Those participating were:

BEDFORD COUNTY

The Honorable Barry Dallara, Chairman of the Board of Commissioners

Mr. Mike Samson, Outsourced Finance Director

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Michele Garman, CFE, Audit Supervisor

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

BEDFORD COUNTY
LIQUID FUELS, ACT 44, AND ACT 89
TAX FUNDS
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

This report was initially distributed to:

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation

Bedford County
200 South Juliana Street
Bedford, PA 15522

The Honorable Barry Dallara
Chairman of the Board of Commissioners

The Honorable Melissa Cottle
Treasurer

Mr. Mike Samson
Outsourced Finance 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.