



**BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
23-404**

**LIQUID FUELS TAX FUND  
EXAMINATION REPORT**

**FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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EUGENE A. DePASQUALE  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.  
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 Clifton Heights, Delaware County, for the period January 1, 2009 to December 31, 2011. 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 Clifton Heights, Delaware County's Forms MS-965 for the period January 1, 2009 to December 31, 2011 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)

In our opinion, 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 Clifton Heights, Delaware County, for the period January 1, 2009 to December 31, 2011, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Borough of Clifton Heights, Delaware County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Borough of Clifton Heights, Delaware County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Clifton Heights, Delaware County's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Borough of Clifton Heights, Delaware County's internal control.

Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Forms MS-965.

The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Liquid Fuels Money Overexpended On Projects - Recurring.

We also noted an other 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.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Borough of Clifton Heights, Delaware County, and is not intended to be and should not be used by anyone other than these specified parties.



March 22, 2013

**EUGENE A. DEPASQUALE**  
Auditor General

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BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

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 CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2009 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	-	4,090.69	4,090.69
Traffic control devices	29,133.36	(4,090.69)	25,042.67
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	69,807.80	-	69,807.80
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 98,941.16</u>	<u>\$ -</u>	<u>\$ 98,941.16</u>

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

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2009 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, 2009	\$ 36,452.85	\$ 11.74	\$ 36,464.59
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	63.72	(11.74)	51.98
2c. Miscellaneous (Note 5)	73,397.03	-	73,397.03
3. Total receipts	<u>73,460.75</u>	<u>(11.74)</u>	<u>73,449.01</u>
4. Total funds available	<u>109,913.60</u>	<u>-</u>	<u>109,913.60</u>
5. Expenditures (Section 1)	<u>98,941.16</u>	<u>-</u>	<u>98,941.16</u>
6. Balance, December 31, 2009	<u>\$ 10,972.44</u>	<u>\$ -</u>	<u>\$ 10,972.44</u>

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



BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2009 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	\$ 36,452.85	\$ 11.74	\$ 36,464.59
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	36,452.85	11.74	36,464.59
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>36,452.85</u>	<u>11.74</u>	<u>36,464.59</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 10,972.44</u>	<u>\$ -</u>	<u>\$ 10,972.44</u>

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

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2010 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	33,055.73	-	33,055.73
Traffic control devices	19,186.64	-	19,186.64
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	7,163.80	-	7,163.80
Highway construction and rebuilding projects	84,986.32	-	84,986.32
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 144,392.49</u>	<u>\$ -</u>	<u>\$ 144,392.49</u>

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

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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, 2010	\$ 10,972.44	\$ -	\$ 10,972.44
Receipts:			
2. State allocation	216,346.15	-	216,346.15
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	460.66	-	460.66
2c. Miscellaneous	-	-	-
3. Total receipts	<u>216,806.81</u>	<u>-</u>	<u>216,806.81</u>
4. Total funds available	<u>227,779.25</u>	<u>-</u>	<u>227,779.25</u>
5. Expenditures (Section 1)	<u>144,392.49</u>	<u>-</u>	<u>144,392.49</u>
6. Balance, December 31, 2010	<u><u>\$ 83,386.76</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 83,386.76</u></u>

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

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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	\$ 10,972.44	\$ -	\$ 10,972.44
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	43,269.23	-	43,269.23
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	54,241.67	-	54,241.67
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>54,241.67</u>	<u>-</u>	<u>54,241.67</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 54,241.67</u>	<u>\$ -</u>	<u>\$ 54,241.67</u>

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

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2011 FORM MS-965 - SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	20,952.32	-	20,952.32
Traffic control devices	15,141.54	-	15,141.54
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	9,945.60	-	9,945.60
Highway construction and rebuilding projects	92,351.43	-	92,351.43
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 138,390.89</u>	<u>\$ -</u>	<u>\$ 138,390.89</u>

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

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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, 2011	\$ 83,386.76	\$ -	\$ 83,386.76
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	108.51	-	108.51
2c. Miscellaneous (Note 5)	<u>60,000.00</u>	<u>-</u>	<u>60,000.00</u>
3. Total receipts	<u>60,108.51</u>	<u>-</u>	<u>60,108.51</u>
4. Total funds available	<u>143,495.27</u>	<u>-</u>	<u>143,495.27</u>
5. Expenditures (Section 1)	<u>138,390.89</u>	<u>-</u>	<u>138,390.89</u>
6. Balance, December 31, 2011	<u><u>\$ 5,104.38</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,104.38</u></u>

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

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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	\$ 54,241.67	\$ -	\$ 54,241.67
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	54,241.67	-	54,241.67
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>54,241.67</u>	<u>-</u>	<u>54,241.67</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 5,104.38</u>	<u>\$ -</u>	<u>\$ 5,104.38</u>

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

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

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 that cost in excess of \$4,000.00.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less.
- 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.
- 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.



BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

1. Criteria (Continued)

Section 3 (Continued)

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.

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.

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

1. Criteria (Continued)

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's 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.

There were no deposits exposed to custodial credit risk as of December 31, 2011. 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.

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2011 consists of the following:

Cash	<u>\$5,104.38</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 \$51.98 during 2009, \$460.66 during 2010, and \$108.51 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2009 - Section 1

Adjustments were made to “Winter maintenance services” and “Traffic control devices” because expenditures of \$4,090.69 were misclassified.

2009 - Section 2

An adjustment of \$11.74 was made to “Balance, January 1, 2009” because of a prior report adjustment that was not carried forward in the fund balance.

An adjustment of \$(11.74) was made to “Interest on investments” because interest earnings were overstated.

2009 - Section 3

An adjustment of \$11.74 was made to “Prior year equipment balance” because of a prior report adjustment that was not carried forward in the equipment balance.

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2009 TO DECEMBER 31, 2011

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>2009</u>	<u>2011</u>
General Fund	Grants	\$53,000.00	\$ -
General Fund	Reimbursement (Comment No. 1)	11,955.40	-
General Fund	Reimbursement (Comment No. 1)	8,441.63	-
General Fund	Reimbursement (Finding No. 1)	-	50,000.00
General Fund	Reimbursement (Comment No. 2)	<u>-</u>	<u>10,000.00</u>
Totals		<u>\$73,397.03</u>	<u>\$60,000.00</u>

BOROUGH OF CLIFTON HEIGHTS  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 1 - Liquid Fuels Money Overexpended On Projects - Recurring

We cited the municipality for overexpending Liquid Fuels Tax Fund money on construction projects in our prior reports for the period ending December 31, 2005 and December 31, 2008, and are citing the municipality again in our current examination. Our examination disclosed that the municipality expended a total of \$287,523.88 of Liquid Fuels Tax Fund money on four construction projects listed below. However, the amount approved to be expended from the Liquid Fuels Tax Fund for these projects was \$252,622.45. The difference of \$34,901.43 should have been paid directly from the General Fund. The details for the overexpenditures are as follows:

<u>Project No.</u>	<u>PENNDOT Approved Amount</u>	<u>Expended Amount</u>	<u>Overexpended Amount</u>
08-23404-1CA	\$ 51,180.00	\$ 52,564.30	\$ 1,384.30
09-23404-1CA	47,435.80	61,129.88	13,694.08
10-23409-1CA	69,383.25	82,002.41	12,619.16
11-23404-1CA	<u>84,623.40</u>	<u>91,827.29</u>	<u>7,203.89</u>
Totals	<u>\$252,622.45</u>	<u>\$287,523.88</u>	<u>\$34,901.43</u>

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

On October 19, 2011, the municipality reimbursed \$50,000.00 to its Liquid Fuels Tax Fund, which was \$15,098.57 more than the required amount.

This condition occurred because the municipality did not comply with prior examination recommendations to expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Recommendation

We strongly recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 1 - Liquid Fuels Money Overexpended On Projects - Recurring (Continued)

Management's Response

The municipality officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendations.

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 2 - Late Receipt Of Allocations - Recurring

We cited the municipality for failing to file documents and information timely in accordance with the Department of Transportation's *Publication 9*, in our prior examination for the period ending December 31, 2008, and are citing the municipality again in the current examination. Our examination disclosed that the 2009 and 2011 Liquid Fuels Tax Fund allocations of \$110,290.39 and \$109,221.52, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of April of each year, were not received until January 28, 2010 and September 11, 2012 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2009 allocation for more than 9 months and 2011 allocation for more than 17 months. Furthermore, had the allocations 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 condition existed because the municipality did not comply with our prior recommendation to file its documentation and information timely.

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 2 - Late Receipt Of Allocations - Recurring (Continued)

Recommendation

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

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendations.



BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
COMMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

Comment No. 1 - Summary Of 2004-2005 Examination Recommendations

In our 2004-2005 report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$122,614.94 to its Liquid Fuels Tax Fund. This amount consists of \$83,613.70 for a failure to maintain documentation to support expenditures, \$27,045.84 for a failure to maintain documentation supporting price quotations, and \$11,955.40 for overexpending Liquid Fuels Tax Fund Money on road construction projects.

During our current examination we reviewed a letter dated December 2, 2009, from the Department of Transportation informing the municipality that the reimbursement of \$102,217.91 would not be required. However, the remaining balance of \$20,397.03 will be required to be reimbursed to its Liquid Fuels Tax Fund. On November 4, 2009 and November 19, 2009 the municipality reimbursed \$11,955.40 and \$8,441.63, respectively, to its Liquid Fuels Tax Fund.

Comment No. 2 - Summary Of 2006-2008 Examination Recommendations

In our 2006-2008 report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$175,851.42 to its Liquid Fuels Tax Fund. This amount consists of \$168,358.42 for a failure to maintain documentation to support expenditures and \$7,493.00 for overexpending Liquid Fuels Tax Fund money on road construction projects. A finding for Liquid Fuels money overexpended on road construction projects was also written in our current report (see Finding No. 1).

During our current examination, we reviewed a letter dated October 26, 2011 from the Department of Transportation informing the municipality that reimbursement of \$166,787.69 would not be required. The remaining balance of \$9,063.73 would be required to be reimbursed to the Liquid Fuels Tax Fund. On December 21, 2011, the municipality reimbursed \$10,000.00 to its Liquid Fuels Tax Fund, which was \$936.27 more than the required amount.

In our prior report we recommended:

- That the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.
- That the municipality comply with the Commonwealth of Pennsylvania Management Directive 210.11 by obtaining images of both the front and back of canceled checks from its financial institution.

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
COMMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

Comment No. 2 - Summary Of Prior Examination Recommendations (Continued)

- That transcribed minutes for council meetings be available for public review within a reasonable period of time after each meeting.

During our current examination we noted that the municipality complied with our recommendations.

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

An exit conference was held March 22, 2013. Those participating were:

BOROUGH OF CLIFTON HEIGHTS

Mr. Anthony Tartaglia, Borough Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Stephen P. Stoppie, Auditor

Mr. John C. Socket, Auditor

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

BOROUGH OF CLIFTON HEIGHTS  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PEIROD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.  
Secretary  
Department of Transportation

Borough of Clifton Heights  
Delaware County  
30 South Springfield Road  
Clifton Heights, PA 19018

The Honorable Anthony J. Casadei

President of Council

Mr. Anthony Tartaglia

Borough Manager

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. 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@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).