

ATTESTATION ENGAGEMENT

Borough of Coalport
Clearfield County, Pennsylvania
17-405
Liquid Fuels Tax Fund
For the Period
January 1, 2018 to December 31, 2019

June 2021



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

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 Borough of Coalport, Clearfield County, for the period January 1, 2018 to December 31, 2019. The municipality's management is responsible for presenting the Forms MS-965 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 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*.

Independent Auditor's Report (Continued)

As described in the Auditor Description of Select Transactions section of this report, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

As discussed in the Findings and Recommendations and Summary Of Prior Examination Recommendations:

- The municipality did not maintain documentation for an expenditure of \$16,881.27 during 2018, payroll of \$744.51 during 2019, and transfers of \$3,393.50 during 2019 (see Finding No. 1.)
- The municipality did not receive its 2019 allocation of \$26,876.40 as of the exit conference date of this report of February 10, 2021 (see Finding No. 4.)
- The municipality made nonpermissible expenditures of \$3,661.75 from its Liquid Fuels Tax Fund during 2018 (see Finding No. 5.)
- In the prior examination period, the municipality made nonpermissible expenditures of \$2,653.75 from its Liquid Fuels Tax Fund. The municipality reimbursed this amount to its Liquid Fuels Tax Fund on January 30, 2020, which was subsequent to our examination period (Summary of Prior Examination Recommendations.)

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 Borough of Coalport, Clearfield County, for the period January 1, 2018 to December 31, 2019, 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 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.

Independent Auditor's Report (Continued)

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

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Form MS-965 is 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 Expenditure, Payroll Expenditures and Transfer Not Available For Examination.
- One Signature On Liquid Fuels Tax Fund Checks.
- Internal Control Over Receipts Should Be Improved.

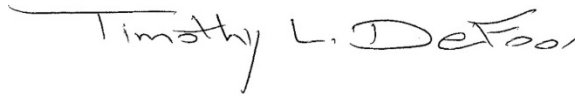
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of Coalport, Clearfield County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Non-Receipt Of Allocation.
- Nonpermissible Expenditures - Recurring.

Independent Auditor's Report (Continued)

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.

We appreciate the courtesy extended by the Borough of Coalport, Clearfield 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

May 7, 2021

Timothy L. DeFoor
Auditor General

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BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

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.

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2019

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development’s (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition By March 15th.
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.

Criteria

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 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:

2015/2016	2017	2018	2019
\$10,500.00	\$10,700.00	\$10,900.00	\$11,100.00

- 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:

2015/2016	2017	2018	2019
\$10,500.00	\$10,700.00	\$10,900.00	\$11,100.00

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

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Background (Continued)

Section 2 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.
- Expenditures include the total transferred from Section 1.

Section 3 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.

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Background (Continued)

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 Form MS-965 has 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 Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

The accompanying Form MS-965 With Adjustments is 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.

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2018 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	3,139.00	-	3,139.00
Street lighting	-	-	-
Storm sewers and drains	39.58	-	39.58
Repairs of tools and machinery	1,957.20	37.10	1,994.30
Maintenance and repair of roads and bridges	22,204.03	-	22,204.03
Highway construction and rebuilding projects	-	-	-
Miscellaneous	37.10	(37.10)	-
 Total (To Section 2, Line 5)	 <u>\$ 27,376.91</u>	 <u>\$ -</u>	 <u>\$ 27,376.91</u>

BOROUGH OF COALPORT
 CLEARFIELD 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	\$ 20,423.71	\$ -	\$ 20,423.71
Receipts:			
2. State allocation	26,259.55	-	26,259.55
2a. Turnback allocation	-	-	-
2b. Interest on investments	547.21	-	547.21
2c. Miscellaneous	7,314.43	-	7,314.43
3. Total receipts	<u>34,121.19</u>	<u>-</u>	<u>34,121.19</u>
4. Total funds available	<u>54,544.90</u>	<u>-</u>	<u>54,544.90</u>
5. Expenditures (Section 1)	<u>27,376.91</u>	<u>-</u>	<u>27,376.91</u>
6. Balance, December 31, 2018	<u><u>\$ 27,167.99</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,167.99</u></u>

BOROUGH OF COALPORT
 CLEARFIELD 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	\$ 19,505.26	\$ -	\$ 19,505.26
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	5,251.91	-	5,251.91
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	24,757.17	-	24,757.17
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>24,757.17</u>	<u>-</u>	<u>24,757.17</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 24,757.17</u>	<u>\$ -</u>	<u>\$ 24,757.17</u>

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2019 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	744.51	-	744.51
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	550.00	-	550.00
Repairs of tools and machinery	102.83	.02	102.85
Maintenance and repair of roads and bridges	5,024.40	-	5,024.40
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 6,421.74</u>	<u>\$.02</u>	<u>\$ 6,421.76</u>

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2019 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, 2019	\$ 27,167.99	\$ -	\$ 27,167.99
Receipts:			
2. State allocation	.01	(.01)	-
2a. Turnback allocation	-	-	-
2b. Interest on investments	503.14	-	503.14
2c. Miscellaneous	417.52	.03	417.55
3. Total receipts	<u>920.67</u>	<u>.02</u>	<u>920.69</u>
4. Total funds available	<u>28,088.66</u>	<u>.02</u>	<u>28,088.68</u>
5. Expenditures (Section 1)	<u>6,421.74</u>	<u>.02</u>	<u>6,421.76</u>
6. Balance, December 31, 2019	<u><u>\$ 21,666.92</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,666.92</u></u>

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 2019 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	\$ 24,757.17	\$ -	\$ 24,757.17
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	24,757.17	-	24,757.17
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>24,757.17</u>	<u>-</u>	<u>24,757.17</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 21,666.92</u>	<u>\$ -</u>	<u>\$ 21,666.92</u>

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2019

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

Adjustments

2018 - Section 1

Adjustments were made to “Repairs of tools and machinery” and “Miscellaneous” because expenditures of \$37.10 were misclassified.

2019 - Section 1

An adjustment of \$.02 was made to “Repairs of tools and machinery” because check No. 1330 was understated.

2019 - Section 2

An adjustment of \$.01 was made to “State allocation” because the municipality did not receive its 2019 allocation.

An adjustment of \$.03 was made to “Miscellaneous” because this receipt was understated.

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>	<u>2019</u>
General Fund	Unidentified receipt (Finding No. 3)	\$7,314.43	\$ -
Commonwealth of Pennsylvania	Deposit in error	-	417.55
Totals		<u>\$7,314.43</u>	<u>\$417.55</u>

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Deposits In Error

On June 3, 2019 and December 2, 2019, the Commonwealth of Pennsylvania deposited \$226.06 and \$191.49, respectively, into the Liquid Fuels Tax Fund in error. As of December 31, 2019, these funds remained in the Liquid Fuels Tax Fund.

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2019

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

Our examination disclosed that the municipality did not maintain an invoice to support check 1309, issued on September 9, 2018 for \$16,881.27. Additionally, during 2019 the municipality did not maintain invoices or payroll records to support transfers from the Liquid Fuels Tax Fund to the General Fund of \$3,393.50 and did not maintain payroll records to support expenditures of \$744.51. The 2019 expenditures are as follows:

Undocumented Transfers:

<u>Check Number</u>	<u>Check Date</u>	<u>Fund</u>	<u>Amount</u>
1334	6/26/2019	General Fund	\$1,964.75
1335	7/3/2019	General Fund	58.00
1336	7/18/2019	General Fund	120.75
1339	8/20/2019	General Fund	165.00
1340	8/29/2019	General Fund	49.50
1341	9/16/2019	General Fund	181.50
1342	10/3/2019	General Fund	256.00
1344	10/22/2019	General Fund	231.00
1345	10/22/2019	General Fund	279.50
1348	12/5/2019	General Fund	39.50
1350	12/5/2019	General Fund	32.00
1351	12/5/2019	General Fund	16.00
			<u>\$3,393.50</u>

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2019

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

Payroll Expenditures:

<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
1323	1/28/2019	\$ 90.33
1324	1/28/2019	102.39
1325	2/11/2019	254.27
1326	2/11/2029	<u>297.52</u>
Total		<u><u>\$744.51</u></u>

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 expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations.

Because the municipal officials that we consulted with during this examination were new, we unable to determine what caused this condition.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$21,019.28 to its Liquid Fuels Tax Fund.

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

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

Recommendations

We recommend that the municipality reimburse \$21,019.28 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.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 2 - One Signature On Liquid Fuels Tax Fund Checks

Our examination disclosed that only one signature was required to authorize checks drawn on the Liquid Fuels Tax Fund. When only one signature is required there is a significant risk of unauthorized disbursements, errors, or misappropriations occurring and remaining undetected. To decrease this risk, good internal controls require that at least two authorized signatures from unrelated municipal officials be required to authorize checks drawn on the Liquid Fuels Tax Fund.

Additionally, both the president of council and the secretary/treasurer, who are mother and daughter, respectively, were authorized to sign checks. However, different individuals are now president of council and secretary/treasurer, and having related check signers is no longer an issue.

Because the municipal officials that we consulted with during this examination were new, we were unable to determine what caused this condition.

Recommendation

We recommend that the municipality improve internal control procedures over disbursements by requiring at least two signatures from unrelated municipal officials on all disbursements from the Liquid Fuels Tax Fund account.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 3 - Internal Control Over Receipts Should Be Improved

Our examination disclosed that there was no explanation for a receipt of \$7,314.43 on December 17, 2019.

Good internal controls ensure that the municipality complete its form MS-965 accurately and completely, including descriptions of the source and purpose of all receipts. Additionally, good internal accounting controls ensure that there is documentation to support all receipts. Additionally, because documentation for the receipt totaling \$7,314.43 was not maintained, we were unable to determine if this money should have been deposited into the Liquid Fuels Tax Fund.

Because the municipal officials that we consulted with during this examination were new, we unable to determine what caused this condition.

Recommendations

We recommend that the municipality maintain adequate documentation to support all receipts.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 4- Non Receipt Of Allocation

Our examination disclosed that the 2019 Liquid Fuels Tax Fund allocation of \$26,876.14 which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received as of the exit conference date for this engagement of February 10, 2021, 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 31st and the Survey of Financial Condition by March 15th.
- 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 2019 allocation. 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.

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 4 - Non Receipt Of Allocation (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 offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF COALPORT
 CLEARFIELD COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 5 - Nonpermissible Expenditures - Recurring

We cited the municipality for a nonpermissible expenditure in our prior examination for the period January 1, 2015 to December 31, 2017. Our current examination disclosed that the municipality expended \$3,661.75 during 2018 from the Liquid Fuels Tax Fund for the following nonpermissible items:

<u>Description</u>	<u>Amount</u>
Decorative street light pole	\$3,139.00
Coal for heating borough building	522.75
Total	\$3,661.75

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 decorative street light poles and coal for heating the borough building, are outside the scope of permissible expenditures.

Because the municipal officials that we consulted with during this examination were new, we unable to determine what caused this condition.

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 \$3,661.75 to its Liquid Fuels Tax Fund.

We did not note any nonpermissible expenditures in 2019.

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 5 - Nonpermissible Expenditure - Recurring (Continued)

Recommendations

We recommend that the municipality reimburse \$3,661.75 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

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 \$2,653.75 to its Liquid Fuels Tax Fund for nonpermissible expenditures.

During our current examination, we reviewed a letter dated April 11, 2019, from the Department of Transportation directing the municipality to reimburse \$2,653.75 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on January 30, 2020, which was subsequent to our examination period.

In our prior report, we also recommended that the municipality comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

During our current examination, we noted that the municipality did not comply with the above recommendation (See Finding No. 5.)

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

An exit conference was held February 10, 2021. Those participating were:

BOROUGH OF COALPORT

The Honorable Paul Zupich, President of Council

The Honorable Kevin Swauger, Vice-President of Council

Ms. Mary Sue Hoey, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ronald J. Fairman, Auditor

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

BOROUGH OF COALPORT
CLEARFIELD COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

This report was initially distributed to:

Yassmin Gramian, P.E.
Acting Secretary
Department of Transportation

Borough of Coalport
Clearfield County
961 Forest Street
Coalport, PA 16627

The Honorable Paul Zupich
President of Council

The Honorable Kevin Swauger
Vice-President of Council

Ms. Mary Sue Hoey
Secretary/Treasurer

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