

ATTESTATION ENGAGEMENT

Township of Connellsville

Fayette County, Pennsylvania

26-203

Liquid Fuels Tax Fund

For the Period

January 1, 2018 to December 31, 2018

July 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Form MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Connellsville, Fayette County, for the period January 1, 2018 to December 31, 2018. The municipality's management is responsible for presenting the Form MS-965 in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Form 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 Form MS-965 is presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Form 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 Form MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

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

Independent Auditor's Report (Continued)

As discussed in Finding No 2, the municipality expended \$10,487.73 during 2018 from the Liquid Fuels Tax Fund for nonpermissible expenditures. During 2018, \$7,627.20 was reimbursed to the Liquid Fuels Tax Fund, leaving a balance due of \$2,860.53. Additionally, as discussed in the Summary of 2015-2016 Examination Recommendations section of this report, we noted that the municipality was required to reimburse \$54,553.21 to its Liquid Fuels Tax Fund as a result of findings in our 2015-2016 report. As of the exit conference date of this examination of March 13, 2020, the municipality had reimbursed \$34,720.03 to its Liquid Fuels Tax Fund, leaving a balance due of \$19,883.18.

In our opinion, except for the matters discussed in the preceding paragraph, the Form MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Connellsville, Fayette County, for the period January 1, 2018 to December 31, 2018, in accordance with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Form 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 Form 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 Form MS-965 is 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 Form MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Form MS-965 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 a certain deficiency in internal control, described in the finding listed below, that we consider to be a material weakness in internal control:

- Duplicate Payment Of Invoice.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Form MS-965 is free from material misstatement, we performed tests of the Township of Connellsville, Fayette 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 Form MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Nonpermissible Expenditures.

We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Late Receipt Of Allocation.

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 Township of Connellsville, Fayette 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.



Eugene A. DePasquale
Auditor General

June 12, 2020

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TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

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

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

The Department of Transportation has been given the regulatory authority for the administration of these funds. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

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

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

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
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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.

TOWNSHIP OF CONNELLSVILLE
 FAYETTE COUNTY
 LIQUID FUELS TAX FUND
 2018 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 572.90	\$ 108.00	\$ 680.90
Computer/Computer related training	-	-	-
Major equipment purchases	15,478.54	-	15,478.54
Agility projects	-	-	-
Cleaning streets and gutters	650.00	-	650.00
Winter maintenance services	13,335.55	-	13,335.55
Traffic control devices	322.05	-	322.05
Street lighting	-	-	-
Storm sewers and drains	-	3,806.26	3,806.26
Repairs of tools and machinery	11,640.77	(2,691.22)	8,949.55
Maintenance and repair of roads and bridges	30,860.41	(3,774.90)	27,085.51
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	7,935.87	3,993.54	11,929.41
 Total (To Section 2, Line 5)	 <u>\$ 80,796.09</u>	 <u>\$ 1,441.68</u>	 <u>\$ 82,237.77</u>

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

TOWNSHIP OF CONNELLSVILLE
 FAYETTE COUNTY
 LIQUID FUELS TAX FUND
 2018 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, 2018	\$ 95,415.86	\$ -	\$ 95,415.86
Receipts:			
2. State allocation	110,491.90	-	110,491.90
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	1,525.61	-	1,525.61
2c. Miscellaneous (Note 5)	33,408.73	1,441.68	34,850.41
3. Total receipts	<u>145,426.24</u>	<u>1,441.68</u>	<u>146,867.92</u>
4. Total funds available	<u>240,842.10</u>	<u>1,441.68</u>	<u>242,283.78</u>
5. Expenditures (Section 1)	<u>80,796.09</u>	<u>1,441.68</u>	<u>82,237.77</u>
6. Balance, December 31, 2018	<u>\$ 160,046.01</u>	<u>\$ -</u>	<u>\$ 160,046.01</u>

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

TOWNSHIP OF CONNELLSVILLE
 FAYETTE 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	\$ 25,204.46	\$ -	\$ 25,204.46
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	22,098.38	-	22,098.38
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	47,302.84	-	47,302.84
5. Less: Major equipment expenditures	<u>15,478.54</u>	<u>-</u>	<u>15,478.54</u>
6. Remainder	<u>31,824.30</u>	<u>-</u>	<u>31,824.30</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 31,824.30</u>	<u>\$ -</u>	<u>\$ 31,824.30</u>

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

TOWNSHIP OF CONNELLSVILLE
 FAYETTE COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORM MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2018

1. Criteria

Section 1

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

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

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

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

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

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

Section 2

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

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
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NOTES TO FORM MS-965 WITH ADJUSTMENTS
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1. Criteria (Continued)

Section 3

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

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

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

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

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The 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.

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

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 Second Class Township Code, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

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

Deposits consist of receipts and deposits in financial institutions. 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, 2018. Custodial credit risk, as defined by GASB No. 40, as amended, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

Fund Balance

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

Cash	<u>\$160,046.01</u>
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TOWNSHIP OF CONNELLSVILLE
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LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$1,525.61 during 2018, thus providing additional funds for road maintenance and repairs.

4. Adjustments

Section 1

An adjustment was made to “Minor equipment purchases” because expenditures of \$108.00 were misclassified as miscellaneous expenditures.

An adjustment of \$3,806.26 was made to “Storm sewers and drains” because expenditures of \$269.99 were misclassified as miscellaneous and expenditures of \$3,536.27 were misclassified as maintenance and repair of roads and bridges.

An adjustment of \$(2,691.22) was made to “Repairs of tools and machinery” because miscellaneous expenditures were misclassified as repairs of tools and machinery.

An adjustment of \$(3,774.90) was made to “Maintenance and repair of roads and bridges” because expenditures of \$3,536.27 for storm sewers and drains were misclassified, expenditures of \$5,472.99 were misclassified as miscellaneous, and miscellaneous expenditures of \$5,711.62 were misclassified.

An adjustment of \$3,993.54 was made to “Miscellaneous” because minor equipment purchases of \$108.00 were misclassified, expenditures of \$269.99 for storm sewers and drains were misclassified, expenditures of \$2,691.22 were misclassified as repairs of tools and machinery, expenditures of \$5,472.99 for maintenance and repair of roads and bridges were misclassified, expenditures of \$5,711.62 were misclassified as maintenance and repair of roads and bridges, a duplicate transfer of \$1,430.68 was not reported, and a bank error of \$11.00 was not reported.

Section 2

An adjustment of \$1,441.68 was made to “Miscellaneous” because the correction of a duplicate transfer was not reported.

TOWNSHIP OF CONNELLSVILLE
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 LIQUID FUELS TAX FUND
 NOTES TO FORM MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
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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>Amount</u>
General Fund	Reimbursement (Summary Of 2015-2016 Examination Recommendations)	\$14,886.85
General Fund	Reimbursements (Finding No. 2)	7,627.20
General Fund	Correction of transfer in error (Note 7)	1,430.68
General Fund	Reimbursement (Note 8)	1,397.00
General Fund	Reimbursement for storm sewer repairs	69.99
General Fund	Duplicate reimbursement (Note 8)	1,397.00
General Fund	Reimbursement for pipe and inlet box with grate	4,900.00
General Fund	Reimbursement for stone	1,711.01
General Fund	Duplicate correction of transfer in error (Note 7)	1,430.68
Total		<u>\$34,850.41</u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>Amount</u>
Vendor	Nonpermissible expenditures (Finding No. 3)	\$10,487.73
General Fund	Transfer in error (Note 7)	1,430.68
Financial Institution	Bank error	11.00
Total		<u>\$11,929.41</u>

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
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NOTES TO FORM MS-965 WITH ADJUSTMENTS
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7. Transfer In Error

On December 28, 2018, the municipality transferred \$1,430.68 from its Liquid Fuels Tax Fund to its General Fund in error. On December 28, 2018, the municipality transferred \$1,430.68 from its General Fund to its Liquid Fuels Tax Fund to correct the transfer in error. We further noted that on December 31, 2018, the municipality transferred another \$1,430.68 from its General Fund to its Liquid Fuels Tax Fund resulting in a duplicate reimbursement. It was not determined if the municipality was planning to reimburse the duplicate reimbursement to its General Fund.

8. Duplicate Reimbursement For Expenditure

On October 13, 2018, the municipality expended \$1,397.00 from its Liquid Fuels Tax Fund for an inlet box with grates. On December 31, 2018, the municipality transferred \$1,397.00 from its General Fund to its Liquid Fuels Tax Fund twice. It was not determined if the municipality was planning to reimburse the duplicate reimbursement to its General Fund.

9. Lease-Purchase Agreement

On March 5, 2014, the municipality entered into a lease-purchase agreement with F.N.B Commercial Leasing to purchase a 2014 dump truck with plow and spreader for \$71,664.00. The agreement was for a term of five years at an interest rate of 3.77 percent. Principal and interest payments of \$15,478.54 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$42,061.44 and \$4,874.18, respectively, and late fees of \$3,095.70. Additionally, the municipality paid principal of \$15,383.48 and interest of \$95.06 from the General Fund.

During the current examination period, the municipality paid principal of \$14,219.08 and interest of \$1,259.46 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2018 Form MS-965 - Section 1. On March 5, 2018, the lease-purchase agreement was paid-in-full.

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
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10. Bank Loan

On December 15, 2014, the municipality borrowed \$63,575.00 from Somerset Trust Company to purchase a 2015 Ford F550 dump truck with body and plow. The term of the loan was for five years at an interest rate of 2.95 percent. Principal and interest payments of \$1,142.16 are due monthly. During prior examination periods the municipality paid principal of \$2,171.20, interest of \$227.34, and late fees of \$114.22 from its Liquid Fuels Tax Fund. Additionally, the municipality paid principal of \$40,677.36 and interest of \$3,594.63 from the General Fund.

During the current examination period, the municipality paid principal of \$15,687.99 and interest of \$416.47 from the General Fund. The outstanding balance of the loan as of December 31, 2018, was \$5,038.45, plus interest.

TOWNSHIP OF CONNELLSVILLE
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 FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Duplicate Payment Of Invoice

Our examination disclosed that the municipality paid the following invoice 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>
18070	963	01/18/18	966	02/04/18	<u>\$1,819.09</u>

Although the municipality’s Liquid Fuels Tax Fund received a credit for the duplicate payment from the vendor on December 21, 2018, the primary concern is the inadequate internal controls which enabled the duplicate payment of \$1,819.09 to remain undetected for nine 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.

Recommendation

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

Management’s Response

The secretary stated:

Our treasurer was new to municipal government and was not aware of what is permissible under liquid fuels. We have since implemented a new system to eliminate this problem.

Auditor’s Conclusion

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

TOWNSHIP OF CONNELLSVILLE
 FAYETTE COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$10,487.73 during 2018 from the Liquid Fuels Tax Fund for the following nonpermissible items:

Description	Amount Paid
Light for shed	\$ 588.56
Fuel to heat shed	1,496.33
Tube light for shed	2,691.22
Cinders	5,711.62
Totals	\$10,487.73

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 lights, heating fuel and cinders, are outside the scope of permissible expenditures.

On November 13, 2018, the municipality reimbursed \$3,950.43 to its Liquid Fuels Tax Fund. Additionally, on December 31, 2018, the municipality reimbursed \$3,676.77 to its Liquid Fuels Tax Fund.

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 \$2,860.53 to its Liquid Fuels Tax Fund

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Nonpermissible Expenditures (Continued)

Recommendations

We recommend that the municipality reimburse \$2,860.53 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The secretary stated:

Our treasurer was new to municipal government and was not aware of what is permissible under liquid fuels. We have since implemented a new system to eliminate this problem.

Auditor's Conclusion

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

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
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Finding No. 3 - Late Receipt Of Allocation

Our examination disclosed that the 2018 Liquid Fuels Tax Fund allocation of \$110,491.90, 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 until July 11, 2018, 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 2018 allocation for more than four months. Furthermore, had the allocation been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

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.

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

Finding No. 3- Late Receipt Of Allocation (Continued)

Management's Response

The secretary stated:

We had to pay our reimbursement to liquid fuels and wait for it to clear before receiving our allocation. We are taking steps to correct any issues that are brought to our attention.

Auditor's Conclusion

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

TOWNSHIP OF CONNELLSVILLE
 FAYETTE COUNTY
 LIQUID FUELS TAX FUND
 SUMMARY OF 2015-2016 EXAMINATION RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2018

Summary Of 2015-2016 Examination Recommendations

In our 2015-2016 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$74,434.23 to its Liquid Fuels Tax Fund. This amount consists of \$37,350.43 for not maintaining documentation supporting expenditures, \$18,910.80 for not obtaining price quotations for the purchase of antiskid, and \$18,173.00 for nonpermissible expenditures.

During our 2017 examination, we reviewed a letter dated June 25, 2018, from the Department of Transportation directing the municipality to reimburse \$74,434.23 to its Liquid Fuels Tax Fund in five installments of \$14,886.85 due on December 31 each year starting in 2017. We noted the municipality made its first installment of \$14,886.85 to its Liquid Fuels Tax Fund on May 30, 2018.

Additionally, during our 2017 examination, we reviewed a letter dated December 18, 2018, from the Department of Transportation informing the municipality that the reimbursement of \$19,881.02 would not be required, thus changing the installment agreement. Since the municipality made the first installment payment of \$14,886.85, the four remaining installment payments will be \$9,916.59 to its Liquid Fuels Tax Fund. The reimbursement schedule is as follows:

<u>Date Due</u>	<u>Amount Paid</u>	<u>Date Paid</u>
12/31/17	\$14,886.85	05/19/18
12/31/18	9,916.59	02/16/19
12/31/19	9,916.59	11/15/19
12/31/20	9,916.59	-
12/31/21	9,916.59	-
Total	\$54,553.21	

As of exit conference date of this examination of March 13, 2020, \$19,833.18 remained due the municipality's Liquid Fuels Tax Fund.

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

An exit conference was held March 13, 2020. Those participating were:

TOWNSHIP OF CONNELLSVILLE

Ms. Darla S. Hann, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Michele Simpson, Auditor

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

TOWNSHIP OF CONNELLSVILLE
FAYETTE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

This report was initially distributed to:

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

Township of Connellsville
Fayette County
166 McCoy Hollow Road
Connellsville, PA 15425

The Honorable Todd Miner
Chairman of the Board of Supervisors

The Honorable Donald Hann
Vice-Chairman of the Board of Supervisors

Ms. Darla S. Hann
Secretary

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.