

ATTESTATION ENGAGEMENT

Borough of East Stroudsburg

Monroe County, Pennsylvania

45-402

Liquid Fuels Tax Fund

For the Period

January 1, 2019 to December 31, 2021

December 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of East Stroudsburg, Monroe County, for the period January 1, 2019 to December 31, 2021. 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 required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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.

Independent Auditor's Report (Continued)

As discussed in the Findings And Recommendations section of this report:

- The municipality did not maintain invoices or payroll records to support transfers of \$48,502.69 during 2019, \$114,160.54 during 2020, and \$357.99 during 2021 from its Liquid Fuels Tax Fund to its General Fund (see Finding No. 1).
- The municipality expended \$2,208.23 during 2021 from the Liquid Fuels Tax Fund for electricity at the fire department, which is nonpermissible. The municipality made an error in trying to correct the condition resulting in an amount due the Liquid Fuels Tax Fund on \$2,557.22 as of December 31, 2021 (see Finding No. 2).

In our opinion, except for the bulleted items 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 East Stroudsburg, Monroe County, for the period January 1, 2019 to December 31, 2021, 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.

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.

Independent Auditor's Report (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency below to be a material weakness:

- Documentation Supporting Transfers Was Not Available For Examination.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of East Stroudsburg, Monroe County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Nonpermissible Expenditures.

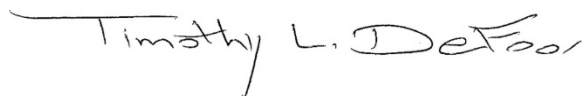
We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Late Receipt Of Allocations - Recurring.

The examination finding for late receipt of allocations contained in this report cites a condition that existed in the operation of the municipality during the previous engagement period and was not corrected during the current examination period. The borough should strive to comply with the recommendations noted in this report.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Borough of East Stroudsburg, Monroe County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
December 14, 2022

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BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., provides municipalities other than counties (i.e., 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 upon: (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.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code 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 EAST STROUDSBURG
 MONROE COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2021

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:

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

- 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:

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

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

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 EAST STROUDSBURG
MONROE 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	60,881.86	60,881.84	121,763.70
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	34,427.12	-	34,427.12
Traffic control devices	21,857.74	-	21,857.74
Street lighting	115,572.13	18.72	115,590.85
Storm sewers and drains	7,650.00	-	7,650.00
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	10,222.04	-	10,222.04
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	48,502.61	48,502.61
 Total (To Section 2, Line 5)	 <u>\$ 250,610.89</u>	 <u>\$ 109,403.17</u>	 <u>\$ 360,014.06</u>

BOROUGH OF EAST STROUDSBURG
MONROE 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	\$ 170,254.78	\$ -	\$ 170,254.78
Receipts:			
2. State allocation	270,067.58	-	270,067.58
2a. Turnback allocation	6,040.00	-	6,040.00
2b. Interest on investments	4,218.24	-	4,218.24
2c. Miscellaneous	39,094.58	109,159.17	148,253.75
3. Total receipts	319,420.40	109,159.17	428,579.57
4. Total funds available	489,675.18	109,159.17	598,834.35
5. Expenditures (Section 1)	250,610.89	109,403.17	360,014.06
6. Balance, December 31, 2019	<u>\$ 239,064.29</u>	<u>\$ (244.00)</u>	<u>\$ 238,820.29</u>

BOROUGH OF EAST STROUDSBURG
 MONROE 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	\$ 167,642.46	\$ -	\$ 167,642.46
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	55,221.52	-	55,221.52
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	222,863.98	-	222,863.98
5. Less: Major equipment expenditures	<u>60,881.86</u>	<u>60,881.84</u>	<u>121,763.70</u>
6. Remainder	<u>161,982.12</u>	<u>(60,881.84)</u>	<u>101,100.28</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 161,982.12</u>	<u>\$ (60,881.84)</u>	<u>\$ 101,100.28</u>

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
2020 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 788.75	\$ -	\$ 788.75
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	29,589.24	-	29,589.24
Traffic control devices	29,106.94	-	29,106.94
Street lighting	106,568.70	-	106,568.70
Storm sewers and drains	13,370.00	-	13,370.00
Repairs of tools and machinery	1,955.63	-	1,955.63
Maintenance and repair of roads and bridges	2,919.41	-	2,919.41
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	116,598.33	116,598.33
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u>\$ 184,298.67</u>	<u>\$ 116,598.33</u>	<u>\$ 300,897.00</u>

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
2020 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, 2020	\$ 239,064.29	\$ (244.00)	\$ 238,820.29
Receipts:			
2. State allocation	262,861.64	-	262,861.64
2a. Turnback allocation	6,040.00	-	6,040.00
2b. Interest on investments	1,339.26	-	1,339.26
2c. Miscellaneous	-	12,437.79	12,437.79
3. Total receipts	<u>270,240.90</u>	<u>12,437.79</u>	<u>282,678.69</u>
4. Total funds available	<u>509,305.19</u>	<u>12,193.79</u>	<u>521,498.98</u>
5. Expenditures (Section 1)	<u>184,298.67</u>	<u>116,598.33</u>	<u>300,897.00</u>
6. Balance, December 31, 2020	<u><u>\$ 325,006.52</u></u>	<u><u>\$ (104,404.54)</u></u>	<u><u>\$ 220,601.98</u></u>

BOROUGH OF EAST STROUDSBURG
 MONROE COUNTY
 LIQUID FUELS TAX FUND
 2020 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	\$ 161,982.12	\$ (60,881.84)	\$ 101,100.28
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	53,780.33	-	53,780.33
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	215,762.45	(60,881.84)	154,880.61
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>215,762.45</u>	<u>(60,881.84)</u>	<u>154,880.61</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 215,762.45</u>	<u>\$ (60,881.84)</u>	<u>\$ 154,880.61</u>

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
2021 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 589.44	\$ -	\$ 589.44
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	64,342.11	-	64,342.11
Traffic control devices	49,919.65	-	49,919.65
Street lighting	180,934.64	-	180,934.64
Storm sewers and drains	24,855.04	-	24,855.04
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	15,314.01	-	15,314.01
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	357.99	357.99
 Total (To Section 2, Line 5)	 <u>\$ 335,954.89</u>	 <u>\$ 357.99</u>	 <u>\$ 336,312.88</u>

BOROUGH OF EAST STROUDSBURG
 MONROE COUNTY
 LIQUID FUELS TAX FUND
 2021 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, 2021	\$ 325,006.52	\$ (104,404.54)	\$ 220,601.98
Receipts:			
2. State allocation	-	244,059.34	244,059.34
2a. Turnback allocation	6,040.00	-	6,040.00
2b. Interest on investments	67.73	-	67.73
2c. Miscellaneous	305,870.81	(139,296.81)	166,574.00
3. Total receipts	<u>311,978.54</u>	<u>104,762.53</u>	<u>416,741.07</u>
4. Total funds available	<u>636,985.06</u>	<u>357.99</u>	<u>637,343.05</u>
5. Expenditures (Section 1)	<u>335,954.89</u>	<u>357.99</u>	<u>336,312.88</u>
6. Balance, December 31, 2021	<u><u>\$ 301,030.17</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 301,030.17</u></u>

BOROUGH OF EAST STROUDSBURG
 MONROE COUNTY
 LIQUID FUELS TAX FUND
 2021 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	\$ 215,762.45	\$ (60,881.84)	\$ 154,880.61
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	1,208.00	48,811.86	50,019.86
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	216,970.45	(12,069.98)	204,900.47
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>216,970.45</u>	<u>(12,069.98)</u>	<u>204,900.47</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 216,970.45</u>	<u>\$ (12,069.98)</u>	<u>\$ 204,900.47</u>

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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

Adjustments

2019 - Section 1

An adjustment of \$60,881.84 was made to “Major equipment purchases” because check No. 3243 was reported as \$38,724.11 but was issued for \$77,448.21, and check No. 3248 was reported as \$22,157.75 but was issued for \$44,315.49.

An adjustment of \$18.72 was made to “Street lighting” because check No. 3230 was reported as \$187.45 but was issued for \$206.50, and check No. 3231 was reported as \$69.99 but was issued for \$69.66.

An adjustment of \$48,502.61 was made to “Miscellaneous” because transfers to the General Fund were not reported.

2019 - Section 2

An adjustment of \$109,159.17 was made to “Miscellaneous” because these receipts were understated.

2019 - Section 3

An adjustment of \$60,881.84 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2019 - Section 1.

2020 - Section 1

An adjustment of \$116,598.33 was made to “Miscellaneous” because transfers to the General Fund were not reported.

2020 - Section 2

An adjustment of \$(244.00) was made to “Balance, January 1, 2020” to reflect the adjustment made to the fund balance in 2019 - Section 2.

An adjustment of \$12,437.79 was made to “Miscellaneous” because these receipts were not reported.

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

Adjustments (Continued)

2020 - Section 3

An adjustment of \$(60,881.84) was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2019 - Section 3.

2021 - Section 1

An adjustment of \$357.99 was made to "Miscellaneous" because a transfer to the General Fund was not reported.

2021 - Section 2

An adjustment of \$(104,404.54) was made to "Balance, January 1, 2021" to reflect the adjustment made to the fund balance in 2020 - Section 2.

An adjustment of \$244,059.34 was made to "State allocation" because the 2021 allocation was misclassified as a miscellaneous receipt.

An adjustment of \$(139,296.81) was made to "Miscellaneous" because the 2021 allocation of \$244,059.34 was misclassified and grants of \$104,762.53 from the General Fund were not reported.

2021 - Section 3

An adjustment of \$(60,881.84) was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2020 - Section 3.

An adjustment of \$48,811.86 was made to "Current year equipment allocation" because the state allocation of \$244,059.34 from 2021 - Section 2, which is used to calculate this figure, was incorrectly reported as a miscellaneous receipt.

BOROUGH OF EAST STROUDSBURG
 MONROE COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2021

Miscellaneous Receipts

The following miscellaneous receipts were deposited into the Liquid Fuels Tax Fund during the examination period:

<u>Source</u>	<u>Description</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General Fund	Grant	\$ 26,000.00	\$10,000.00	\$165,644.38
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	122,253.75	-	-
General Fund	Deposit in error	-	2,437.79	-
General Fund	Reimbursement (see Finding No. 2)	-	-	929.62
Totals		<u>\$148,253.75</u>	<u>\$12,437.79</u>	<u>\$166,574.00</u>

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>2019</u>	<u>2020</u>	<u>2021</u>
General Fund	Transfer (see Finding No. 1)	\$48,502.69	\$114,160.54	\$357.99
General Fund	Correction of deposit in error	-	2,437.79	-
Totals		<u>\$48,502.69</u>	<u>\$116,598.33</u>	<u>\$357.99</u>

Deposit In Error

On July 7, 2020, the municipality deposited \$2,437.79 into its Liquid Fuels Tax Fund in error. On July 7, 2020, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Documentation Supporting Transfers Was Not Available For Examination

Our examination disclosed that the municipality did not maintain invoices or payroll records to support transfers of \$48,502.69 during 2019, \$114,160.54 during 2020, and \$357.99 during 2021 from its Liquid Fuels Tax Fund to its General Fund.

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 transfers 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.

The current Secretary/Treasurer was not working for the municipality when these transfers to the General Fund occurred and could not determine what expenditures they reimbursed.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$163,021.22 to its Liquid Fuels Tax Fund.

BOROUGH OF EAST STROUDSBURG
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Finding No. 1 - Documentation Supporting Transfers Was Not Available For Examination (Continued)

Recommendations

We recommend that the municipality reimburse \$163,021.22 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 transfers by maintaining adequate documentation to support all expenditures.

Management's Response

The Secretary/Treasurer stated:

The municipality agrees with the finding.

Auditor's Conclusion

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

BOROUGH OF EAST STROUDSBURG
 MONROE COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2021

Finding No. 2 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$2,208.23 during 2021 from the Liquid Fuels Tax Fund for electricity at the fire department, which are nonpermissible expenditures. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
N/A	09/29/21	3456	10/25/21	\$1,278.61
N/A	12/01/21	3469	12/27/21	<u>\$929.62</u>
Total				<u><u>\$2,208.23</u></u>

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 electric bills not related to the Liquid Fuels Tax Fund, are outside the scope of permissible expenditures.

On November 24, 2021, the municipality attempted to correct the error and transfer \$1,278.61 from the General Fund to its Liquid Fuels Tax Fund. Instead, the municipality transferred \$1,278.61 from the Liquid Fuels Tax Fund to the General Fund for a second time in error. However, on December 22, 2021, the municipality reimbursed \$929.62 to its Liquid Fuels Tax Fund.

This condition occurred because the municipality uses the same vendor for highway aid and fire department electricity and paid the bills in error.

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 \$2,557.22 to its Liquid Fuels Tax Fund.

BOROUGH OF EAST STROUDSBURG
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FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Nonpermissible Expenditures (Continued)

Recommendations

We recommend that the municipality reimburse \$2,557.22 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/Treasurer stated:

The municipality agrees with the finding.

Auditor's Conclusion

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

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - Late Receipt Of Allocations - Recurring

We cited the municipality for late receipt of allocation in our prior report for the period January 1, 2017 to December 31, 2018. Our current examination disclosed that the 2020 and 2021 Liquid Fuels Tax Fund allocations of \$262,861.64 and \$244,059.34, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until June 18, 2020 and November 29, 2021, 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 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 2020 allocation for more than three months and the 2021 allocation for more than eight 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.

BOROUGH OF EAST STROUDSBURG
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Finding No. 3 - Late Receipt Of Allocations - Recurring (Continued)

Recommendation

We again 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 Secretary/Treasurer stated:

The municipality agrees with the finding.

Auditor's Conclusion

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

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 \$122,253.75 to its Liquid Fuels Tax Fund for failure to obtain project approval.

During our current examination, we reviewed a letter dated January 15, 2019, from the Department of Transportation directing the municipality to reimburse \$122,253.75 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$122,000.00 on May 31, 2019, and \$253.75 on December 2, 2019, to its Liquid Fuels Tax Fund.

In our prior report, we also recommended that:

- Before the municipality expends money on a project, it applies for and obtains prior approval for the project, and when the project is completed, it obtains approval of the completed work.
- The municipality comply with the Department of Transportation's *Publication 9* to ensure that allocations are received on time.

During our current examination, we noted that the municipality complied with our first bulleted recommendation, but did not comply with our second bulleted recommendation (see Finding No. 3).

BOROUGH OF EAST STROUDSBURG
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SUMMARY OF EXIT CONFERENCE
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An exit conference was held November 2, 2022. Those participating were:

BOROUGH OF EAST STROUDSBURG

Ms. Debra Anders, Accountant

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Corey Tomasetti, Auditor

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

BOROUGH OF EAST STROUDSBURG
MONROE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2021

This report was initially distributed to:

The Honorable Yassmin Gramian, P.E.

Secretary
Department of Transportation

Borough of East Stroudsburg

Monroe County
24 Analomink Street
East Stroudsburg, PA 18301

The Honorable Sonia C. Wolbert

President of Council

Ms. Debra Anders

Accountant

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.