

ATTESTATION ENGAGEMENT

Erie County
Pennsylvania
25-000

Liquid Fuels Tax Fund
and County Fee for Local Use Fund
For the Period
January 1, 2019 to December 31, 2020

September 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of County Fee for Local Use Funds With Adjustments of Erie County for the period January 1, 2019 to December 31, 2020 (Forms). The county's management is responsible for presenting the Forms in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

As described in the Auditor Description Of Select Transactions section of this report, the adjustments included on the Forms are made by the Department of the Auditor General.

As discussed in the Finding and Recommendations section of this report, the county deposited its 2019 County Fee for Local Use Fund allocations of \$475,105.00 and \$669,090.00 into its Planning Fund on June 7, 2019, and December 5, 2019, respectively. Additionally, the county deposited its 2020 County Fee for Local Use Fund allocations of \$495,420.00 and \$659,835.00 into its Planning Fund on October 20, 2020, and December 7, 2020, respectively.

Independent Auditor's Report (Continued)

On September 13, 2019, May 1, 2020, September 8, 2020, and December 1, 2020, the county deposited \$475,105.00, \$243,117.85, \$422,799.46, and \$1,075,000.00, respectively, into the County Fee For Local Use Fund, leaving a balance of \$83,427.69 due the County Fee For Local Use Fund as of December 31, 2020. We further noted that the county transferred \$79,710.57 and \$3,171.12 from its Planning Fund to the County Fee For Local Use Fund on March 18, 2021 and August 17, 2022, respectively, which was subsequent to our examination period.

In our opinion, except for the matter discussed in the two preceding paragraphs, the Forms present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund and the County Fee for Local Use Fund of Erie County for the period January 1, 2019 to December 31, 2020, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms or on compliance and other matters; accordingly, we express no such opinions.

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 Forms 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 over reporting on the Forms was for the limited purpose of expressing an opinion on whether the Forms are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report (Continued)

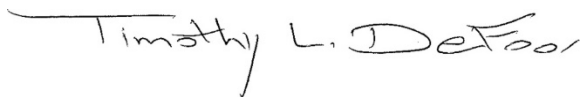
As part of obtaining reasonable assurance about whether the Forms are free from material misstatement, we performed tests of Erie County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the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

- County Fee For Local Use Fund Allocations Deposited Into The Planning Fund - Recurring.

The examination finding for County Fee For Local Use Fund Allocations Deposited Into The Planning Fund contained in this report cites a condition that existed in the operation of the county during the previous engagement period and was not corrected during the current examination period. The county should strive to comply with the recommendations noted in this report.

The purpose of this report is to determine whether the county's Liquid Fuels Tax Fund and County Fee for Local Use 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 Erie 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
August 25, 2022

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Background..... | 1 |
| Financial Section: | |
| 2019 Form MS-991 With Adjustments | 7 |
| 2020 Form MS-991 With Adjustments | 9 |
| 2019 Report Of County Fee For Local Use Funds With Adjustments..... | 11 |
| 2020 Report Of County Fee For Local Use Funds With Adjustments..... | 12 |
| Auditor Description Of Select Transactions..... | 13 |
| Finding And Recommendation: | |
| Finding - County Fee For Local Use Fund Allocations Deposited Into The Planning Fund - Recurring..... | 15 |
| Summary Of Prior Examination Recommendations..... | 17 |
| Summary Of Exit Conference..... | 18 |
| Report Distribution | 19 |

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background

The Vehicle Code makes provisions and provides funding for the County Liquid Fuels and County Fee for Local Use Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

The Vehicle Code imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. *The Vehicle Code* further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

The Vehicle Code, as amended by Act 89 of 2013 (November 25, 2013, P.L. 974, No.89), permits counties to impose a \$5 fee for local use on nonexempt vehicles registered to an address located in the county (75 Pa. C.S. § 1935 (b)). This fee is collected by the Department of Transportation and is distributed to counties that impose the fee on the first business day of June and December each year.

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

Criteria

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- Construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law;
- Property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- Construction, reconstruction, operation and maintenance of publicly owned ferryboat operations;
- Interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges;
- Acquisition, maintenance, repair and operation of traffic signs and signals;
- Erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- Indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and
 - Individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 31 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation may withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.
- B. *The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the County Fee for Local Use funds distributed to the counties from the Department of Transportation. The County Fee for Local Use Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- (1) Funds received by the counties must be deposited in a special fund. No other money may be deposited and commingled in this fund. Money should be invested to earn interest until expended.
- (2) Payments from the special fund may be used for:
 - Construction, reconstruction, maintenance, and repair of public roads/streets, or bridges for which the county is legally responsible including a roadway open to the use of the public for vehicular traffic on the grounds of a college or university, public or private school, or public or historical park.
 - Curb ramps from to provide for access by individuals with disabilities in accordance with the Americans with Disabilities Act (ADA) and Department of Transportation Standards;
 - Property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
 - Ferry boat operations, where applicable.
 - Acquisition, maintenance, repair and operation of traffic signs and signals;
 - Erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;
 - Indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and
 - Transportation related safety studies or safety projects on public highways.
 - The construction of sound walls if included in a highway project as a mitigation measure for environmental purposes and all warrants are met.
 - Other expenditures determined, on a case-by-case basis, to be consistent with the requirements and restrictions of Article 8, Section 11 of the Pennsylvania Constitution.

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation.
- (4) Each county that has adopted a fee for local use ordinance must submit a set of annual reports showing the receipts and expenditures of all fee for local use funds received from the Commonwealth on forms supplied by the Center for Program Development and Management.

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Form MS-991 With Adjustments and the Report of County Fee For Local Use Funds do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund and the County Fee For Local Use Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Form MS-991, *Report of County Liquid Fuels Tax Fund*:

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Liquid Fuels Tax Fund allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.
- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end).

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Reports of County Fee for Local Use Funds:

- A. The balance in the County Fee for Local Use Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Fee for Local Use Fund allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Total County Fee for Local Use funds available for expenditure.
- D. Expenditures.
- E. The balance in the fund at the close of the report calendar year.

Basis Of Accounting

The accompanying Forms MS-991 With Adjustments and Reports of County Fee For Local Use Funds With Adjustments are prepared in accordance with reporting this method, revenues are recognized when received and expenditures are recorded when paid.

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

| | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|----------------------|--------------------|----------------------------|
| Actual balance in county Liquid Fuels Tax Fund on January 1, 2019 | \$ 620,766.05 | \$ - | \$ 620,766.05 |
| <u>Receipts:</u> | | | |
| Liquid Fuels Tax Funds received from Commonwealth | 727,013.65 | - | 727,013.65 |
| Interest | 3,117.13 | 249.30 | 3,366.43 |
| Reimbursable agreements | - | - | - |
| Miscellaneous | - | - | - |
| Total receipts | <u>730,130.78</u> | <u>249.30</u> | <u>730,380.08</u> |
| Total Liquid Fuels Tax Funds available for expenditures and encumbrances | <u>1,350,896.83</u> | <u>249.30</u> | <u>1,351,146.13</u> |
| <u>Expenditures:</u> | | | |
| Administrative | - | - | - |
| Minor equipment purchases | - | - | - |
| County aid payments | 760,535.75 | 100,715.00 | 861,250.75 |
| Major equipment expenditures | - | - | - |
| Street cleaning and gutters | - | - | - |
| Winter maintenance services | - | - | - |
| Traffic control devices | - | 20,243.82 | 20,243.82 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repairs - roads and bridges | - | - | - |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | 120,958.82 | (120,958.82) | - |
| Total expenditures | <u>881,494.57</u> | <u>-</u> | <u>881,494.57</u> |
| Remaining funds available as of December 31, 2019 | <u>\$ 469,402.26</u> | <u>\$ 249.30</u> | <u>\$ 469,651.56</u> |

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

2019 Form MS-991 With Adjustments (Continued)

| | Reported | Adjustments | Adjusted Amount |
|---|---------------|---------------|--------------------|
| <u>Approved future year receipts and expenditures</u> | | | |
| Accounts receivable | \$ 249.30 | \$ (249.30) | \$ - |
| Accounts payable | 850.27 | - | 850.27 |
| Unpaid encumbrances | - | - | - |
| Unpaid county aid grants | 359,301.90 | (358,451.63) | 850.27 |
| Total approved future year receipts and expenditures | 359,902.87 | (358,202.33) | 1,700.54 |
| Year end balance available for future years as of December 31, 2019 | \$ 109,499.39 | \$ 358,451.63 | \$ 467,951.02 |

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

| | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|----------------------|--------------------|----------------------------|
| Actual balance in county Liquid Fuels Tax Fund on January 1, 2020 | \$ 469,402.26 | \$ 249.30 | \$ 469,651.56 |
| <u>Receipts:</u> | | | |
| Liquid Fuels Tax Funds received from Commonwealth | 631,567.70 | - | 631,567.70 |
| Interest | 1,114.20 | - | 1,114.20 |
| Reimbursable agreements | - | - | - |
| Miscellaneous | - | - | - |
| Total receipts | <u>632,681.90</u> | <u>-</u> | <u>632,681.90</u> |
| Total Liquid Fuels Tax Funds available for expenditures and encumbrances | <u>1,102,084.16</u> | <u>249.30</u> | <u>1,102,333.46</u> |
| <u>Expenditures:</u> | | | |
| Administrative | - | - | - |
| Minor equipment purchases | - | - | - |
| County aid payments | 739,645.03 | 8,367.00 | 748,012.03 |
| Major equipment expenditures | - | - | - |
| Street cleaning and gutters | - | - | - |
| Winter maintenance services | - | - | - |
| Traffic control devices | - | 61,486.45 | 61,486.45 |
| Street lighting | - | - | - |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repairs - roads and bridges | 67,806.00 | - | 67,806.00 |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | 69,853.45 | (69,853.45) | - |
| Total expenditures | <u>877,304.48</u> | <u>-</u> | <u>877,304.48</u> |
| Remaining funds available as of December 31, 2020 | <u>\$ 224,779.68</u> | <u>\$ 249.30</u> | <u>\$ 225,028.98</u> |

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

2020 Form MS-991 With Adjustments (Continued)

| | Reported | Adjustments | Adjusted Amount |
|--|---------------|-------------|--------------------|
| <u>Approved future year receipts and expenditures</u> | | | |
| Accounts receivable | \$ - | \$ - | \$ - |
| Accounts payable | - | - | - |
| Unpaid encumbrances | - | - | - |
| Unpaid county aid grants | 1,718.85 | - | 1,718.85 |
| Total approved future year receipts and expenditures | 1,718.85 | - | 1,718.85 |
| Year end balance available for future years as of December 31, 2020 | \$ 223,060.83 | \$ 249.30 | \$ 223,310.13 |

ERIE COUNTY
2019 REPORT OF COUNTY FEE FOR LOCAL USE FUNDS
WITH ADJUSTMENTS

| | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|----------------------------------|------------------------|------------------------|----------------------------|
| Balance, January 1, 2019 | \$ 602,555.00 | \$ (602,555.00) | \$ - |
| <u>Receipts:</u> | | | |
| Local Use Funds | 1,144,195.00 | (66,535.00) | 1,077,660.00 |
| Interest | 13,050.47 | (1,171.15) | 11,879.32 |
| Reimbursable agreements | - | - | - |
| Miscellaneous | - | - | - |
| | <u>1,157,245.47</u> | <u>(67,706.15)</u> | <u>1,089,539.32</u> |
| Total receipts | | | |
| Total funds available | <u>1,759,800.47</u> | <u>(670,261.15)</u> | <u>1,089,539.32</u> |
| <u>Expenditures:</u> | | | |
| County-Owned road maintenance | - | - | - |
| County-Owned road construction | - | - | - |
| County-Owned bridge maintenance | - | - | - |
| County-Owned bridge construction | - | - | - |
| Administrative expenditures | - | - | - |
| Miscellaneous | 358,351.63 | (358,351.63) | - |
| Grants to political subdivisions | - | 335,941.63 | 335,941.63 |
| | <u>358,351.63</u> | <u>(22,410.00)</u> | <u>335,941.63</u> |
| Total expenditures | | | |
| Balance, December 31, 2019 | <u>\$ 1,401,448.84</u> | <u>\$ (647,851.15)</u> | <u>\$ 753,597.69</u> |

ERIE COUNTY
2020 REPORT OF COUNTY FEE FOR LOCAL USE FUNDS
WITH ADJUSTMENTS

| | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|----------------------------------|-------------------------------|------------------------------|-------------------------------|
| Balance, January 1, 2020 | \$ 1,400,277.69 | \$ (646,680.00) | \$ 753,597.69 |
| <u>Receipts:</u> | | | |
| Local Use Funds | 1,155,255.00 | 585,662.31 | 1,740,917.31 |
| Interest | 6,813.56 | (105.50) | 6,708.06 |
| Reimbursable agreements | - | - | - |
| Miscellaneous | - | - | - |
| Total receipts | <u>1,162,068.56</u> | <u>585,556.81</u> | <u>1,747,625.37</u> |
| Total funds available | <u>2,562,346.25</u> | <u>(61,123.19)</u> | <u>2,501,223.06</u> |
| <u>Expenditures:</u> | | | |
| County-Owned road maintenance | - | - | - |
| County-Owned road construction | - | - | - |
| County-Owned bridge maintenance | - | - | - |
| County-Owned bridge construction | - | - | - |
| Administrative expenditures | - | - | - |
| Miscellaneous | - | - | - |
| Grants to political subdivisions | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance, December 31, 2020 | <u><u>\$ 2,562,346.25</u></u> | <u><u>\$ (61,123.19)</u></u> | <u><u>\$ 2,501,223.06</u></u> |

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

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

Adjustments

2019 Form MS-991

An adjustment of \$249.30 was made to “Interest” because interest earned in December was not reported.

Adjustments were made to “County aid payments,” “Traffic control devices,” and “Miscellaneous” because expenditures of \$120,958.82 were misclassified.

An adjustment of \$(249.30) was made to “Accounts receivable” there were no accounts receivable.

An adjustment of \$(358,451.63) was made to “Unpaid encumbrances” because the balance for encumbrance No. 19-25203-003 was reported as \$205,000.00 but was actually \$0 and the balance encumbrance No. 19-25204-003 was reported as \$153,451.63 but was actually \$0.

2020 Form MS-991

An adjustment of \$249.30 was made to “Balance, January 1, 2020” to reflect the adjustment made to the fund balance in 2020.

Adjustments were made to “County aid payments,” “Traffic control devices,” and “Miscellaneous” because expenditures of \$69,853.45 were misclassified.

2019 Report of County Fee For Local Use Funds

An adjustment of \$(602,555.00) was made to “Balance, January 1, 2019” because an incorrect fund balance was reported.

An adjustment of \$(66,535.00) was made to “Fee for local use funds” because the allocations were overstated.

An adjustment of \$(1,171.15) was made to “Interest” because interest earned was overstated.

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Adjustments (Continued)

2019 Report of County Fee For Local Use Funds (Continued)

An adjustment of \$(358,351.63) was made to “Miscellaneous” because grants to political subdivisions of \$335,941.63 were misclassified and \$22,410.00 was reported as a transfer but was never transferred.

An adjustment of \$335,941.63 was made to “Grants to political subdivisions” because the expenditures were misclassified as miscellaneous.

2020 Report of County Fee For Local Use Funds

An adjustment of \$(646,680.00) was made to “Balance, January 1, 2020” because an incorrect fund balance was reported.

An adjustment of \$585,662.31 was made to “State allocations” because the allocations were understated.

An adjustment of \$(105.50) was made to “Interest” because interest earned was overstated.

Encumbrances

As of December 31, 2020, \$1,718.85 was encumbered for grants to political subdivisions.

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding - County Fee For Local Use Fund Allocations Deposited Into The Planning Fund -
Recurring**

We cited the county for depositing its County Fee For Local Use Fund Allocation into the Planning Fund in our prior report for the period January 1, 2017 to December 31, 2018. Our current examination disclosed that the county deposited its 2019 County Fee for Local Use Fund allocations of \$475,105.00 and \$669,090.00 into its Planning Fund on June 7, 2019, and December 5, 2019, respectively. Additionally, the county deposited its 2020 County Fee for Local Use Fund allocations of \$495,420.00 and \$659,835.00 into its Planning Fund on October 20, 2020, and December 7, 2020, respectively.

On September 13, 2019, May 1, 2020, September 8, 2020, and December 1, 2020, the county deposited \$475,105.00, \$243,117.85, \$422,799.46, and \$1,075,000.00, respectively, into the County Fee For Local Use Fund, leaving a balance of \$83,427.69 due the County Fee For Local Use Fund as of December 31, 2020. We further noted that the county transferred \$79,710.57 and \$3,171.12 from its Planning Fund to the County Fee For Local Use Fund on March 18, 2021 and August 17, 2022, respectively, which was subsequent to our examination period.

The Department of Transportation's *Publication 9*, Chapter 5, Section 5.5, states:

. . . the county must establish a separate fund for the receipt of the \$5 fee or local use funds.

When the County Fee For Local Use money is commingled with the Planning Fund or other funds, the potential for County Fee For Local Use money to be used for unauthorized purposes increases significantly.

Recommendation

We again recommend that the county deposit all County Fee For Local Use Fund money promptly into the County Fee For Local Use Fund.

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
FINDING AND RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding - County Fee For Local Use Fund Allocations Deposited Into The Planning Fund -
Recurring (Continued)**

Management's Response

The county officials stated:

We agree with the finding.

Auditor's Conclusion

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

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the county:

- Ensures that its Report of County Fee For Local Use Fund is complete and accurate and filed with the Department of Transportation.
- Deposit all County Fee For Local Use Fund money promptly into the County Fee For Local Use Fund.

During our current examination, we noted that the county complied with our first bulleted recommendation but did not comply with our second bulleted recommendation (see Finding).

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

An exit conference was held August 10, 2022. Those participating were:

ERIE COUNTY

Ms. Melissa Plyler, Accountant

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Christopher Heglen, Audit Supervisor

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

ERIE COUNTY
LIQUID FUELS TAX FUND
AND COUNTY FEE FOR LOCAL USE FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

This report was initially distributed to:

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

Erie County
150 East Front Street
Suite 300
Erie, PA 16507

The Honorable Brenton Davis
County Executive

The Honorable Brian Shank
Chairman of County Council

Mr. James Sparber
Finance Director

Ms. Melissa Plyler
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.