

ATTESTATION ENGAGEMENT

City of Johnstown
Cambria County, Pennsylvania
11-301
Liquid Fuels Tax Fund
For the Period
January 1, 2020 to December 31, 2021

September 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 City of Johnstown, Cambria County, for the period January 1, 2020 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.

Independent Auditor's Report (Continued)

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

- We were unable to examine the images of the back of the cancelled checks from the municipality's financial institution because the municipality failed to obtain them from its financial institution. Consequently, we were unable to perform procedures to determine whether disbursements were made in accordance with applicable laws and regulations (see Finding No. 1).
- The municipality deposited insurance proceeds of \$13,821.50 for the reimbursement of Liquid Fuels Tax Fund expenditures into the General Fund (see Finding No. 2).
- During 2020 the municipality expended \$728.00 more than municipalities are permitted to spend for computer software in a calendar year (see Finding No. 3).

In our opinion, except for the matter discussed in the preceding paragraph, 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 City of Johnstown, Cambria County, for the period January 1, 2020 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:

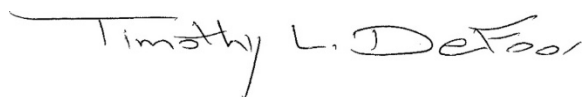
- Electronic Imaging Of Cancelled Checks From The Bank Did Not Include The Back Of The Checks.

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

- Reimbursement For Liquid Fuels Expenditures Deposited Into The General Fund.
- Liquid Fuels Money Over Expended For Computer Software - Recurring.

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 City of Johnstown, Cambria 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
September 2, 2022

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CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 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.

CITY OF JOHNSTOWN
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2020 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.

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 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.

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 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.

CITY OF JOHNSTOWN
 CAMBRIA 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	\$ -	\$ -	\$ -
Computer/Computer related training	1,728.00	-	1,728.00
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	90,681.00	-	90,681.00
Traffic control devices	5,713.49	-	5,713.49
Street lighting	397,178.43	-	397,178.43
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	3,024.75	-	3,024.75
 Total (To Section 2, Line 5)	 <u>\$ 498,325.67</u>	 <u>\$ -</u>	 <u>\$ 498,325.67</u>

CITY OF JOHNSTOWN
 CAMBRIA 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	\$ 113,753.66	\$ -	\$ 113,753.66
Receipts:			
2. State allocation	664,329.40	-	664,329.40
2a. Turnback allocation	4,000.00	-	4,000.00
2b. Interest on investments	1,236.49	-	1,236.49
2c. Miscellaneous	7,379.26	-	7,379.26
3. Total receipts	<u>676,945.15</u>	<u>-</u>	<u>676,945.15</u>
4. Total funds available	<u>790,698.81</u>	<u>-</u>	<u>790,698.81</u>
5. Expenditures (Section 1)	<u>498,325.67</u>	<u>-</u>	<u>498,325.67</u>
6. Balance, December 31, 2020	<u><u>\$ 292,373.14</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 292,373.14</u></u>

CITY OF JOHNSTOWN
 CAMBRIA 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	\$ 113,753.66	\$ -	\$ 113,753.66
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	133,665.88	-	133,665.88
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	247,419.54	-	247,419.54
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>247,419.54</u>	<u>-</u>	<u>247,419.54</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 247,419.54</u>	<u>\$ -</u>	<u>\$ 247,419.54</u>

CITY OF JOHNSTOWN
 CAMBRIA 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	134,274.27	-	134,274.27
Traffic control devices	24,522.61	-	24,522.61
Street lighting	358,371.90	-	358,371.90
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	22.75	-	22.75
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 517,191.53</u>	<u>\$ -</u>	<u>\$ 517,191.53</u>

CITY OF JOHNSTOWN
 CAMBRIA 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	\$ 292,373.14	\$ -	\$ 292,373.14
Receipts:			
2. State allocation	618,413.20	-	618,413.20
2a. Turnback allocation	4,000.00	-	4,000.00
2b. Interest on investments	1,247.49	-	1,247.49
2c. Miscellaneous	7,133.24	-	7,133.24
3. Total receipts	<u>630,793.93</u>	<u>-</u>	<u>630,793.93</u>
4. Total funds available	<u>923,167.07</u>	<u>-</u>	<u>923,167.07</u>
5. Expenditures (Section 1)	<u>517,191.53</u>	<u>-</u>	<u>517,191.53</u>
6. Balance, December 31, 2021	<u><u>\$ 405,975.54</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 405,975.54</u></u>

CITY OF JOHNSTOWN
 CAMBRIA 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	\$ 247,419.54	\$ -	\$ 247,419.54
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	124,482.64	-	124,482.64
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	371,902.18	-	371,902.18
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>371,902.18</u>	<u>-</u>	<u>371,902.18</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 371,902.18</u>	<u>\$ -</u>	<u>\$ 371,902.18</u>

CITY OF JOHNSTOWN
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2020 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:

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>2020</u>	<u>2021</u>
Greater Johnstown School District	Sale of road salt	\$2,766.60	\$3,150.85
Cambria County Transit Authority	Sale of road salt	1,563.80	3,254.39
General Fund	Temporary loan	3,000.00	-
Local Business	Refund on public works phone	48.86	-
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	-	728.00
Totals		<u>\$7,379.26</u>	<u>\$7,133.24</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>2020</u>	<u>2021</u>
Financial Institution	Bank service charge	\$ 24.75	\$22.75
General Fund	Repayment of temporary loan	3,000.00	-
Totals		<u>\$3,024.75</u>	<u>\$22.75</u>

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

Temporary Loan

On February 27, 2020, the city loaned \$3,000.00 from its General Fund to its Liquid Fuels Tax Fund. On March 12, 2020, the city transferred \$3,000.00 from its Liquid Fuels Tax Fund to its General Fund to repay the temporary loan.

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

Finding No. 1 - Electronic Imaging Of Cancelled Checks From The Bank Did Not Include The Back Of The Checks

Our examination disclosed that the imaging of cancelled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the cancelled checks. For us to properly complete our examination testing, we have to examine the front and back of the cancelled checks. Because the test of disbursements was limited, we had to qualify our opinion as stated in the Independent Auditor's Report.

Good internal controls and the Commonwealth of Pennsylvania Management Directive 210.11, dated June 16, 1997, require that imaging systems comply with the provisions of the Internal Revenue Service (IRS) procedures for record keeping with electronic imaging. To be acceptable, the documents provided by the system must meet IRS procedures governing size, content, format, and pattern. Those procedures require that all images produced by the imaging system exhibit a high degree of legibility and readability when displayed on paper. Legibility includes the ability to identify all letters and numerals positively and quickly. Readability includes the ability to recognize a group of letters or numerals as words or completed numbers. Imaged documents must include the front and back of a document in which both the front and back are used.

Further, good internal controls ensure that by having a municipal official review the front and back of the cancelled checks, any errors or misappropriations can be detected on a timely basis.

Without this control, the potential exists for errors or misappropriations to go undetected for long periods of time.

This condition occurred because city officials were not aware they needed an image of the back of the checks.

Recommendations

We recommend that the municipal officials obtain images of the front and back of cancelled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each cancelled check for any errors or misappropriations.

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 1 - Electronic Imaging Of Cancelled Checks From The Bank Did Not Include
The Back Of The Checks (Continued)**

Management's Response

The city manager stated:

The city Finance Department's staff is working with its financial institution to provide imaging from the back of checks. This issue has been remedied.

Auditor's Conclusion

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

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 2 – Reimbursement For Liquid Fuels Expenditures Deposited
Into The General Fund**

Our examination disclosed that on April 8, 2021, the municipality expended \$18,821.50 from the Liquid Fuels Tax Fund to repair a traffic signal control box damaged by an accident. After a \$5,000.00 deductible, the insurance company paid \$13,821.50 to the municipality and those funds were deposited into the General Fund on March 26, 2021, which is before the funds were expended. Because the insurance proceeds were deposited into the General Fund only the deductible of \$5,000.00 was eligible to be paid from the Liquid Fuels Tax Fund and the remaining \$13,821.50 should have been paid from the General Fund.

The practice of depositing insurance proceeds for the reimbursement of expenditures made from the Liquid Fuels Tax Fund into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

. . . each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law as noted above could result in the municipality having to reimburse \$13,821.50 to its Liquid Fuels Tax Fund.

This condition occurred because the city office that received the check did not realize which account the check should have been deposited into.

Recommendations

We recommend that the municipality reimburse \$13,821.50 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We recommend that, in the future, the municipality expends funds for which it receives reimbursement, such as insurance proceeds, from the fund in which the reimbursement was deposited.

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 2 - Finding No. 2 – Reimbursement For Liquid Fuels Expenditures Deposited
Into The General Fund (Continued)**

Management's Response

The city manager stated:

The city will reimburse the General Fund for the amount stated. The check in question was sent to the Human Resources (HR) office. The HR office deposited the check into the General Fund without realizing the funds were restricted to liquid fuels. The Public Works Department and HR office will coordinate on future invoices to avoid this occurrence.

Auditor's Conclusion

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

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

Finding No. 3 - Liquid Fuels Money Over Expended For Computer Software - Recurring

Our examination disclosed that during 2020, the municipality expended \$1,728.00 for information system software from its Liquid Fuels Tax Fund, which is \$728.00 more than municipalities are permitted to spend for computer software in a calendar year.

The Department of Transportation's *Publication 9*, Chapter Two, Section 2.7.1, states:

Example of acceptable expenditures for Municipal Liquid Fuels Tax Funds are:

23. Computer hardware, software, and/or training, up to \$1,000.00 annually.

The failure to comply with the Department of Transportation's *Publication 9* could result in the municipality having to reimburse \$728.00 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report. The city officials were not aware of the annual limit on computer-related expenditures when this invoice was paid until our previous examination's exit conference on March 5, 2021. We noted that no payment was made from the Liquid Fuels Tax Fund in 2021 for the information system software.

Recommendations

We recommend that the municipality reimburse \$728.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality continues to comply with the Department of Transportation's Regulations regarding software expenditures.

Management's Response

The city manager stated:

Finding No. 3 was already corrected as the result of the prior liquid fuels audit, but due to timing of this liquid fuels audit, and the timing of the prior audit, the change was not captured.

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 3 - Liquid Fuels Money Over Expended For Computer Software - Recurring
(Continued)**

Auditor's Conclusion

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

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 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 \$728.00 to its Liquid Fuels Tax Fund for exceeding the \$1,000.00 annual limit for computer hardware, software, and/or training.

During our current examination, we reviewed a letter dated June 22, 2021, from the Department of Transportation directing the municipality to reimburse \$728.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on June 22, 2021.

In our prior report, we also recommended that the municipality comply with the Department of Transportation's Regulations regarding software expenditures.

During our current examination, we noted that the municipality complied with our recommendation starting in 2021.

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

An exit conference was held June 1, 2022. Those participating were:

CITY OF JOHNSTOWN

Mr. Ethan Imhoff, City Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Debra L. Alsippi, Audit Supervisor

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

CITY OF JOHNSTOWN
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2021

This report was initially distributed to:

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

City of Johnstown
Cambria County
401 Main Street
Johnstown, PA 15901

The Honorable Frank J. Janakovic
Mayor

Mr. Robert Ritter
Finance Director

Mr. Ethan Imhoff
City Manager

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.