

# ATTESTATION ENGAGEMENT

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Lawrence County  
Pennsylvania  
37-000

Liquid Fuels, Act 44, and Act 89  
Tax Funds  
For the Period  
January 1, 2019 to December 31, 2020

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February 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  
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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 Act 44 and Act 89 Tax Funds With Adjustments of Lawrence 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 Findings And Recommendations section of this report, the county's unencumbered balance in 2019 and 2020 was greater than the Liquid Fuels Tax Fund receipts for the previous twelve months in each year. As a result, the county may be required to distribute \$400,823.88 to the political subdivisions within the county.

## Independent Auditor's Report (Continued)

In our opinion, except for the matter discussed in the preceding paragraph, the Forms present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund, the Act 44 Tax Fund, and the Act 89 Tax Fund of Lawrence 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.

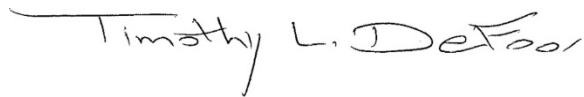
Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms are free from material misstatement, we performed tests of Lawrence 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Unencumbered Balance Was Greater Than The Receipts For The Previous Twelve Months.
- Late Receipt Of Liquid Fuels And Act 89 Tax Fund Allocations.

The purpose of this report is to determine whether the county's Liquid Fuels Tax Fund, Act 44 Tax Fund, and Act 89 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 Lawrence 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  
January 6, 2022

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LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
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, Act 44, and Act 89 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 44 of 2007 (July 18, 2007, P.L.169) and Act 89 of 2013 (November 25, 2013, P.L. 169), provides the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund (75 Pa. C.S. § 8915.6(b)(2) and as of July 1, 2014 § 9301(b)). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

*The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 974, No.89) provides for semi-annual allocations to all counties that own public bridges (75 Pa. C.S. § 9502(a)(2)(iv)). These allocations are made on the first business day of June and December each year. The Commonwealth allocates the funds available through Act 89 to counties based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
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;

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
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 44 of 2007 (July 18, 2007, P.L. 169) and Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund. The County's Act 44 Tax 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.



LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
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 designated as the County Act 44 Fund and no other money may be deposited and commingled. (Note: Act 44 and Act 89 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). 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 public bridges for which the county is legally responsible.
- Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.
- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
- Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
- Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 44 Fund.
- Inspection costs associated with bridges.
- Purchase of right-of-way for bridge construction, reconstruction, or maintenance.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
  - (4) In order to receive Act 44 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.
- C. *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 Act 89 funds distributed to the counties from the Department of Transportation. The County's Act 89 Tax 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.
- (1) Funds received by the counties must be deposited in a special fund designated as the County Act 89 Fund and no other money may be deposited and commingled. (Note: Act 89 and Act 44 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). 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 public bridges for which the county is legally responsible.
    - Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
  - Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
  - Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 89 Fund.
  - Inspection costs associated with bridges.
  - Purchase of right-of-way for bridge construction, reconstruction, or maintenance.
- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
- (4) In order to receive Act 89 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.

*Basis Of Presentation*

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Form MS-991 With Adjustments and the Reports of Act 44 and Act 89 Tax Funds With Adjustments 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, the County Act 44 Tax Fund, and the County Act 89 Tax Fund, respectively.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

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).
- 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 Act 44 Tax Fund and Act 89 Tax Fund:

- A. The balance in the County Act 44 and Act 89 Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Act 44 and Act 89 allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Total Act 44 and Act 89 funds available for expenditure.
- D. Expenditures for county-owned bridges.
- E. The balance in the fund at the close of the report calendar year.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

*Basis Of Accounting*

The accompanying Form MS-991 With Adjustments, Report of Act 44 Tax Fund With Adjustments, and Report of Act 89 Tax Fund With Adjustments are 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.

LAWRENCE 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	\$ 1,273,165.89	\$ -	\$ 1,273,165.89
<u>Receipts:</u>			
Liquid Fuels Tax Funds received from Commonwealth	307,157.92	-	307,157.92
Interest	18,963.84	-	18,963.84
Reimbursable agreements	18,336.45	-	18,336.45
Miscellaneous	1,825.92	-	1,825.92
Total receipts	<u>346,284.13</u>	<u>-</u>	<u>346,284.13</u>
Total Liquid Fuels Tax Funds available for expenditures and encumbrances	<u>1,619,450.02</u>	<u>-</u>	<u>1,619,450.02</u>
<u>Expenditures:</u>			
Administrative	23,225.59	-	23,225.59
Minor equipment purchases	1,136.32	-	1,136.32
County aid payments	45,000.00	-	45,000.00
Major equipment expenditures	-	-	-
Street cleaning and gutters	-	-	-
Winter maintenance services	9,588.80	-	9,588.80
Traffic control devices	695.34	-	695.34
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	5,265.49	-	5,265.49
Maintenance and repairs - roads and bridges	90,285.41	-	90,285.41
Highway construction and rebuilding projects	-	-	-
Miscellaneous	132.81	-	132.81
Total expenditures	<u>175,329.76</u>	<u>-</u>	<u>175,329.76</u>
Remaining funds available as of December 31, 2019	<u>\$ 1,444,120.26</u>	<u>\$ -</u>	<u>\$ 1,444,120.26</u>

LAWRENCE 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	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Unpaid encumbrances	930,000.00	-	930,000.00
Unpaid county aid grants	111,000.00	7,000.00	118,000.00
 Total approved future year receipts and expenditures	 1,041,000.00	 7,000.00	 1,048,000.00
 Year end balance available for future years as of December 31, 2019	 \$ 403,120.26	 \$ (7,000.00)	 \$ 396,120.26

LAWRENCE 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	\$ 1,444,120.26	\$ -	\$ 1,444,120.26
<u>Receipts:</u>			
Liquid Fuels Tax Funds received from Commonwealth	267,672.58	-	267,672.58
Interest	6,882.69	-	6,882.69
Reimbursable agreements	61,398.67	-	61,398.67
Miscellaneous	254.69	-	254.69
Total receipts	<u>336,208.63</u>	<u>-</u>	<u>336,208.63</u>
Total Liquid Fuels Tax Funds available for expenditures and encumbrances	<u>1,780,328.89</u>	<u>-</u>	<u>1,780,328.89</u>
<u>Expenditures:</u>			
Administrative	22,286.32	967.99	23,254.31
Minor equipment purchases	1,023.40	-	1,023.40
County aid payments	87,000.00	-	87,000.00
Major equipment expenditures	-	-	-
Street cleaning and gutters	-	-	-
Winter maintenance services	6,703.20	-	6,703.20
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	2,855.25	-	2,855.25
Maintenance and repairs - roads and bridges	100,170.85	15.02	100,185.87
Highway construction and rebuilding projects	3,947.92	-	3,947.92
Miscellaneous	1,148.46	(983.01)	165.45
Total expenditures	<u>225,135.40</u>	<u>-</u>	<u>225,135.40</u>
Remaining funds available as of December 31, 2020	<u>\$ 1,555,193.49</u>	<u>\$ -</u>	<u>\$ 1,555,193.49</u>



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

2020 Form MS-991 With Adjustments (Continued)

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
<u>Approved future year receipts and expenditures</u>			
Accounts receivable	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Unpaid encumbrances	930,000.00	-	930,000.00
Unpaid county aid grants	279,243.50	-	279,243.50
	<u>1,209,243.50</u>	<u>-</u>	<u>1,209,243.50</u>
Total approved future year receipts and expenditures	<u>1,209,243.50</u>	<u>-</u>	<u>1,209,243.50</u>
Year end balance available for future years as of December 31, 2020	<u>\$ 345,949.99</u>	<u>\$ -</u>	<u>\$ 345,949.99</u>

LAWRENCE COUNTY  
2019 REPORT OF ACT 44 TAX FUND  
WITH ADJUSTMENTS

	Reported	Adjustments	Adjusted Amount
Balance, January 1, 2019	\$ 422,091.41	\$ -	\$ 422,091.41
<u>Receipts:</u>			
Act 44 Funds	92,121.72	-	92,121.72
Interest	4,611.71	-	4,611.71
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
	96,733.43	-	96,733.43
Total receipts	96,733.43	-	96,733.43
Total funds available	518,824.84	-	518,824.84
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	194,011.43	-	194,011.43
Highway Construction and			
Rebuilding Projects	-	-	-
Miscellaneous	-	-	-
	194,011.43	-	194,011.43
Total expenditures	194,011.43	-	194,011.43
Balance, December 31, 2019	\$ 324,813.41	\$ -	\$ 324,813.41

LAWRENCE COUNTY  
2020 REPORT OF ACT 44 TAX FUND  
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 324,813.41	\$ -	\$ 324,813.41
<u>Receipts:</u>			
Act 44 Funds	91,743.51	-	91,743.51
Interest	1,565.78	-	1,565.78
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>93,309.29</u>	<u>-</u>	<u>93,309.29</u>
Total funds available	<u>418,122.70</u>	<u>-</u>	<u>418,122.70</u>
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	-	-	-
Highway Construction and			
Rebuilding Projects	24,735.25	-	24,735.25
Miscellaneous	-	-	-
Total expenditures	<u>24,735.25</u>	<u>-</u>	<u>24,735.25</u>
Balance, December 31, 2020	<u>\$ 393,387.45</u>	<u>\$ -</u>	<u>\$ 393,387.45</u>

LAWRENCE COUNTY  
2019 REPORT OF ACT 89 TAX FUND  
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2019	\$ 740,632.79	\$ -	\$ 740,632.79
<u>Receipts:</u>			
Act 89 Funds	174,651.74	-	174,651.74
Interest	11,437.26	-	11,437.26
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>186,089.00</u>	<u>-</u>	<u>186,089.00</u>
Total funds available	<u>926,721.79</u>	<u>-</u>	<u>926,721.79</u>
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	-	-	-
Highway Construction and			
Rebuilding Projects	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2019	<u>\$ 926,721.79</u>	<u>\$ -</u>	<u>\$ 926,721.79</u>

LAWRENCE COUNTY  
2020 REPORT OF ACT 89 TAX FUND  
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 926,721.79	\$ -	\$ 926,721.79
<u>Receipts:</u>			
Act 89 Funds	162,870.94	-	162,870.94
Interest	4,469.99	-	4,469.99
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>167,340.93</u>	<u>-</u>	<u>167,340.93</u>
Total funds available	<u>1,094,062.72</u>	<u>-</u>	<u>1,094,062.72</u>
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	-	-	-
Highway Construction and			
Rebuilding Projects	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2020	<u><u>\$ 1,094,062.72</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,094,062.72</u></u>

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
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 \$7,000.00 was made to “Unpaid county aid grants” because the balance for encumbrance No. 17-37207-001 was not reported.

2020 Form MS-991

Adjustments were made to “Administrative,” “Maintenance and repairs - roads and bridges,” and “Miscellaneous” expenditures because expenditures of \$983.01 were misclassified as miscellaneous.

Reimbursable Agreements

During our examination, we noted that the county entered into reimbursable agreements with the Department of Transportation for bridge construction and inspections. During our current examination period, the county received \$18,336.45 in 2019 and \$61,398.67 in 2020 as a result of these agreements and deposited this money into its Liquid Fuels Tax Fund. As of December 31, 2020, \$25,532.57 was due the Liquid Fuels Tax Fund.

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>
General Fund	Credit for unclaimed property	\$ 132.81	\$165.45
Vendor	Reimbursement (Summary Of Prior Examination Recommendation)	1,500.00	-
Insurance Company	Refund of medical benefits	193.11	89.24
Totals		<u>\$1,825.92</u>	<u>\$254.69</u>

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

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>
General Fund	Unclaimed property - voided check	\$132.81	\$ -
Pennsylvania Department of Treasury	Escheat of unclaimed property	-	165.45
Totals		<u>\$132.81</u>	<u>\$165.45</u>

Encumbrances

As of December 31, 2020, \$1,209,243.50 was encumbered. This amount consists of \$930,000.00 for county projects and \$279,243.50 for grants to political subdivisions.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 1 - Unencumbered Balance Was Greater Than The Receipts For The Previous Twelve Months**

All counties receive allocations of Liquid Fuels Tax Fund money in June and December of each year. Liquid Fuels Tax Fund money is primarily used for the construction, reconstruction, and maintenance and repair of roads and bridges. Counties may also choose to grant Liquid Fuels Tax Fund money to the political subdivisions within the county. Additionally, if the unencumbered fund balance as of December 31 was greater than the receipts for the previous twelve months, the county **must** disburse a portion of its Liquid Fuels Tax Fund money to the political subdivisions within the county. This condition is referred to as a forced distribution.

Our examination disclosed that the county’s unencumbered balance as of December 31, 2019, was \$396,120.26, which was greater than the total receipts of \$346,284.13 for the preceding twelve months. In addition, the county’s unencumbered balance as of December 31, 2020, was \$345,949.99, which was greater than the total receipts of \$336,208.63 for the preceding twelve months.

The Liquid Fuels and Fuels Tax Act, 75 Pa. C.S.A. § 9010(c) states, in part:

When the unencumbered balance in the County Liquid Fuels Tax Fund is greater than the receipts for the twelve months immediately preceding the date of either of the reports, the county commissioners shall notify the political subdivisions to make application within 90 days for participation in the redistribution of the unencumbered balance. Redistribution shall be effected within 120 days of the date of either of the reports.

In addition, the Department of Transportation’s *Publication 9*, Chapter One, Section 1.9.1, states, in part:

...This forced distribution applies only to that portion of the unencumbered balance in excess of fifty percent (50%) of the receipts for the previous twelve months....

The following calculation is how to apply the above formula as it pertains to Lawrence County:

	2019	2020
Unencumbered balance	\$396,120.26	\$345,949.99
Less 50% of prior 12 months’ receipts	173,142.06	168,104.31
Amount to be distributed	\$222,978.20	\$177,845.68



LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 1 - Unencumbered Balance Was Greater Than The Receipts For The Previous Twelve Months (Continued)**

This condition occurred because the county failed to monitor its receipts and unencumbered balance.

The failure to comply with the Liquid Fuels and Fuels Tax Act and the Department of Transportation's *Publication 9* could result in the county having to distribute \$400,823.88 to the political subdivisions within the county.

Recommendation

Pursuant to the review of the Department of Transportation, we recommend that the Commissioners of Lawrence County distribute \$400,823.88 to the political subdivisions within the county in accordance with the provision of the Liquid Fuels and Fuels Tax Act and the Department of Transportation's *Publication 9*.

We further recommend that the county monitor its receipts and encumbrance balance throughout the year.

Management's Response

The county officials stated:

After completion of the 2019 Liquid Fuels reports, the Controller's Office informed the Commissioners that the county would be re-entering forced distribution and that we could be in forced distribution in 2020. The Commissioners met with our engineer and PennDOT concerning forced distribution. The process was explained. After completion of the 2020 report, the Controller's Office once again informed the Commissioners of forced distribution in 2020. The Commissioners acknowledged the entering of forced distribution. The Controller's Office will continue to keep the Commissioners updated on the status of the County's situation concerning forced distribution.

Auditor's Conclusion

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

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 2 - Late Receipt Of Liquid Fuels And Act 89 Tax Fund Allocations**

Our current examination disclosed that the June 2020 Liquid Fuels Tax Fund allocation of \$144,393.74 which should have been distributed to the county during the first week of June of that year, was not received until September 14, 2020. Additionally, the June 2020 Act 89 Tax Fund allocation of \$80,347.65, which should have been distributed to the county during the first week of June of that year was not received until December 4, 2020.

The county failed to comply with the Department of Transportation's *Publication 9*, Chapter One, Section 1.4, which states:

To qualify for the semi-annual liquid fuels tax allocation, a county shall:

- Submit annual reports showing the receipts, expenditures, and encumbrances for the preceding 12 months. (See MS-991 Report of County Liquid Fuels Tax Fund in Section 1.8, Reporting Requirements.)
- Make deposits and payments or expenditures in compliance with the Act. (See Section 1.6, Appropriate Use of Funds.) Failure to do so may result in the county not receiving allocations until all deficiencies are resolved.
- 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.

Furthermore, the county failed to comply with the Department of Transportation's *Publication 9*, Chapter Six, Section 6.4, which states:

In order to receive Act 89 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. (See Section 6.8, Required Reports.) The use of the funds must be in compliance with the Act. (See Section 6.6, Appropriate Use of Funds.) Failure to do so may result in the county not receiving allocations until all deficiencies are resolved.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 2 - Late Receipt Of Liquid Fuels And Act 89 Tax Fund Allocations (Continued)**

Because the county failed to file documents and information timely as noted above, the county did not have use of the 2020 Liquid Fuels Tax Fund allocation for two months and did not have use of the 2020 Act 89 Tax Fund allocation for six months. Had the allocations been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for bridge and/or road maintenance and repairs.

Recommendation

We recommend that, in the future, the county complies with the Department of Transportation's *Publication 9* to ensure that the Liquid Fuels and Act 89 Tax Fund allocations are received during the first week in June as outlined above.

Management's Response

The county officials stated:

Late receipt of allocation was caused by the reports being submitted late to PennDOT. The Controller's Office completed the report in the required time and forwarded to the Commissioners for approval before submitting. Once the Commissioners approved, the Controller's office submitted. However, the approval time took us past the deadline to submit. The Controller's office will continue to complete the report on time, and will submit on-time with or without Commissioners review. We will give the Commissioners ample amount of time for review.

Auditor's Conclusion

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

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATION  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

Summary Of Prior Examination Recommendation

In our prior report, the county expended \$1,500.00 from its Liquid Fuels Tax Fund for plastering and painting the Government Center, which is a nonpermissible expenditure. This amount was reimbursed to the county's Liquid Fuels Tax Fund on October 30, 2019. We recommended that the county comply with the Liquid Fuels and Fuels Tax Act and the Department of Transportation's regulations regarding permissible expenditures.

During our current examination, we noted that the county complied with our recommendation.

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2020

An exit conference was held September 22, 2021. Those participating were:

LAWRENCE COUNTY

Mr. David J. Prestopine, CPA, Acting Controller

Mr. David J. Gettings, Former Controller

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Brian Delaney, CFE, Audit Supervisor

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

LAWRENCE COUNTY  
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS  
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

**Lawrence County**  
430 Court Street  
New Castle, PA 16101

**The Honorable Morgan Boyd**  
Chairman of the Board of Commissioners

**The Honorable Richard L. Rapone**  
Treasurer

**Mr. David J. Prestopine, CPA**  
Acting Controller

**Mr. Joseph Venasco**  
Interim County Administrator

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).