

ATTESTATION ENGAGEMENT

Borough of McClure
Snyder County, Pennsylvania
54-406
Liquid Fuels Tax Fund
For the Period
January 1, 2018 to December 31, 2018

May 2020



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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

EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Form MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of McClure, Snyder County, for the period January 1, 2018 to December 31, 2018. The municipality's management is responsible for presenting the Form MS-965 in accordance with the criteria set forth in Note 1. Our responsibility is to express an opinion on the Form MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Form MS-965 is presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Form MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Form MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

Independent Auditor's Report (Continued)

As discussed in the Findings and Recommendations and Summary Of Prior Examinations' Recommendations sections of this report:

- The municipality expended \$53,316.50 from the Liquid Fuels Tax Fund for project No. 18-54406-02. However, documentation for advertising, quantities used, and material certification was not provided (see Finding No. 1).
- Although Liquid Fuels Tax Fund money was not approved to be expended on project No. 18-54406-01, \$1,904.00 of Liquid Fuels Tax Fund money was spent on the project (see Finding No. 2).
- The municipality expended \$1,650.00 from the Liquid Fuels Tax Fund for seal coating of a parking lot, which is a nonpermissible expenditure. This amount was reimbursed to the Liquid Fuels Tax Fund on February 15, 2019, which was subsequent to our examination period (see Finding No. 3).
- In our prior report, we noted that although the Liquid Fuels Tax Fund money was not approved to be expended on project No. 17-5440602, \$1,980.00 of Liquid Fuels Tax Fund money was spent on the project. The municipality reimbursed the Liquid Fuels Tax Fund \$60.00 on January 9, 2019, and \$1,920.00 on August 16, 2019, which was subsequent to our examination period (see Summary Of 2015-2017 Examination Recommendations).

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

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Form MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Form MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Form MS-965 is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Form MS-965 or on compliance and other matters; accordingly, we express no such opinions.

Independent Auditor's Report (Continued)

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Form MS-965 is presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Form MS-965 will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency below to be a material weakness:

- Documentation For Advertising, Actual Quantities Used, and Material Certification Was Not Available For Examination.

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

- Liquid Fuels Money Improperly Expended On Project - Recurring.
- Nonpermissible Expenditure.

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

- Late Receipt And Untimely Deposit Of Allocation - Recurring.

The examination findings for liquid fuels money being improperly expended on a project and for the late receipt and untimely deposit of an allocation contained in this report cite conditions that existed in the operation of the municipality during the previous engagement period and were not corrected during the current examination period. The municipality should strive to comply with the recommendations noted in this report.

Independent Auditor's Report (Continued)

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

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



Eugene A. DePasquale
Auditor General

April 10, 2020

CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2018 Form MS-965 With Adjustments	3
Notes To Form MS-965 With Adjustments	6
Findings And Recommendations:	
Finding No. 1 - Documentation For Advertising, Actual Quantities Used, And Material Certification Was Not Available For Examination.....	10
Finding No. 2 - Liquid Fuels Money Improperly Expended On Project - Recurring	12
Finding No. 3 - Nonpermissible Expenditure.....	13
Finding No. 4 - Late Receipt And Untimely Deposit Of Allocation - Recurring	14
Summary Of Prior Examinations' Recommendations.....	16
Summary Of Exit Conference.....	17
Report Distribution	18

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Background

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

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

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

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

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

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

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

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.

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2018 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 5,306.00	\$ -	\$ 5,306.00
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	270.00	-	270.00
Winter maintenance services	1,441.70	-	1,441.70
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	2,480.03	-	2,480.03
Repairs of tools and machinery	3,600.39	-	3,600.39
Maintenance and repair of roads and bridges	5,259.40	1,650.00	6,909.40
Highway construction and rebuilding projects	54,966.50	(1,650.00)	53,316.50
Miscellaneous (Note 5)	3,949.63	-	3,949.63
	<u>3,949.63</u>	<u>-</u>	<u>3,949.63</u>
 Total (To Section 2, Line 5)	 <u>\$ 77,273.65</u>	 <u>\$ -</u>	 <u>\$ 77,273.65</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2018 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2018	\$ 83,385.80	\$ -	\$ 83,385.80
Receipts:			
2. State allocation	36,920.47	-	36,920.47
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	83.72	(2.94)	80.78
2c. Miscellaneous (Summary Of 2013-2014 Examination Recommendation)	<u>1,920.00</u>	<u>-</u>	<u>1,920.00</u>
3. Total receipts	<u>38,924.19</u>	<u>(2.94)</u>	<u>38,921.25</u>
4. Total funds available	<u>122,309.99</u>	<u>(2.94)</u>	<u>122,307.05</u>
5. Expenditures (Section 1)	<u>77,273.65</u>	<u>-</u>	<u>77,273.65</u>
6. Balance, December 31, 2018	<u>\$ 45,036.34</u>	<u>\$ (2.94)</u>	<u>\$ 45,033.40</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2018 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 41,891.20	\$ -	\$ 41,891.20
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	7,384.09	-	7,384.09
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	49,275.29	-	49,275.29
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>49,275.29</u>	<u>-</u>	<u>49,275.29</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 45,036.34</u>	<u>\$ (2.94)</u>	<u>\$ 45,033.40</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORM MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2018

1. Criteria

Section 1

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

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

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

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

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

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

Section 2

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

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

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

1. Criteria (Continued)

Section 3

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

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

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

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

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Form MS-965 has been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

The accompanying Form MS-965 With Adjustments is prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

1. Criteria (Continued)

General Fixed Assets

General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

2. Deposits

The Borough Code, Title 53 P.S. § 46316, authorizes the borough to deposit its funds in the following:

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

Deposits consist of receipts and deposits in a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2018. Custodial credit risk, as defined by GASB No. 40, as amended, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

Fund Balance

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

Cash	\$45,033.40
------	-------------

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$80.78 during 2018, thus providing additional funds for road maintenance and repairs.

4. Adjustments

Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Highway construction and rebuilding projects” because expenditures of \$1,650.00 were misclassified.

Section 2

An adjustment of \$(2.94) was made to “Interest on investments” because interest earnings were overstated.

5. Deposit In Error

On September 25, 2017, \$3,949.63 of state funds were deposited into the municipality’s Liquid Fuels Tax Fund in error. On September 13, 2018, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Finding No. 1 - Documentation For Advertising, Actual Quantities Used, And Material Certification Was Not Available For Examination

Our examination disclosed that the borough expended \$53,316.50 for project No. 18-54406-02 from the Liquid Fuels Tax Fund. However, documentation for advertising, actual quantities used, and material certification was not provided.

Without this documentation, we could not determine whether the project was advertised or if it was advertised correctly. Without weigh slips, we could not determine if the borough was charged for actual quantities used or contract quantities (note that the municipality was charged for the contracted quantities). Without material certification, we could not determine whether the materials used were approved by the Department of Transportation.

Good internal control procedures ensure that there is documentation to support all expenditures.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Additionally, the Department of Transportation's *Publication 408*, Section 106.02 (a), states:

Have each material and material source of supply listed on Forms CS-2000 (Source of Supply – Materials) or Form CS-201 (Source of Supply – Traffic Control Devices) and approved before delivery to project....

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$53,316.50 to its Liquid Fuels Tax Fund.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Finding No. 1 - Documentation For Advertising, Actual Quantities Used, And Material Certification Was Not Available For Examination (Continued)

Recommendations

We recommend that the borough reimburse \$53,316.50 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.

Management's Response

The secretary/treasurer stated:

A new Secretary started in June 2018 and couldn't find any documents.

Auditor's Conclusion

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

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Finding No. 2 - Liquid Fuels Money Improperly Expended On Project - Recurring

We cited the municipality for improperly expending Liquid Fuels Tax Fund money on projects in our prior two reports, with the most recent being for the period January 1, 2015 to December 31, 2017. Our current examination disclosed that although Liquid Fuels Tax Fund money was not approved to be expended on construction project No. 18-54406-01, \$1,904.00 of Liquid Fuels Tax Fund money was spent on the project. The expenditures related to this project should have been paid directly from the General Fund.

The Department of Transportation's *Publication 9* outlines the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states that nonpermissible expenditures include construction and reconstruction projects without prior approval from the Department of Transportation.

The failure to comply with the Department of Transportation's *Publication 9* could result in the municipality having to reimburse \$1,904.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$1,904.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again recommend that, in the future, no liquid fuels tax funds be expended for construction projects without the prior approval of the Department of Transportation.

Management's Response

The secretary/treasurer stated:

Project expenses were accidently expended from the Liquid Fuels Fund.

Auditor's Conclusion

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

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Finding No. 3 - Nonpermissible Expenditure

Our examination disclosed that the municipality expended \$1,650.00 from the Liquid Fuels Tax Fund for seal coating a parking lot, which is a nonpermissible expenditure.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance, and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including parking lots, are outside the scope of permissible expenditures.

The municipality reimbursed \$1,650.00 to the Liquid Fuels Tax Fund on February 15, 2019, which was subsequent to our examination period.

Recommendation

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

Management's Response

The secretary/treasurer stated:

I did not realize it was not to be paid from Highway Aid. Was reimbursed on February 15, 2019.

Auditor's Conclusion

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

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Finding No. 4 - Late Receipt And Untimely Deposit Of Allocation - Recurring

We cited the municipality for untimely deposit of allocations and late receipt of allocation in our prior two reports, with the most recent being for the period January 1, 2015 to December 31, 2017. Our current examination disclosed that the 2018 Liquid Fuels Tax Fund allocation of \$36,920.47, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until May 4, 2018, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

We also noted that the 2018 allocation was received on May 4, 2018, but it was not deposited into the Liquid Fuels Tax Fund until June 20, 2018.

Because the municipality failed to file documents and information timely and did not deposit the 2018 allocation timely as noted above, the municipality did not have use of the allocation for almost four months. Furthermore, had the allocation been received and deposited timely, money may have been available for investment purposes, potentially earning interest income that could have been used for road maintenance and repairs. Additionally, good internal control procedures require that all funds received be deposited immediately upon receipt. The failure to do so increases the risk that errors and misappropriations may occur and remain undetected.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Finding No. 4 - Late Receipt And Untimely Deposit Of Allocation - Recurring (Continued)

Recommendations

We again recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March as outlined above.

We further again recommend that, in the future, the municipality deposit all allocations immediately upon receipt.

In addition, the municipal officials should consider using the electronic transfer of funds offered by the Department of Transportation.

Management's Response

The secretary/treasurer stated:

Check came into previous secretary. When I found it, I deposited it.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendations. During our next examination, we will determine if the municipality complied with our recommendations.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

Summary Of 2013-2014 Examination Recommendation

In our 2013-2014 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$1,920.00 to its Liquid Fuels Tax Fund for improperly expending Liquid Fuels Tax Fund money on a project.

During our prior examination, we reviewed a letter dated July 20, 2016, from the Department of Transportation directing the municipality to reimburse \$1,920.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on September 24, 2018.

Summary Of 2015-2017 Examination Recommendations

In our 2015-2017 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$1,980.00 to its Liquid Fuels Tax Fund for improperly expending Liquid Fuels Tax Fund money on a project.

During our current examination, we reviewed a letter dated November 13, 2018, from the Department of Transportation directing the municipality to reimburse \$1,980.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$60.00 and \$1,920.00 to its Liquid Fuels Tax Fund on January 9, 2019 and August 16, 2019, respectively, which was subsequent to our examination period.

In our prior report, we also recommended that the municipality:

- Ensure its Forms MS-965 are complete and accurate.
- Expend only the approved amount of Liquid Fuels Tax Fund money on road projects.
- Complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March, deposit all allocations immediately upon receipt, and consider using the electronic transfer of funds offered by the Department of Transportation.

During our current examination we noted that the municipality complied with our first bulleted recommendation but did not comply with the second and third bulleted recommendations (see Finding Nos. 2 and 4).

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

An exit conference was held March 11, 2020. Those participating were:

BOROUGH OF MCCLURE

Ms. Juli Jones, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Vicki Baker, Auditor

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

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2018

This report was initially distributed to:

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

Borough of McClure
Snyder County
1 North Forbes Street
P.O. Box 407
McClure, PA 17841

The Honorable Andrew S. Benner
President of Council

Ms. Juli Jones
Secretary/Treasurer

Mr. David Weader
Borough 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.