

ATTESTATION ENGAGEMENT

Borough of McClure
Snyder County, Pennsylvania
54-406
Liquid Fuels Tax Fund
For the Period
January 1, 2013 to December 31, 2014

June 2016



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



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Leslie Richards
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of McClure, Snyder County, for the period January 1, 2013 to December 31, 2014. The municipality's management is responsible for the Forms MS-965. 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. An examination includes examining, on a test basis, evidence supporting the Borough of McClure, Snyder County's Forms MS-965 for the period January 1, 2013 to December 31, 2014 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 Finding No. 1, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 3, the borough expended \$960.00 in excess of the approved amount for both road project Nos.13-5440601 and 14-54406-01.

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 Borough of McClure, Snyder County, for the period January 1, 2013 to December 31, 2014, in conformity 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 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.

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 MS-965 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 the internal control was for the limited purpose of expressing an opinion on whether the Form 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. We did identify certain deficiencies in internal control, described in the findings listed below, that we consider to be material weaknesses in internal control:

- Failure To Properly Prepare Forms MS-965 - Recurring.
- Untimely Deposit Of Allocations.

Independent Auditor's Report (Continued)

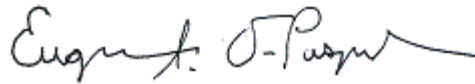
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of McClure, Snyder County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

- Liquid Fuels Money Over Expended On Projects.

We are concerned that the municipality failed to correct a previously reported finding regarding the failure to properly prepare Forms MS-965. During our current examination the municipality failed to properly prepare its Forms MS-965, failed to deposit its allocations timely, and over expended Liquid Fuels Tax Fund money on projects. The failure to properly complete Forms MS-965 and to deposit its allocation timely increases the risk that errors or misappropriations may occur and remain undetected. Additionally, the failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$1,920.00 to its Liquid Fuels Tax Fund. The municipality should strive to implement the recommendations and corrective actions noted in this report.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Borough of McClure, Snyder County, and is not intended to be and should not be used by anyone other than these specified parties.

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 Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

March 29, 2016

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BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, 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 Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called 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 this 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. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	38,684.29	(37,746.10)	938.19
Highway construction and rebuilding projects	-	38,326.20	38,326.20
Miscellaneous (Bank service charges)	728.67	(580.10)	148.57
 Total (To Section 2, Line 5)	 <u>\$ 39,412.96</u>	 <u>\$ -</u>	 <u>\$ 39,412.96</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ 50,794.54	\$ (288.24)	\$ 50,506.30
Receipts:			
2. State allocation	24,297.93	-	24,297.93
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	236.26	(77.55)	158.71
2c. Miscellaneous (Note 4)	3,850.14	-	3,850.14
3. Total receipts	<u>28,384.33</u>	<u>(77.55)</u>	<u>28,306.78</u>
4. Total funds available	<u>79,178.87</u>	<u>(365.79)</u>	<u>78,813.08</u>
5. Expenditures (Section 1)	<u>39,412.96</u>	<u>-</u>	<u>39,412.96</u>
6. Balance, December 31, 2013	<u>\$ 39,765.91</u>	<u>\$ (365.79)</u>	<u>\$ 39,400.12</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2013 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No.1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 37,950.40	\$ (5,236.08)	\$ 32,714.32
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	4,859.59	-	4,859.59
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	42,809.99	(5,236.08)	37,573.91
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>42,809.99</u>	<u>(5,236.08)</u>	<u>37,573.91</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 39,765.91</u>	<u>\$ (2,192.00)</u>	<u>\$ 37,573.91</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2014 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No.1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 11,141.11	\$ (11,141.11)	\$ -
Minor equipment purchases	-	6,281.52	6,281.52
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,335.92	-	3,335.92
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	14,706.78	-	14,706.78
Repairs of tools and machinery	1,419.83	-	1,419.83
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 30,603.64</u>	 <u>\$ (4,859.59)</u>	 <u>\$ 25,744.05</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2014 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2014	\$ 39,765.91	\$ (365.79)	\$ 39,400.12
Receipts:			
2. State allocation	26,179.03	-	26,179.03
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	174.06	(65.83)	108.23
2c. Miscellaneous (Note 4)	4,458.17	-	4,458.17
3. Total receipts	<u>30,811.26</u>	<u>(65.83)</u>	<u>30,745.43</u>
4. Total funds available	<u>70,577.17</u>	<u>(431.62)</u>	<u>70,145.55</u>
5. Expenditures (Section 1)	<u>30,603.64</u>	<u>(4,859.59)</u>	<u>25,744.05</u>
6. Balance, December 31, 2014	<u>\$ 39,973.53</u>	<u>\$ 4,427.97</u>	<u>\$ 44,401.50</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 2014 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 32,714.32	\$ 4,859.59	\$ 37,573.91
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	5,235.81	-	5,235.81
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	37,950.13	4,859.59	42,809.72
5. Less: Major equipment expenditures	11,141.11	(11,141.11)	-
6. Remainder	<u>26,809.02</u>	<u>16,000.70</u>	<u>42,809.72</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 26,809.02</u>	<u>\$ 16,000.70</u>	<u>\$ 42,809.72</u>

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

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

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:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

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

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- 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 was received from the Department of Transportation during the first week in April of each year through 2013. Municipalities began receiving the state allocation in March of each year beginning in 2014. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation was received from the Department of Transportation during the first week in April of each year through 2013. Municipalities began receiving the turnback allocation in March of each year beginning in 2014. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

1. Criteria (Continued)

Section 2 (Continued)

- Expenditures include the total transferred from Section 1.

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 Forms MS-965 have 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 Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

1. Criteria (Continued)

Basis Of Accounting

The accompanying Forms MS-965 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.

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 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.

BOROUGH OF MCCLURE
 SNYDER COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2014. Custodial credit risk, as defined by GASB No. 40, 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, 2014 consists of the following:

Cash	\$14,384.13
Certificates of deposit	<u>30,017.37</u>
Total	<u>\$44,401.50</u>

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account and certificates of deposit which earned \$158.71 during 2013, and \$108.23 during 2014, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

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

Source	Description	2013	2014
Commonwealth of Pennsylvania	Winter maintenance agreement	<u>\$3,850.14</u>	<u>\$4,458.17</u>

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Finding No. 1 - Failure To Properly Prepare Forms MS-965 - Recurring

We cited the municipality for failing to properly prepare Forms MS-965 in our prior report for the period January 1, 2011 to December 31, 2012. Our current examination disclosed that there were numerous errors made in the preparation of the municipality's 2013 and 2014 Form MS-965. These errors resulted in the following adjustments:

2013 - Section 1

- Adjustments were made to "Maintenance and repair of roads and bridges," "Highway construction and rebuilding projects," and "Miscellaneous" because expenditures of \$38,326.20 were misclassified.

2013 - Section 2

- An adjustment of \$(288.24) was made to "Balance, January 1, 2013" because of prior report adjustments that were not carried forward in the fund balance.
- An adjustment of \$(77.55) was made to "Interest on investments" because interest earnings were overstated.

2013 - Section 3

- An adjustment of \$(5,236.08) was made to "Prior year equipment balance" because of prior report adjustments that were not carried forward in the equipment balance.

2014 - Section 1

- An adjustment of \$(11,141.11) was made to "Major equipment purchases" because minor equipment purchases of \$6,281.52 were misclassified and the purchase of a certificate of deposit for \$4,859.59 was incorrectly reported as an expenditure.
- An adjustment of \$6,281.52 was made to "Minor equipment purchases" because these expenditures were misclassified as major equipment purchases.

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Finding No. 1 - Failure To Properly Prepare Forms MS-965 - Recurring (Continued)

2014 - Section 2

- An adjustment of \$(365.79) was made to “Balance, January 1, 2014” to reflect the adjustment made to the fund balance in 2013 - Section 2.
- An adjustment of \$(65.83) was made to “Interest on investments” because interest earnings were overstated.

2014 - Section 3

- An adjustment of \$4,859.59 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.
- An adjustment of \$(11,141.41) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2014 - Section 1.

Good internal controls ensure that the municipality complete its Forms MS-965 accurately and completely. The failure to properly complete Forms MS-965 increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We again recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

Management’s Response

The municipal official stated:

I am understanding better how to file the MS-965.

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, 2013 TO DECEMBER 31, 2014

Finding No. 2 - Untimely Deposit Of Allocations

Our examination disclosed that the 2013 Liquid Fuels Tax Fund allocation of \$24,297.93, which was received on April 1, 2013, was not deposited into the Liquid Fuels Tax Fund until May 21, 2013. We further noted that the 2014 allocation of \$26,179.03, which was received on March 3, 2014, was not deposited into the Liquid Fuels Tax Fund until April 18, 2014.

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. Additionally, had the allocations been deposited in a timely manner, money may have been available for investment, potentially earning interest income which could have been used for road maintenance and repairs.

Recommendations

We 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 municipal official stated:

I know reports must be filed on time.

Auditor's Conclusion

The township received its allocations on time. Therefore, their reports were filed on time. This finding is for not depositing its allocation timely. Allocations should be deposited immediately upon receipt. 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, 2013 TO DECEMBER 31, 2014

Finding No. 3 - Liquid Fuels Money Over Expended On Projects

Our examination disclosed that the municipality expended \$38,326.20 of Liquid Fuels Tax Fund money on construction project No.13-54406-01 and \$3,000.00 of Liquid Fuels Tax Fund on construction project 14-54406-01. However, the amount of Liquid Fuels Tax Fund money approved by the Department of Transportation to be expended from the Liquid Fuels Tax Fund for project No.13-54406-01 was \$37,366.20 and the amount approved for project No. 14-54406-01 was \$2,040.00. The difference of \$960.00 for each project should have been paid directly from the General Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$1,920.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$1,920.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Management's Response

The municipal official stated:

County Aid and Liquid Fuels have been explained to me. I know two checks need to be written; one from the General and one from Liquid Fuels.

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
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Summary Of Prior Examination Recommendations

In our prior report we recommended that:

- The municipality comply with Commonwealth of Pennsylvania Management Directive 210.11 by obtaining images of both the front and back of canceled checks from its financial institution.
- The municipality ensure that its Forms MS-965 are complete and accurate.
- The municipality improve internal control procedures over disbursements by requiring at least two signatures on all disbursements from the Liquid Fuels Tax Fund account.

During our current examination we noted that the municipality complied with our first and third bulleted recommendations. However, it did not comply with our second bulleted recommendation (see Finding No. 1).

BOROUGH OF MCCLURE
SNYDER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

An exit conference was held February 4, 2016. Those participating were:

BOROUGH OF MCCLURE

Ms. Patricia Bachman, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Vicki K. 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, 2013 TO DECEMBER 31, 2014

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

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

The Honorable Andrew Benner
President of Council

Ms. Patricia Bachman
Secretary/Treasurer

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