

ATTESTATION ENGAGEMENT

Borough of Millvale
Allegheny County, Pennsylvania
02-445
Liquid Fuels Tax Fund
For the Period
January 1, 2020 to December 31, 2022

December 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Michael Carroll
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 Millvale, Allegheny County, for the period January 1, 2020 to December 31, 2022. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with ethical requirements relating to the engagement.

As described in the Auditor Description Of Select Transactions section of this report, 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 the Findings And Recommendations section of this report:

- The municipality expended \$4,521.00 during 2020, \$6,201.25 during 2021, and \$28,828.00 during 2022 in excess of the \$1,000.00 limit for computers and computer software (see Finding No. 2).
- The municipality expended \$7,730.89 during 2021 and \$4,846.07 during 2022 from the Liquid Fuels Tax Fund for electricity bills for the municipality building and community center, which are nonpermissible expenditures (see Finding No. 3).
- The municipality transferred \$2,223.39 on December 14, 2022 from its Liquid Fuels Tax Fund to its General Fund in excess of eligible Liquid Fuels expenditures incurred by the General Fund (see Finding No. 4).
- During 2018 the municipality expended \$47,759.25 from its Liquid Fuels Tax Fund in noncompliance with advertising and bidding requirements. As of December 31, 2022, this amount had not been reimbursed to its Liquid Fuels Tax Fund (see Summary Of 2018 Examination Recommendation).

In our opinion, except for the bulleted matters discussed above, 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 Millvale, Allegheny County, for the period January 1, 2020 to December 31, 2022, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; 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 internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

Independent Auditor's Report (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 internal control over reporting on the Forms MS-965 was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and 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.

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

- Liquid Fuels Money Over Expended For Computer Software.
- Nonpermissible Expenditures.
- Amount Transferred From The Liquid Fuels Tax Fund To The General Fund Exceeded An Eligible Expenditure.
- Transfers To The General Fund For Anticipated Liquid Fuels Tax Fund Expenditures.

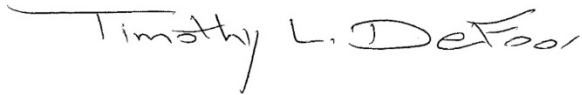
We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the findings below:

- Late Receipt Of Allocations.

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 Millvale, Allegheny 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line above the first name.

Timothy L. DeFoor
Auditor General
October 11, 2023

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BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Background

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

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

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

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

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

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

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2020 TO DECEMBER 31, 2022

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development’s (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition By March 15th.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation’s Financial Consultants.

Criteria

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

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

| 2019 | 2020 | 2021 | 2022 |
|-------------|-------------|-------------|-------------|
| \$11,100.00 | \$11,300.00 | \$11,500.00 | \$11,800.00 |

- 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:

| 2019 | 2020 | 2021 | 2022 |
|-------------|-------------|-------------|-------------|
| \$11,100.00 | \$11,300.00 | \$11,500.00 | \$11,800.00 |

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

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

Section 3 of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

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

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

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Background (Continued)

Basis of Presentation

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

Basis Of Accounting

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

General Fixed Assets

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

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2020 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|--------------------------|--------------------|----------------------------|
| Minor equipment purchases | \$ - | \$ - | \$ - |
| Computer/Computer related training | 5,521.00 | - | 5,521.00 |
| Major equipment purchases | 15,523.86 | - | 15,523.86 |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 25,128.43 | - | 25,128.43 |
| Traffic control devices | 3,904.96 | - | 3,904.96 |
| Street lighting | 55,221.75 | - | 55,221.75 |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | - | - | - |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | - | - | - |
| Total (To Section 2, Line 5) | <u>\$ 105,300.00</u> | <u>\$ -</u> | <u>\$ 105,300.00</u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2020 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

| <u>Fund Balance</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|-------------------------------|-----------------------------|--------------------|-----------------------------|
| 1. Balance, January 1, 2020 | \$ 110,410.90 | \$ - | \$ 110,410.90 |
| Receipts: | | | |
| 2. State allocation | 102,408.26 | - | 102,408.26 |
| 2a. Turnback allocation | - | - | - |
| 2b. Interest on investments | 229.04 | - | 229.04 |
| 2c. Miscellaneous | - | - | - |
| 3. Total receipts | <u>102,637.30</u> | <u>-</u> | <u>102,637.30</u> |
| 4. Total funds available | <u>213,048.20</u> | <u>-</u> | <u>213,048.20</u> |
| 5. Expenditures (Section 1) | <u>105,300.00</u> | <u>-</u> | <u>105,300.00</u> |
| 6. Balance, December 31, 2020 | <u><u>\$ 107,748.20</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 107,748.20</u></u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2020 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

| <u>Equipment Balance</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|---------------------|--------------------|----------------------------|
| 1. Prior year equipment balance | \$ 24,673.93 | \$ - | \$ 24,673.93 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 20,481.65 | - | 20,481.65 |
| 3. PENNDOT approved adjustments | - | - | - |
| 4. Total funds available for equipment acquisition | 45,155.58 | - | 45,155.58 |
| 5. Less: Major equipment expenditures | 15,523.86 | - | 15,523.86 |
| 6. Remainder | <u>29,631.72</u> | <u>-</u> | <u>29,631.72</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 29,631.72</u> | <u>\$ -</u> | <u>\$ 29,631.72</u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2021 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|--------------------------|--------------------------|----------------------------|
| Minor equipment purchases | \$ - | \$ - | \$ - |
| Computer/Computer related training | 7,201.25 | - | 7,201.25 |
| Major equipment purchases | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 37,420.39 | - | 37,420.39 |
| Traffic control devices | 2,851.00 | - | 2,851.00 |
| Street lighting | 60,253.84 | (1,978.28) | 58,275.56 |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | - | - | - |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | - | - | - |
| Total (To Section 2, Line 5) | <u>\$ 107,726.48</u> | <u>\$ (1,978.28)</u> | <u>\$ 105,748.20</u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2021 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

| <u>Fund Balance</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|-------------------------------|-------------------|--------------------|----------------------------|
| 1. Balance, January 1, 2021 | \$ 107,748.20 | \$ - | \$ 107,748.20 |
| Receipts: | | | |
| 2. State allocation | - | - | - |
| 2a. Turnback allocation | - | - | - |
| 2b. Interest on investments | 1.58 | (1.15) | .43 |
| 2c. Miscellaneous | - | - | - |
| 3. Total receipts | <u>1.58</u> | <u>(1.15)</u> | <u>.43</u> |
| 4. Total funds available | <u>107,749.78</u> | <u>(1.15)</u> | <u>107,748.63</u> |
| 5. Expenditures (Section 1) | <u>107,726.48</u> | <u>(1,978.28)</u> | <u>105,748.20</u> |
| 6. Balance, December 31, 2021 | <u>\$ 23.30</u> | <u>\$ 1,977.13</u> | <u>\$ 2,000.43</u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2021 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

| <u>Equipment Balance</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|------------------|--------------------|----------------------------|
| 1. Prior year equipment balance | \$ 29,631.72 | \$ - | \$ 29,631.72 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | - | - | - |
| 3. PENNDOT approved adjustments | - | - | - |
| 4. Total funds available for equipment acquisition | 29,631.72 | - | 29,631.72 |
| 5. Less: Major equipment expenditures | - | - | - |
| 6. Remainder | <u>29,631.72</u> | <u>-</u> | <u>29,631.72</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 23.30</u> | <u>\$ 1,977.13</u> | <u>\$ 2,000.43</u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2022 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

| <u>Expenditure Summary</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|---|--------------------------|------------------------|----------------------------|
| Minor equipment purchases | \$ - | \$ - | \$ - |
| Computer/Computer related training | 29,828.00 | - | 29,828.00 |
| Major equipment purchases | - | - | - |
| Agility projects | - | - | - |
| Cleaning streets and gutters | - | - | - |
| Winter maintenance services | 30,333.30 | - | 30,333.30 |
| Traffic control devices | 7,166.44 | - | 7,166.44 |
| Street lighting | 98,757.34 | 2,223.39 | 100,980.73 |
| Storm sewers and drains | - | - | - |
| Repairs of tools and machinery | - | - | - |
| Maintenance and repair of roads and bridges | 12,186.61 | - | 12,186.61 |
| Highway construction and rebuilding projects | - | - | - |
| Miscellaneous | - | - | - |
| Total (To Section 2, Line 5) | <u>\$ 178,271.69</u> | <u>\$ 2,223.39</u> | <u>\$ 180,495.08</u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2022 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

| <u>Fund Balance</u> | <u>Reported</u> | <u>Adjustments</u> | <u>Adjusted Amount</u> |
|-------------------------------|---------------------------|--------------------|----------------------------|
| 1. Balance, January 1, 2022 | \$ 23.30 | \$ 1,977.13 | \$ 2,000.43 |
| Receipts: | | | |
| 2. State allocation | 182,811.43 | - | 182,811.43 |
| 2a. Turnback allocation | - | - | - |
| 2b. Interest on investments | 1,694.34 | 246.26 | 1,940.60 |
| 2c. Miscellaneous | - | - | - |
| 3. Total receipts | <u>184,505.77</u> | <u>246.26</u> | <u>184,752.03</u> |
| 4. Total funds available | <u>184,529.07</u> | <u>2,223.39</u> | <u>186,752.46</u> |
| 5. Expenditures (Section 1) | <u>178,271.69</u> | <u>2,223.39</u> | <u>180,495.08</u> |
| 6. Balance, December 31, 2022 | <u><u>\$ 6,257.38</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 6,257.38</u></u> |

BOROUGH OF MILLVALE
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2022 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 | \$ 23.30 | \$ 1,977.13 | \$ 2,000.43 |
| 2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2) | 36,562.28 | - | 36,562.28 |
| 3. PENNDOT approved adjustments | - | - | - |
| 4. Total funds available for equipment acquisition | 36,585.58 | 1,977.13 | 38,562.71 |
| 5. Less: Major equipment expenditures | - | - | - |
| 6. Remainder | <u>36,585.58</u> | <u>1,977.13</u> | <u>38,562.71</u> |
| 7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero) | <u>\$ 6,257.38</u> | <u>\$ -</u> | <u>\$ 6,257.38</u> |

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

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

Adjustments

2021 - Section 1

An adjustment of \$(1,978.25) was made to “Street lighting” because these expenditures were overstated.

2021 - Section 2

An adjustment of \$(1.15) was made to “Interest on investments” because interest earnings were overstated.

2022 - Section 1

An adjustment of \$2,223.39 was made to “Street lighting” because these expenditures were understated.

2022 - Section 2

An adjustment of \$1,977.13 was made to “Balance, January 1, 2022” to reflect the adjustment made to the fund balance in 2021 – Section 2.

An adjustment of \$246.26 was made to “Interest on investments” because interest earnings were understated.

2022 - Section 3

An adjustment of \$1,977.13 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2021 – Section 3.

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Bank Loan

On January 18, 2017, the municipality borrowed \$72,307.00 from First National Bank of Pennsylvania to purchase a Ford F550 truck. The term of the loan was for five years at an interest rate of 2.69 percent. Principal and interest payments of \$15,523.86 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$28,168.04 and \$2,879.68 respectively. Additionally, Prior years' principal and interest payments from the General Fund were \$14,323.16 and \$1,200.70, respectively.

During the current examination period the municipality paid principal of \$14,710.60 and interest of \$813.26 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2020 Form MS-965 – Section 1. Additionally, the municipality paid principal of \$15,105.20 and interest of \$410.88 from the General Fund. The loan was paid in full on September 16, 2021.

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 1 - Transfers To The General Fund For Anticipated Liquid Fuels Tax Fund Expenditures

Our examination disclosed that on January 7, 2020, the municipality transferred \$105,300.00 from the Liquid Fuels Tax Fund to the General Fund. As of this date, the General Fund had not incurred any Liquid Fuels Tax Fund related expenditures. The municipality did, however, spend a total of \$111,599.97 from the General Fund from January 24, 2020, to December 31, 2020, that were allowable liquid fuels expenditures.

Also, on January 7, 2021, the municipality transferred \$105,748.20 from the Liquid Fuels Tax Fund to the General Fund. As of this date, the municipality had not incurred any Liquid Fuels Tax Fund related expenditures. The municipality did spend a total of \$107,546.48 from the General Fund from January 26, 2021, to December 31, 2021, that were allowable liquid fuels expenditures.

The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account in anticipation of future expenditures is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

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

This condition occurred because the municipal officials were not aware that the process of transferring funds at the beginning of the year was not allowed.

Good internal accounting controls ensure that disbursements are made from the Liquid Fuels Tax Fund for only expenditures incurred. When Liquid Fuels Tax Fund money is commingled with the General Fund, or other funds, the potential for Liquid Fuels Tax Fund money to be used for unauthorized purposes increases significantly.

Recommendation

We recommend that the municipality only disburse funds from the Liquid Fuels Tax Fund for expenditures incurred.

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 1 - Transfers To The General Fund For Anticipated Liquid Fuels Tax Fund Expenditures (Continued)

Management's Response

The municipal officials stated:

We were not aware that transfers could not be made at the beginning of the year.

Auditor's Conclusion

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
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JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 2 - Liquid Fuels Money Over Expended For Computer Software

Our examination disclosed that during 2020, 2021, and 2022 the municipality expended \$5,521.00, \$7,201.25, and \$29,828.00, respectively, for geographic information system software from its Liquid Fuels Tax Fund. These expenditures exceed the \$1,000.00 limit that the municipalities are permitted to spend for computer software in each calendar year by \$4,521.00 during 2020, \$6,201.25 during 2021, and \$28,828.00 during 2022.

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

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

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

This condition occurred because the municipal officials were unaware of the \$1,000.00 annual amount allowed to be spent on the computer software purchases.

The failure to comply with the Department of Transportation's *Publication 9*, could result in the municipality having to reimburse \$39,550.25 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$39,550.25 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommended that the municipality expend only up to \$1,000.00 per year for computer hardware, software, and/or training from its Liquid Fuels Tax Fund.

Management's Response

The municipal officials stated:

The borough was not aware of the \$1,000.00 threshold for the computer expenditures.

Auditor's Conclusion

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 3 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$7,730.89 during 2021 and \$4,846.07 during 2022 from the Liquid Fuels Tax Fund for electric bills for the municipal building and community center, which are nonpermissible 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 municipality building and community center electricity bills, are outside the scope of permissible expenditures.

This condition occurred because the municipal officials were not aware of the restrictions when using the liquid fuels money for electricity bills.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$12,576.96 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$12,576.96 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - Nonpermissible Expenditures (Continued)

Management's Response

The municipal officials stated:

Borough misunderstood the restrictions specific to electricity restrictions for buildings and street lighting.

Auditor's Conclusion

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 4 - Amount Transferred From The Liquid Fuels Tax Fund To The General Fund Exceeded An Eligible Expenditure

Our examination disclosed that the municipality transferred \$180,495.08 from its Liquid Fuels Tax Fund to its General Fund on December 14, 2022. However, the municipality had only expended \$178,271.69 for eligible Liquid Fuels Tax Fund expenditures from its General Fund. Therefore, the amount transferred from the Liquid Fuels Tax Fund to the General Fund exceeded eligible expenditures by \$2,223.39.

The practice of transferring liquid fuels money in excess of the amount incurred for permissible liquid fuels expenditures into any account other than the Liquid Fuels Tax Fund account is contrary to the Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.5, which states:

. . . each city, borough, town, and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds.

We were unable to determine why this condition occurred.

Good internal accounting controls ensure that disbursements are made from the Liquid Fuels Tax Fund only for expenditures incurred. When Liquid Fuels Tax Fund money is commingled with the General Fund or other funds, the potential for Liquid Fuels Tax Fund money to be used for unauthorized purposes increases significantly.

Recommendations

We recommend that the municipality reimburse \$2,223.39 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We also recommend that the municipality establish and implement internal controls to ensure transfers are proper before being executed to avoid excess transfers.

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
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Finding No. 4 - Amount Transferred From The Liquid Fuels Tax Fund To The General Fund Exceeded An Eligible Expenditure (Continued)

Management's Response

The municipal officials stated:

Staff determined that better controls were needed to be in place to track yearly liquid fuels expenditures.

Auditor's Conclusion

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 5 - Late Receipt Of Allocations

Our examination disclosed that the 2021 and 2022 Liquid Fuels Tax Fund allocations of \$95,081.92 and \$87,729.51, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until June 15, 2022, and August 19, 2022, respectively, 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2021 allocation for more than 15 months and the 2022 allocation for more than 5 months. Furthermore, had the allocations been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 5 - Late Receipt Of Allocations (Continued)

Recommendation

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

Management's Response

The municipal officials stated:

The borough manager was late in completing the report. Additionally, the borough manager had trouble logging into the PennDOT website.

Auditor's Conclusion

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

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF 2018 EXAMINATION RECOMMENDATION
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Summary Of 2018 Examination Recommendation

In our 2018 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$47,759.25 to its Liquid Fuels Tax Fund for noncompliance with advertising and bidding requirements.

During our 2019 examination, we reviewed a letter dated May 26, 2020, from the Department of Transportation directing the municipality to reimburse \$47,759.25 to its Liquid Fuels Tax Fund. As of December 31, 2022, the municipality had not reimbursed this amount to its Liquid Fuels Tax Fund.

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

An onsite closeout meeting was held August 22, 2023. Those participating were:

BOROUGH OF MILLVALE

Mr. Eddie Figas, Borough Manager

Ms. Sherri Cavanaugh, Administrative Accountant

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Lizann Tokarski, Auditor

BOROUGH OF MILLVALE
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Borough of Millvale
Allegheny County
501 Lincoln Avenue
Millvale, PA 15209

The Honorable James Machajewski, Jr.
President of Council

Mr. Eddie Figas
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.