



**MONTGOMERY COUNTY
46-000**

**LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010**

Released May 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



MONTGOMERY COUNTY
46-000

LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
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FOR THE PERIOD
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MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Background

The Vehicle Code makes provisions and provides funding for County Liquid Fuels and Act 44 Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

The Vehicle Code imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. The Vehicle Code further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

The Vehicle Code, as recently amended by Act 44 of 2007 (July 18, 2007, P.L.169), requires the Pennsylvania Turnpike Commission to make annual contributions for the benefit of the Pennsylvania Department of Transportation's Motor License Fund, and further requires the Department of Transportation to distribute \$5,000,000 of the annual contribution to counties (75 Pa. C.S. § 8915.6). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.





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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 Tax Fund With Adjustments of Montgomery County for the period January 1, 2008 to December 31, 2010. The county's management is responsible for the Forms MS-991 and the Reports of Act 44 Tax Fund. Our responsibility is to express an opinion on the Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund 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 Montgomery County's Forms MS-991 and Reports of Act 44 Tax Fund for the period January 1, 2008 to December 31, 2010 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 county'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 Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

In our opinion, the Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund and Act 44 Tax Fund of Montgomery County for the period January 1, 2008 to December 31, 2010, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-991 and the Reports of Act 44 Tax Fund and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Forms MS-991 and the Reports of Act 44 Tax Fund 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-991 and the Reports of Act 44 Tax Fund or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Montgomery County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of Montgomery County's Forms MS-991 and the Reports of Act 44 Tax Fund that is more than inconsequential will not be prevented or detected by Montgomery County's internal control. We consider the deficiency described in the finding below to a significant deficiency in internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund:

- Idle Funds Held In A Noninterest-Bearing Account.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-991 and the Reports of Act 44 Tax Fund will not be prevented or detected by Montgomery County's internal control.

Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Expenditures In Excess Of The 10 Percent Limit
On Indirect/Administrative Costs.

We are concerned in light of the county's failure to correct the previously reported finding regarding expenditures in excess of the 10 percent limit on indirect/administrative costs. During our current examination period, the municipality held idle funds in a noninterest-bearing account and made expenditures in excess of the 10 percent limit on indirect/administrative costs. The county 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 Montgomery County and is not intended to be and should not be used by anyone other than these specified parties.



February 24, 2012

EUGENE A. DEPASQUALE
Auditor General



MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-991 WITH ADJUSTMENTS

	Reported	Adjustments (Note 4)	Adjusted Amount
Balance, January 1, 2008	\$ 367,575.56	\$ -	\$ 367,575.56
<u>Receipts:</u>			
State allocations	1,234,546.19	-	1,234,546.19
Interest (Note 3)	7,448.26	-	7,448.26
Reimbursable agreements	-	-	-
Miscellaneous (Note 5)	540,045.55	-	540,045.55
Accounts receivable	90,105.98	-	90,105.98
Total receipts	<u>1,872,145.98</u>	<u>-</u>	<u>1,872,145.98</u>
Total funds available	<u>2,239,721.54</u>	<u>-</u>	<u>2,239,721.54</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	1,535,857.72	(15,778.19)	1,520,079.53
Administrative	260,966.87	15,778.19	276,745.06
Grants to political subdivisions	-	-	-
Accounts payable	2,099.80	-	2,099.80
Miscellaneous	-	-	-
Total expenditures	<u>1,798,924.39</u>	<u>-</u>	<u>1,798,924.39</u>
Balance, December 31, 2008	440,797.15	-	440,797.15
Unpaid encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered balance, December 31, 2008	<u>\$ 440,797.15</u>	<u>\$ -</u>	<u>\$ 440,797.15</u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
2009 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2009	\$ 440,797.15	\$ -	\$ 440,797.15
<u>Receipts:</u>			
State allocations	1,175,027.32	-	1,175,027.32
Interest (Note 3)	1,572.08	(678.10)	893.98
Reimbursable agreements	-	-	-
Miscellaneous (Note 5)	136,032.06	-	136,032.06
Accounts receivable	-	-	-
Total receipts	<u>1,312,631.46</u>	<u>(678.10)</u>	<u>1,311,953.36</u>
Total funds available	<u>1,753,428.61</u>	<u>(678.10)</u>	<u>1,752,750.51</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	1,249,317.77	22,228.38	1,271,546.15
Administrative	194,215.88	8,879.23	203,095.11
Grants to political subdivisions	-	-	-
Accounts payable	263,674.30	(678.10)	262,996.20
Miscellaneous	-	-	-
Total expenditures	<u>1,707,207.95</u>	<u>30,429.51</u>	<u>1,737,637.46</u>
Balance, December 31, 2009	46,220.66	(31,107.61)	15,113.05
Unpaid encumbrances	-	-	-
Unencumbered balance, December 31, 2009	<u>\$ 46,220.66</u>	<u>\$ (31,107.61)</u>	<u>\$ 15,113.05</u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-991 WITH ADJUSTMENTS

	Reported	Adjustments (Note 4)	Adjusted Amount
Balance, January 1, 2010	\$ 46,220.66	\$ (31,107.61)	\$ 15,113.05
<u>Receipts:</u>			
State allocations	1,247,017.17	-	1,247,017.17
Interest (Note 3)	1.64	-	1.64
Reimbursable agreements	107,184.95	(107,184.95)	-
Miscellaneous (Note 5)	293,612.51	107,184.95	400,797.46
Accounts receivable	-	-	-
Total receipts	<u>1,647,816.27</u>	<u>-</u>	<u>1,647,816.27</u>
Total funds available	<u>1,694,036.93</u>	<u>(31,107.61)</u>	<u>1,662,929.32</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	1,423,299.80	(132,984.45)	1,290,315.35
Administrative	259,731.16	13,611.05	273,342.21
Grants to political subdivisions	-	-	-
Accounts payable	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>1,683,030.96</u>	<u>(119,373.40)</u>	<u>1,563,657.56</u>
Balance, December 31, 2010	11,005.97	88,265.79	99,271.76
Unpaid encumbrances	<u>88,265.79</u>	<u>(88,265.79)</u>	<u>-</u>
Unencumbered balance, December 31, 2010	<u>\$ (77,259.82)</u>	<u>\$ 176,531.58</u>	<u>\$ 99,271.76</u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
2008 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2008	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 44 Funds	225,359.89	-	225,359.89
Interest (Note 3)	5,069.62	-	5,069.62
Accounts receivable	-	-	-
Total receipts	<u>230,429.51</u>	<u>-</u>	<u>230,429.51</u>
Total funds available	<u>230,429.51</u>	<u>-</u>	<u>230,429.51</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Accounts payable	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2008	<u><u>\$ 230,429.51</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 230,429.51</u></u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
2009 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2009	\$ 140,323.53	\$ 90,105.98	\$ 230,429.51
<u>Receipts:</u>			
Act 44 Funds	226,372.41	-	226,372.41
Interest (Note 3)	678.10	-	678.10
Accounts receivable	-	-	-
Total receipts	<u>227,050.51</u>	<u>-</u>	<u>227,050.51</u>
Total funds available	<u>367,374.04</u>	<u>90,105.98</u>	<u>457,480.02</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	82,632.21	90,105.98	172,738.19
Accounts payable	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>82,632.21</u>	<u>90,105.98</u>	<u>172,738.19</u>
Balance, December 31, 2009	<u><u>\$ 284,741.83</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 284,741.83</u></u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
2010 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2010	\$ 284,741.83	\$ -	\$ 284,741.83
<u>Receipts:</u>			
Act 44 Funds	451,074.68		451,074.68
Interest (Note 3)	79.31	-	79.31
Miscellaneous receipts	7,879.10	-	7,879.10
Total receipts	<u>459,033.09</u>	<u>-</u>	<u>459,033.09</u>
Total funds available	<u>743,774.92</u>	<u>-</u>	<u>743,774.92</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	124,638.51	(1,097.70)	123,540.81
Accounts payable	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>124,638.51</u>	<u>(1,097.70)</u>	<u>123,540.81</u>
Balance, December 31, 2010	<u>\$ 619,136.41</u>	<u>\$ 1,097.70</u>	<u>\$ 620,234.11</u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

1. Criteria

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law;
- property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- construction, reconstruction, operation and maintenance of publicly owned ferryboat operations;
- interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges;
- acquisition, maintenance, repair and operation of traffic signs and signals;
- erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

1. Criteria (continued)

- indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.

(3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.

(4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.

(5) Counties must submit a report to the Pennsylvania Department of Transportation by January 15 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation will withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.

B. *The Vehicle Code*, as recently amended by Act 44 of 2007 (July 18, 2007, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Pennsylvania Turnpike Commission's annual contribution of \$5,000,000 to the Commonwealth's Motor License Fund. The County's Act 44 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

1. Criteria (Continued)

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Report of County Liquid Fuels Tax Fund With Adjustments and the Report of Act 44 Tax Fund With Adjustments do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund and the County Act 44 Tax Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the MS-991 form, *Report of County Liquid Fuels Tax Fund*:

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.

Refer to the related Notes: Note 3, Interest Earnings and Note 5, Miscellaneous Receipts.

- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.
- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end).
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

2. Deposits

The County Code, Title 16 P.S § 17067, authorizes the county 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 from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania that are insured by the FDIC or other like insurance. 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 financial institutions. 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, 2010. 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 county's name.

Fund Balance

The fund balance for the Liquid Fuels Tax Fund as of December 31, 2010, consists of the following:

Cash	\$99,271.76
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The fund balance for the Act 44 Tax Fund as of December 31, 2010, consists of the following:

Cash	\$620,234.11
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MONTGOMERY COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in interest-bearing accounts which earned \$7,448.26 during 2008, \$893.98 during 2009, and \$1.64 during 2010, thus providing additional funds for road maintenance and repairs.

Additionally, the county deposited idle Act 44 tax money in an interest-bearing account which earned \$5,069.62 during 2008, \$678.10 during 2009, and \$79.31 during 2010, thus providing additional funds for bridge maintenance and repairs.

4. Adjustments

2008 Form MS-991

Adjustments were made to “Maintenance and repair” and “Administrative” because expenditures of \$15,778.19 were misclassified.

2009 Form MS-991

An adjustment of \$(678.10) was made to “Interest” because interest was overstated.

An adjustment of \$22,228.38 was made to “Maintenance and repair” because expenditures of \$8,879.23 for administrative were misclassified and these expenditures were understated by \$31,107.61.

An adjustment of \$8,879.23 was made to “Administrative” because these expenditures were misclassified as maintenance and repair.

An adjustment of \$(678.10) was made to “Accounts payable” because these expenditures were overstated.

2010 Form MS-991

An adjustment of \$(31,107.61) was made to “Balance, January 1, 2010” to reflect the adjustment made to the fund balance on the 2009 Form MS-991.

Adjustments were made to “Reimbursable Agreements” and “Miscellaneous” because receipts of \$107,184.95 were misclassified.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

4 Adjustments (Continued)

2010 Form MS-991 (Continued)

An adjustment of \$(132,984.45) was made to “Maintenance and repair” because expenditures of \$13,611.05 for administrative were misclassified and these expenditures were overstated by \$119,373.40.

An adjustment of \$13,611.05 was made to “Administrative” because these expenditures were misclassified as maintenance and repair.

An adjustment of \$(88,265.79) was made to “Unpaid encumbrances” because there were no unpaid encumbrances.

2009 Report Of Act 44 Tax Fund

An adjustment of \$90,105.98 was made to “Balance, January 1, 2009” because an incorrect fund balance was carried forward.

An adjustment of \$90,105.98 was made to “Maintenance and repair” because these expenditures were understated.

2010 Report Of Act 44 Tax Fund

An adjustment of \$(1,097.70) was made to “Maintenance and repair” because these expenditures were overstated.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

5 Miscellaneous Receipts

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

Source	Description	2008	2009	2010
Various General Fund	Permit fees	\$ 32,287.55	\$ 30,232.06	\$ 26,595.33
	Reimbursement for administrative costs	500,000.00	100,000.00	250,000.00
Commonwealth of Pennsylvania	Turnback allocation	5,800.00	5,800.00	5,800.00
Vendor General Fund	Sale of equipment	1,958.00	-	-
Commonwealth of Pennsylvania	Grant	-	-	11,217.18
	Severe weather assistance	-	-	107,184.95
Totals		<u>\$540,045.55</u>	<u>\$136,032.06</u>	<u>\$400,797.46</u>



MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 1 - Idle Funds Held In A Noninterest-Bearing Account

Our examination disclosed that liquid fuels tax money in excess of current needs was deposited in a noninterest-bearing checking account from January 1, 2010 to January 31, 2010 with an average balance of \$250,000.00.

Sound fiscal management requires that money in excess of current needs be deposited in interest-bearing accounts, certificates of deposit, or other investments as outlined in Section 1706 of *The County Code* as published by the Local Government Commission.

If the county had invested the liquid fuels tax funds in interest-bearing accounts, certificates of deposit, or other investments outlined in Section 1706 of *The County Code* as published by the Local Government Commission, additional money would have been earned for road maintenance and repairs.

Recommendation:

We recommend that the county officials reassess their fiscal policy and consider investing money in excess of current needs in investments outlined in Section 1706 of *The County Code* as published by the Local Government Commission.

Management Response:

The first deputy controller stated:

We have spoken to the Treasurer's Office to make sure that the idle funds are invested in an interest bearing account.

Auditor's Conclusion:

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

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 2 - Expenditures In Excess Of The 10 Percent Limit On
Indirect/Administrative Costs

Our examination disclosed that the county expended a total of \$278,844.86 from the Liquid Fuels Tax Fund in the 2008 calendar year, a total of \$268,374.75 in the 2009 calendar year, and \$273,342.21 in the 2010 calendar year for indirect/administrative costs, which is greater than 10 percent of the yearly Liquid Fuels Tax Fund allocations of \$1,234,546.19 for 2008 \$1,175,027.32 for 2009, and \$1,247,017.17 for 2010 to the county.

The Liquid Fuels and Fuels Tax Act of 75 Pa. C.S.A. § 9010(b)(2)(i)(G) permits the use of county liquid fuels tax funds for “Indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects. . .” However, the use of liquid fuels tax funds for indirect costs “. . . may not exceed 10% of the yearly allocation to the county.” By way of correspondence to county liquid fuels tax fund administrators dated October 28, 1994, and other correspondence, the Department of Transportation explained the use of county Liquid Fuels Tax Fund money for documented, permissible indirect costs.

The indirect/administrative costs charged to the Liquid Fuels Tax Fund by the county during 2008, 2009, and 2010 are as follows:

<u>Description</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Salaries and Benefits	\$233,802.27	\$209,974.42	\$214,708.52
Miscellaneous Supplies	352.53	387.17	612.80
Copier Rental	1,455.00	2,071.88	2,071.19
Postage	242.38	363.21	225.07
Travel Expense	2,317.20	2,855.50	753.00
Telephone	6,497.21	6,321.45	5,078.29
Rent	18,640.02	37,270.02	35,580.00
Electric and Propane	12,868.99	6,915.65	13,430.04
Septic	1,300.00	1,200.00	-
Sewer and Water	879.07	1,015.45	883.30
Misc Office Supplies	490.19	-	-
 Total indirect/administrative costs	 278,844.86	 268,374.75	 273,342.21
 Less 10% permissible amount	 123,454.61	 117,502.73	 124,701.71
 Excess expenditures	 \$155,390.25	 \$150,872.02	 \$148,640.50

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECCOMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 2 - Expenditures In Excess Of The 10 Percent Limit On
Indirect/Administrative Costs (Continued)

The county deposited a total of \$850,000.00 into the Liquid Fuels Tax Fund for the reimbursement of indirect/administrative costs which is \$395,097.23 more than the excess expenditures. The \$850,000.00 consists of deposits of \$500,000.00 on March 3, 2008, \$100,000.00 on December 31, 2009, and \$250,000.00 on May 31, 2010.

Similar findings were also written in our 1996 through 2007 reports.

Recommendation:

We again recommend that, in the future, the county limit all indirect/administrative costs charged to the Liquid Fuels Tax Fund to the 10 percent maximum permitted by the Liquid Fuels and Fuels Tax Act.

Management Response:

The deputy controller stated:

The county has always accounted for all the expenses for Liquid Fuels in the same fund. The county has made an appropriation from the general fund on an annual basis that covers the overage. Starting in 2012 the County will change the way we account for our administrative expenses and should eliminate this finding in the future.

Auditor's Conclusion:

Although the county reimbursed its Liquid Fuels Tax Fund for the excess expenditures, the Liquid Fuels and Fuels Tax Act does not permit counties to expend more than 10 percent of its Liquid Fuels Tax Fund Allocation each year for indirect/administrative costs. During our next examination we will determine if the municipality complied with our recommendation.

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

An exit conference was held February 24, 2012. Those participating were:

MONTGOMERY COUNTY

Mr. Randy Schaible, First Deputy Controller
The Honorable Stewart J. Greenleaf, Jr., Controller

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Matthew R. Hotchkiss, Auditor

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

MONTGOMERY COUNTY
LIQUID FUELS TAX FUND
AND REPORT OF ACT 44 TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation

Montgomery County
1 Montgomery Plaza
P.O. Box 311
Norristown, PA 19404

The Honorable Josh Shapiro	Chairman of the Board of Commissioners
The Honorable Leslie S. Richards	Vice-Chairperson of the Board of Commissioners
The Honorable Bruce L. Castor	Commissioner
Mr. Randy Schaible	First Deputy Controller

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.