



BOROUGH OF NEWBURG
CUMBERLAND COUNTY
21-406

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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.





**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
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-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Newburg, Cumberland County, for the two years ended December 31, 2009. 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 Newburg, Cumberland County's Forms MS-965 for the two years ended December 31, 2009 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 Note 4, 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. 1, the borough expended \$5,516.99 from the Liquid Fuels Tax Fund for the construction of American disability Act (ADA) curbs and sidewalks. However, documentation for price quotations was not available for examination. Additionally, as discussed in Finding No. 2, the borough expended \$829.04 for repair to a sidewalk, which is a nonpermissible expenditure.

In our opinion, except for the matters 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 Newburg, Cumberland County, for the two years ended December 31, 2009, 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-965 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-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 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 the Borough of Newburg, Cumberland 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 the Borough of Newburg, Cumberland County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Newburg, Cumberland County's internal control.

Independent Auditor's Report (Continued)

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-965 will not be prevented or detected by the Borough of Newburg, Cumberland County's internal control.

Our consideration of internal control over reporting on the Forms MS-965 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. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Forms MS-965.

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

- Documentation For Price Quotations Was Not Available For Examination.
- Nonpermissible Expenditure.

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

- Late Receipt Of Allocation.

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

October 28, 2010

JACK WAGNER
Auditor General



BOROUGH OF NEWBURG
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2008 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	425.00	-	425.00
Winter maintenance services	1,550.00	-	1,550.00
Traffic control devices	415.14	-	415.14
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	8,484.87	8,484.87
Highway construction and rebuilding projects	8,484.87	(8,484.87)	-
Miscellaneous (Note 6)	2,093.19	-	2,093.19
 Total (To Section 2, Line 5)	 <u>\$ 12,968.20</u>	 <u>\$ -</u>	 <u>\$ 12,968.20</u>

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

BOROUGH OF NEWBURG
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2008 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2008	\$ 14,696.61	\$ 273.00	\$ 14,969.61
Receipts:			
2. State allocation	7,129.15	-	7,129.15
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	27.80	-	27.80
2c. Miscellaneous (Note 5)	-	2,215.29	2,215.29
3. Total receipts	<u>7,156.95</u>	<u>2,215.29</u>	<u>9,372.24</u>
4. Total funds available	<u>21,853.56</u>	<u>2,488.29</u>	<u>24,341.85</u>
5. Expenditures (Section 1)	<u>12,968.20</u>	<u>-</u>	<u>12,968.20</u>
6. Balance, December 31, 2008	<u><u>\$ 8,885.36</u></u>	<u><u>\$ 2,488.29</u></u>	<u><u>\$ 11,373.65</u></u>

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

BOROUGH OF NEWBURG
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2008 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	\$ 12,494.40	\$ -	\$ 12,494.40
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	1,425.83	-	1,425.83
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	13,920.23	-	13,920.23
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>13,920.23</u>	<u>-</u>	<u>13,920.23</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 8,885.36</u>	<u>\$ 2,488.29</u>	<u>\$ 11,373.65</u>

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

BOROUGH OF NEWBURG
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	320.00	-	320.00
Winter maintenance services	850.00	-	850.00
Traffic control devices	2,859.74	-	2,859.74
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	829.04	829.04
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	829.04	(829.04)	-
	<u>4,858.78</u>	<u>(829.04)</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 4,858.78</u>	<u>\$ -</u>	<u>\$ 4,858.78</u>

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

BOROUGH OF NEWBURG
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2009	\$ 8,885.36	\$ 2,488.29	\$ 11,373.65
Receipts:			
2. State allocation	6,867.30	-	6,867.30
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	8.57	-	8.57
2c. Miscellaneous	-	-	-
3. Total receipts	<u>6,875.87</u>	<u>-</u>	<u>6,875.87</u>
4. Total funds available	<u>15,761.23</u>	<u>2,488.29</u>	<u>18,249.52</u>
5. Expenditures (Section 1)	<u>4,858.78</u>	<u>-</u>	<u>4,858.78</u>
6. Balance, December 31, 2009	<u><u>\$ 10,902.45</u></u>	<u><u>\$ 2,488.29</u></u>	<u><u>\$ 13,390.74</u></u>

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

BOROUGH OF NEWBURG
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 8,885.36	\$ 2,488.29	\$ 11,373.65
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	1,373.46	-	1,373.46
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	10,258.82	2,488.29	12,747.11
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>10,258.82</u>	<u>2,488.29</u>	<u>12,747.11</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 10,258.82</u>	<u>\$ 2,488.29</u>	<u>\$ 12,747.11</u>

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

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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 that cost in excess of \$4,000.00.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

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

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. 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.
- 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.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

1. Criteria (Continued)

Section 3 (Continued)

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.

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.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

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

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

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

There were no deposits exposed to custodial credit risk as of December 31, 2009. 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.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2009 consists of the following:

Cash	<u>\$13,390.74</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$27.80 during 2008, and \$8.57 during 2009, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Highway construction and rebuilding projects” because expenditures of \$8,484.87 were misclassified.

2008 - Section 2

An adjustment of \$273.00 was made to “Balance, January 1, 2008” because an incorrect fund balance was reported.

An adjustment of \$2,215.29 was made to “Miscellaneous” because these receipts were not reported (see Note 5).

2009 - Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$829.04 were misclassified.

BOROUGH OF NEWBURG
 CUMBERLAND COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2009

4. Adjustments (Continued)

2009 - Section 2

An adjustment of \$2,488.29 was made to "Balance, January 1, 2009" to reflect the adjustments made in 2008 - Section 2.

2009 - Section 3

An adjustment of \$2,488.29 was made to "Prior year equipment balance" to reflect the adjustments made to the equipment balance in 2008 - Section 3.

5. Miscellaneous Receipts

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

<u>Source</u>	<u>Description</u>	<u>2008</u>
Commonwealth of Pennsylvania	Deposit in error (Note 7)	\$2,074.29
Cumberland County	County Aid	<u>141.00</u>
Total		<u>\$2,215.29</u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>2008</u>
General Fund	Deposit in error (Note 7)	\$2,074.29
Financial institution	Bank service charges	<u>18.90</u>
Total		<u>\$2,093.19</u>

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

7. Deposit In Error

On September 18, 2008, the Commonwealth of Pennsylvania electronically deposited \$2,074.29 into the borough's Liquid Fuels Tax Fund. However, this money should have been deposited with the Borough of Newburg's Fireman Relief Fund. On October 10, 2008, the borough transferred \$2,074.29 from its Liquid Fuels Tax Fund to the Fireman Relief Fund to correct the error.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that October 6, 2008, the borough expended \$5,516.99 from the Liquid Fuels Tax Fund for the construction of American Disability Act (ADA) curbs and sidewalks. The borough was required to obtain three written or telephonic price quotations for this purchase. However, documentation for price quotations was not available for examination.

The above purchase was not made in compliance with the contract requirements of *The Borough Code*, 53 P.S. § 46402(a.1), (also found at § 1402(a.1) of *The Borough Code* as published by the Local Government Commission), which states, in part:

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts that exceed four thousand dollars (\$4,000.00) but are less than the amount [in excess of \$10,000.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

In addition, the above purchase was not made in compliance with the Department of Transportation's *Publication 9*, Appendix D, Section 449.7(d), which states, in part:

...For material estimates between \$4,000 and \$10,000, three telephone price quotes shall be obtained prior to the selection of a supplier. In lieu of the price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors service the market area within which it is practicable to obtain quotations. If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 or if the cost was between \$4,000 and \$10,000 and three price quotes were not obtained, the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 or be between \$4,000 and \$10,000 as specified above.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination
(Continued)

The failure to comply with *The Borough Code* and the Department of Transportation's *Publication 9* could result in the borough having to reimburse \$5,516.99 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the borough reimburse \$5,516.99 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the borough comply with *The Borough Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The secretary/treasurer stated:

We were not able to reach the individual responsible for acquiring phone quotes.

Auditor's Conclusion

Documentation for price quotations was not available for examination. The borough officials should ensure that documentation for price quotations is available examination. During our next examination we will determine if the borough complied with our recommendations.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 2 - Nonpermissible Expenditure

Our examination disclosed that on June 15, 2009, the municipality expended \$829.04 from the Liquid Fuels Tax Fund for repairs to a sidewalk, which is a nonpermissible expenditure.

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

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

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 \$829.04 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$829.04 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.

Management's Response

The secretary/treasurer stated:

The expenditure was paid incorrectly out of the Highway Fund [Liquid Fuels Tax Fund]. The vendor worked on a project after this date and we mistakenly paid out of the Highway Fund.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 2 - Nonpermissible Expenditure (Continued)

Auditor's Conclusion

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

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 3 - Late Receipt Of Allocation

Our examination disclosed that the 2008 Liquid Fuels Tax Fund allocation, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, was not received until July 1, 2008, 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the allocation for three months. Furthermore, had the allocation 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.

The municipality received its 2009 allocation on time.

Recommendation

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

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 3 - Late Receipt Of Allocation (Continued)

Management's Response

The secretary/treasurer stated:

During the period of 2008, the borough was in transition from the previous secretary/treasurer to the present secretary/treasurer.

Auditor's Conclusion

Municipal officials should ensure that required paperwork is submitted on time to receive its allocation timely. During our next examination we will determine if the municipality complied with our recommendation.

BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

An exit conference was held October 28, 2010. Those participating were:

BOROUGH OF NEWBURG

Mrs. Rae Ann Sprecher-Frey, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Diane A. Bowman, Auditor

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



BOROUGH OF NEWBURG
CUMBERLAND COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

This report was initially distributed to:

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

Borough of Newburg
Cumberland County
P. O. Box 51
Newburg, PA 17240

The Honorable George Strayer

President of Council

Mrs. Rae Ann Sprecher-Frey

Secretary/Treasurer

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, 318 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.