



**BOROUGH OF URSINA
SOMERSET COUNTY
55-420**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009**

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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

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-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Ursina, Somerset County, for the period January 1, 2008 to 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 Ursina, Somerset County's Forms MS-965 for the period January 1, 2008 to 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)

This report is a revised report previously dated July 14, 2010 and is revised due to information provided to us by our Office of Special Investigations regarding the misappropriation of funds and questionable costs of \$2,100.00 during 2008, \$3,450.74 during 2009, and \$1,100.00 during 2010 as discussed in the Finding and Recommendations section of this report. The transactions during 2010 were subsequent to our examination period but are being disclosed to assist the borough in facilitating the resolution of this matter. The 2008 and 2009 transactions related to the misappropriated funds and questionable costs are included on the 2008 and 2009 Forms MS-965 With Adjustments as expenditures in the categories classified by the borough.

In our opinion, except for the unknown effects of the matter discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Borough of Ursina, Somerset County, for the period January 1, 2008 to 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 Ursina, Somerset 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 Ursina, Somerset County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Ursina, Somerset 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 Ursina, Somerset 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 instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Misappropriation Of Funds And Questionable Costs.

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



EUGENE A. DEPASQUALE
Auditor General

May 20, 2013

CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2008 Form MS-965 With Adjustments	2
2009 Form MS-965 With Adjustments	5
Notes To Forms MS-965 With Adjustments.....	8
Finding And Recommendations:	
Finding – Misappropriation Of Funds And Questionable Costs	12
Summary Of Exit Conference.....	16
Report Distribution	17

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2008 TO 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.

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,022.58	-	4,022.58
Traffic control devices	-	-	-
Street lighting	3,043.67	-	3,043.67
Storm sewers and drains	1,882.50	-	1,882.50
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 8,948.75</u>	<u>\$ -</u>	<u>\$ 8,948.75</u>

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

BOROUGH OF URSINA
SOMERSET 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	\$ 702.39	\$ (2.09)	\$ 700.30
Receipts:			
2. State allocation	8,771.05	-	8,771.05
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	28.63	2.09	30.72
2c. Miscellaneous	-	-	-
3. Total receipts	<u>8,799.68</u>	<u>2.09</u>	<u>8,801.77</u>
4. Total funds available	<u>9,502.07</u>	<u>-</u>	<u>9,502.07</u>
5. Expenditures (Section 1)	<u>8,948.75</u>	<u>-</u>	<u>8,948.75</u>
6. Balance, December 31, 2008	<u>\$ 553.32</u>	<u>\$ -</u>	<u>\$ 553.32</u>

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

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2008 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	\$ 702.39	\$ (2.09)	\$ 700.30
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	1,759.94	(5.73)	1,754.21
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	2,462.33	(7.82)	2,454.51
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>2,462.33</u>	<u>(7.82)</u>	<u>2,454.51</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 553.32</u>	<u>\$ -</u>	<u>\$ 553.32</u>

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

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	175.00	-	175.00
Winter maintenance services	2,705.00	-	2,705.00
Traffic control devices	-	-	-
Street lighting	1,932.68	-	1,932.68
Storm sewers and drains	3,000.00	-	3,000.00
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	464.93	-	464.93
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 8,277.61</u>	 <u>\$ -</u>	 <u>\$ 8,277.61</u>

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

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2009 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, 2009	\$ 553.32	\$ -	\$ 553.32
Receipts:			
2. State allocation	8,442.13	-	8,442.13
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	3.35	-	3.35
2c. Miscellaneous	-	-	-
3. Total receipts	<u>8,445.48</u>	<u>-</u>	<u>8,445.48</u>
4. Total funds available	<u>8,998.80</u>	<u>-</u>	<u>8,998.80</u>
5. Expenditures (Section 1)	<u>8,277.61</u>	<u>-</u>	<u>8,277.61</u>
6. Balance, December 31, 2009	<u>\$ 721.19</u>	<u>\$ -</u>	<u>\$ 721.19</u>

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

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
2009 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	\$ 553.32	\$ -	\$ 553.32
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	1,688.43	-	1,688.43
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	2,241.75	-	2,241.75
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>2,241.75</u>	<u>-</u>	<u>2,241.75</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 721.19</u>	<u>\$ -</u>	<u>\$ 721.19</u>

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

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO 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 URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO 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.

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 URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

2. Deposits

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

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

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

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

Fund Balance

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

Cash	<u>\$721.19</u>
------	-----------------

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$30.72 during 2008, and \$3.35 during 2009, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 2

An adjustment of \$(2.09) was made to “Balance, January 1, 2008” because an incorrect fund balance was reported.

An adjustment of \$2.09 was made to “Interest on investments” because interest earnings were understated.

2008 - Section 3

An adjustment of \$(2.09) was made to “Prior year equipment balance” because the beginning balance was overstated.

An adjustment of \$(5.73) was made to “Current year equipment allocation” because of a calculation error.

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

Finding – Misappropriation Of Funds And Questionable Costs

Our examination disclosed that the borough's former secretary/treasurer falsified records resulting in the misappropriation of funds and questionable costs of \$2,100.00 during 2008, \$3,450.74 during 2009, and \$1,100.00 during 2010. The transactions during 2010 were subsequent to our examination period but are being disclosed to assist the borough in facilitating the resolution of this matter.

The misappropriation of funds and questionable costs were as follows:

- The former secretary/treasurer created fake invoices from vendors making it look like permissible Liquid Fuels Tax Fund work was completed. The former secretary/treasurer made check # 1143, dated February 11, 2008, for \$300.00 and check # 1144, dated April 4, 2008, for \$1,500.00 payable to a vendor. The secretary/treasurer then forged the vendor's signature on the back of the checks then endorsed the checks. The secretary/treasurer also created fake memos from the vendor asking her to cash the checks for him. The secretary/treasurer forged the vendor's signature on the memo. Additionally, Check # 1165, dated April 3, 2009, for \$3,000.00 was made payable to the General Fund. However, the former secretary/treasurer created a fake invoice for the vendor and altered the copy of the check in the borough's records to make it payable to the vendor. The secretary/treasurer cashed these checks and deposited the proceeds into the General Fund.
- The former secretary/treasurer created fake invoices for vendors. Check # 1166, dated April 22, 2009, for \$175.00 and Check # 1190, dated October 7, 2010, for \$100.00 were made payable to vendors. The former secretary/treasurer forged the vendor's signature on the back of the check then endorsed the check. The former secretary/treasurer cashed the check and kept the proceeds. The former secretary/treasurer removed her endorsement from the copy of canceled check # 1166 in the borough's records.

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

Finding – Misappropriation Of Funds And Questionable Costs (Continued)

- Time sheets were prepared indicating that a relative of the former secretary/treasurer performed permissible Liquid Fuels Tax Fund work for the borough. Check # 1150, dated June 25, 2008, for \$100.00 and check # 1152, dated July 18, 2008, for \$200.00 were made payable to him. His signature was on the back of the checks as well as the signature of the former secretary/treasurer. The employee signed memos asking the former secretary/treasurer to cash these checks for him. However the former secretary/treasurer possessed no records to substantiate that she gave the money to him. Additionally, there was no record in the minutes of this employee working for and receiving payments from the borough.
- A check was made payable to the former secretary/treasurer. The former secretary/treasurer endorsed check # 1169, dated June 25, 2009, for \$275.74, cashed it, and kept the proceeds. The former secretary/treasurer misrepresented the check as a payment for an electric bill for street lighting. The former secretary/treasurer changed the payee on the copy of the check to the electric company then switched out a copy of the back side of the check with another check that she had not endorsed.
- The former secretary/treasurer created invoices for expenditures. Check # 1177, dated April 30, 2010, for \$150.00 and check # 1193, dated October 19, 2010, for \$200.00 were made payable to the former secretary/treasurer. Additionally, check # 1184, dated August 5, 2010, for \$100.00 was made payable to a vendor. The former secretary/treasurer altered the payee on the copy of check # 1177 and check # 1193 as well as the endorsement on the back of the check indicating the vendor's name. The former secretary/treasurer cashed the checks and possessed no records that the proceeds of both checks were given to the vendor. Additionally, there was no record in the minutes of this vendor working for or receiving payment from the borough. The former secretary/treasurer insists that the work was done and that the cash was given to the vendor.
- The former secretary/treasurer created a fake invoice for a vendor. Check # 1180, dated June 22, 2010, for \$250.00 was made payable to a vendor. The former secretary/treasurer forged the vendor's signature on the back of the check then endorsed the check. The former secretary/treasurer cashed the check and kept the proceeds. The former secretary/treasurer removed her endorsement from the copy of the canceled check in the borough's records.

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

Finding – Misappropriation Of Funds And Questionable Costs (Continued)

- On July 22, 2010, the former secretary/treasurer withdrew \$300.00 from the Liquid Fuels Tax Fund and deposited the money into the General Fund. This transfer was not made to reimburse the General Fund for permissible Liquid Fuels Tax Fund expenditures. On December 29, 2010, the former secretary/treasurer deposited \$300.00 of her own money into the Liquid Fuels Tax Fund as repayment for the transfer. We could not determine the reason that this occurred.

The documentation that was used to write this finding was obtained by the Department of the Auditor General's Office of Special Investigations.

The practice of transferring liquid fuels money into any account other than the Liquid Fuels Tax Fund account 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 . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

Further, there was no evidence that a borough official who is not an authorized check signer reconciled the bank statements or reviewed copies of the canceled checks received from the bank. Had this been done, the misuse and misappropriations could have been detected on a timely basis.

On September 17, 2012, the former secretary/treasurer pleaded guilty to the theft of \$9,810.74 of borough funds between 2008 and 2010. She was sentenced to three years of probation for one count of theft by deception-false impression. She repaid the \$9,810.74 to the borough. The Department of Transportation will determine if any of that amount should be transferred to the borough's Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$6,350.74 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality only transfer Liquid Fuels Tax Fund money to other funds for the reimbursement of permissible Liquid Fuels Tax Fund expenditures.

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
FINDING AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

Finding – Misappropriation Of Funds And Questionable Costs (Continued)

Recommendations (Continued)

Additionally, we recommend that a borough official that is not an authorized check signer reconcile the bank statements and review the fronts and backs of canceled checks monthly.

Management's Response

The current secretary/treasurer stated:

The restitution that we received was one deposit November 27, 2012 of \$3,800.00 and another deposit made December 4, 2012 of \$6,010.74. We were never given a set figure on how much money was to be deposited in each account. I believe the amounts for each account were to be determined by your revisions. We did deposit the money in a separate account until such time as you give us further instruction on how to distribute the money.

Auditor's Conclusion

The Department of Transportation will determine the amount of money, if any, that will need to be deposited into the Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations and the Department of Transportation's determination.

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

An exit conference was held May 20, 2013. Those participating were:

BOROUGH OF URSINA

Ms. Janet M. Nolf, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Thomas M. Fulcomer, CPA, CFE, Program Manager

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

BOROUGH OF URSINA
SOMERSET COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2009

This report was initially distributed to:

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

Borough of Ursina
Somerset County
815 Williams Street
Confluence, PA 15485

The Honorable James R. Smith, Jr.	Mayor
The Honorable William R. Nolf	President of Council
Mrs. Janet M. Nolf	Secretary/Treasurer

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.