

ATTESTATION ENGAGEMENT

Borough of White Oak
Allegheny County, Pennsylvania
02-477

Liquid Fuels Tax Fund
For the Period
January 1, 2018 to December 31, 2021

December 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Yassmin Gramian, 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 White Oak, Allegheny County, for the period January 1, 2018 to December 31, 2021. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

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

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

As described in the Auditor Description Of Select Transactions section of this report, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the municipality deposited \$143,906.36 into the Capital Projects Account, which should have been deposited into the Liquid Fuels Tax Fund. Additionally, as discussed in Finding No. 2, the municipality expended \$8,133.58 from its Liquid Fuels Tax Fund during 2018 for expenses incurred in June of 2017, which are retroactive expenditures.

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 White Oak, Allegheny County, for the period January 1, 2018 to December 31, 2021, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

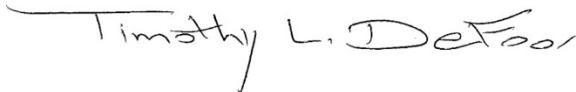
Independent Auditor's Report (Continued)

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

- Liquid Fuels Money Erroneously Deposited Into The Capital Projects Account.
- Retroactive Expenditures.
- Late Receipt Of Allocations And Allocation Deposited Into The General Fund.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Borough of White Oak, Allegheny County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
November 29, 2022

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BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Background

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

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

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

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

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

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

BOROUGH OF WHITE OAK
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2021

Background (Continued)

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

Criteria

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

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

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

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

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

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

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

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Background (Continued)

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

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

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

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

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

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

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Background (Continued)

Basis of Presentation

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

Basis Of Accounting

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

General Fixed Assets

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

BOROUGH OF WHITE OAK
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2018 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	101,987.22	-	101,987.22
Traffic control devices	10,400.67	-	10,400.67
Street lighting	115,561.40	-	115,561.40
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 227,949.29</u>	 <u>\$ -</u>	 <u>\$ 227,949.29</u>

BOROUGH OF WHITE OAK
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2018 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, 2018	\$ 302,342.12	\$ -	\$ 302,342.12
Receipts:			
2. State allocation	266,759.53	-	266,759.53
2a. Turnback allocation	-	-	-
2b. Interest on investments	2,945.46	-	2,945.46
2c. Miscellaneous	36,425.02	-	36,425.02
3. Total receipts	<u>306,130.01</u>	<u>-</u>	<u>306,130.01</u>
4. Total funds available	<u>608,472.13</u>	<u>-</u>	<u>608,472.13</u>
5. Expenditures (Section 1)	<u>227,949.29</u>	<u>-</u>	<u>227,949.29</u>
6. Balance, December 31, 2018	<u><u>\$ 380,522.84</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 380,522.84</u></u>

BOROUGH OF WHITE OAK
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2018 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	\$ 203,393.27	\$ -	\$ 203,393.27
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	53,351.91	-	53,351.91
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	256,745.18	-	256,745.18
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>256,745.18</u>	<u>-</u>	<u>256,745.18</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 256,745.18</u>	<u>\$ -</u>	<u>\$ 256,745.18</u>

BOROUGH OF WHITE OAK
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2019 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	115,679.60	-	115,679.60
Traffic control devices	10,420.22	-	10,420.22
Street lighting	87,820.71	-	87,820.71
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	36,328.55	36,328.55
Miscellaneous	36,328.55	(36,328.55)	-
	<u>36,328.55</u>	<u>(36,328.55)</u>	<u>-</u>
 Total (To Section 2, Line 5)	 <u>\$ 250,249.08</u>	 <u>\$ -</u>	 <u>\$ 250,249.08</u>

BOROUGH OF WHITE OAK
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2019 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, 2019	\$ 380,522.84	\$ -	\$ 380,522.84
Receipts:			
2. State allocation	271,892.86	(271,892.86)	-
2a. Turnback allocation	-	-	-
2b. Interest on investments	2,927.08	-	2,927.08
2c. Miscellaneous	-	-	-
3. Total receipts	<u>274,819.94</u>	<u>(271,892.86)</u>	<u>2,927.08</u>
4. Total funds available	<u>655,342.78</u>	<u>(271,892.86)</u>	<u>383,449.92</u>
5. Expenditures (Section 1)	<u>250,249.08</u>	<u>-</u>	<u>250,249.08</u>
6. Balance, December 31, 2019	<u><u>\$ 405,093.70</u></u>	<u><u>\$ (271,892.86)</u></u>	<u><u>\$ 133,200.84</u></u>

BOROUGH OF WHITE OAK
 ALLEGHENY COUNTY
 LIQUID FUELS TAX FUND
 2019 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	\$ 256,745.18	\$ -	\$ 256,745.18
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	54,378.57	(54,378.57)	-
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	311,123.75	(54,378.57)	256,745.18
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>311,123.75</u>	<u>(54,378.57)</u>	<u>256,745.18</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 311,123.75</u>	<u>\$ (177,922.91)</u>	<u>\$ 133,200.84</u>

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	112,442.00	-	112,442.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	80,193.99	-	80,193.99
Traffic control devices	6,855.95	-	6,855.95
Street lighting	92,754.04	-	92,754.04
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	6,743.00	-	6,743.00
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 298,988.98</u>	 <u>\$ -</u>	 <u>\$ 298,988.98</u>

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

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2020	\$ 405,093.70	\$ (271,892.86)	\$ 133,200.84
Receipts:			
2. State allocation	265,753.97	271,892.86	537,646.83
2a. Turnback allocation	-	-	-
2b. Interest on investments	331.41	-	331.41
2c. Miscellaneous	-	-	-
3. Total receipts	<u>266,085.38</u>	<u>271,892.86</u>	<u>537,978.24</u>
4. Total funds available	<u>671,179.08</u>	<u>-</u>	<u>671,179.08</u>
5. Expenditures (Section 1)	<u>298,988.98</u>	<u>-</u>	<u>298,988.98</u>
6. Balance, December 31, 2020	<u><u>\$ 372,190.10</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 372,190.10</u></u>

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

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 311,123.75	\$ (177,922.91)	\$ 133,200.84
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	53,150.79	54,378.57	107,529.36
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	364,274.54	(123,544.34)	240,730.20
5. Less: Major equipment expenditures	112,442.00	-	112,442.00
6. Remainder	<u>251,832.54</u>	<u>(123,544.34)</u>	<u>128,288.20</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 251,832.54</u>	<u>\$ (123,544.34)</u>	<u>\$ 128,288.20</u>

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	87,558.00	-	87,558.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	144,581.34	-	144,581.34
Traffic control devices	5,832.78	-	5,832.78
Street lighting	94,088.90	-	94,088.90
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	136,811.40	-	136,811.40
Miscellaneous	5.78	-	5.78
 Total (To Section 2, Line 5)	 <u>\$ 468,878.20</u>	 <u>\$ -</u>	 <u>\$ 468,878.20</u>

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

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2021	\$ 372,190.10	\$ -	\$ 372,190.10
Receipts:			
2. State allocation	245,546.02	-	245,546.02
2a. Turnback allocation	-	-	-
2b. Interest on investments	43.44	-	43.44
2c. Miscellaneous	-	-	-
3. Total receipts	<u>245,589.46</u>	<u>-</u>	<u>245,589.46</u>
4. Total funds available	<u>617,779.56</u>	<u>-</u>	<u>617,779.56</u>
5. Expenditures (Section 1)	<u>468,878.20</u>	<u>-</u>	<u>468,878.20</u>
6. Balance, December 31, 2021	<u><u>\$ 148,901.36</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 148,901.36</u></u>

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

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 251,832.54	\$ (123,544.34)	\$ 128,288.20
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	49,109.20	-	49,109.20
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	300,941.74	(123,544.34)	177,397.40
5. Less: Major equipment expenditures	87,558.00	-	87,558.00
6. Remainder	<u>213,383.74</u>	<u>(123,544.34)</u>	<u>89,839.40</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 148,901.36</u>	<u>\$ (59,061.96)</u>	<u>\$ 89,839.40</u>

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

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

Adjustments

2019 - Section 1

Adjustments were made to “Highway construction and rebuilding projects” and “Miscellaneous” because expenditures of \$36,328.55 were misclassified.

2019 - Section 2

An adjustment of \$(271,892.86) was made to “State allocation” because the allocation was not deposited into the Liquid Fuels Tax Fund until 2020.

2019 - Section 3

An adjustment of \$(54,378.57) was made to “Current year equipment allocation” because the state allocation of \$271,892.86 from 2019 - Section 2, which is used to calculate this figure, was deposited into the Liquid Fuels Tax Fund until 2020.

2020 - Section 2

An adjustment of \$(271,892.86) was made to “Balance, January 1, 2020” to reflect the adjustment made to the fund balance in 2019 - Section 2.

An adjustment of \$271,892.86 was made to “State allocation” because the 2019 state allocation, which was deposited into the Liquid Fuels Tax Fund during 2020, was incorrectly reported as a receipt in 2019.

2020 - Section 3

An adjustment of \$(177,922.91) was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2019 - Section 3.

An adjustment of \$54,378.57 was made to “Current year equipment allocation” because the 2019 state allocation of \$271,892.86 that was deposited into the Liquid Fuels Tax Fund during 2020 and was used to calculate this figure, was not included in the state allocation in 2020 – Section 2.

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

Adjustments (Continued)

2021 - Section 3

An adjustment of \$(123,544.34) was made to "Prior year equipment balance" to reflect the adjustment made to the equipment balance in 2020 - Section 3.

Miscellaneous Receipts

On October 30, 2018, the municipality transferred \$36,425.02 from its General Fund to its Liquid Fuels Tax Fund as per a recommendation from the Department of Transportation.

Miscellaneous Expenditures

On August 26, 2021, the municipality expended \$5.78 from the Liquid Fuels Tax Fund for office supplies.

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 1 – Reimbursements For Liquid Fuels Tax Fund Expenditures Incorrectly Deposited Into The Capital Projects Account

Our examination disclosed that the municipality expended \$688,886.06 during the examination period for its Green Light Go Program, which is a competitive state grant program designed to improve the efficiency and operation of existing traffic signals located in the Commonwealth of Pennsylvania. Of that amount the municipality expended \$36,328.55, \$6,743.00, and \$136,811.40 during 2019, 2020, and 2021, respectively, from its Liquid Fuels Tax Fund.

The terms of the agreement were for the Department of Transportation to reimburse 80% of the total costs to the municipality, which amounted to \$551,108.77. The municipality deposited the entire reimbursement into the Capital Projects Fund. Because \$179,882.95 was expended from the Liquid Fuels Tax Fund for the Program, the Liquid Fuels Tax Fund should have received a reimbursement of \$143,906.36.

The municipality was unaware that reimbursements received for expenditures made from the Liquid Fuels Tax Fund should be deposited into the Liquid Fuels Tax Fund.

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is deposited into the incorrect fund.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law as noted above could result in the municipality having to reimburse \$143,906.36 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$143,906.36 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We recommend that, in the future, the municipality deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.

Management's Response

The Borough Manager stated:

Unfortunately, I was not aware from PennDOT that we needed to manage the GLG Grant Funds through the Liquid Fuels Fund. Given that it was grant funds, that were project specific, we managed them from the Capital Fund as a grant in, grant out approach. We just utilized, with pre-approval, the LF Funds for our GLG match.

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**Finding No. 1 - Liquid Fuels Money Erroneously Deposited Into The Capital Projects
Account (Continued)**

Auditor's Conclusion

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

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
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Finding No. 2 - Retroactive Expenditures

Our examination disclosed that the municipality transferred \$8,133.58 from its Liquid Fuels Tax Fund to its General Fund on March 28, 2018, for expenditures incurred in June of 2017, which are retroactive expenditures.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were paid from the General Fund in June of 2017 and were not reimbursed with Liquid Fuels Tax Fund money until March 28, 2018, the expenditures incurred were not reimbursed in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

This condition occurred due to an error.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$8,133.58 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$8,133.58 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* as noted above.

BOROUGH OF WHITE OAK
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Finding No. 2 - Retroactive Expenditures (Continued)

Management's Response

The Borough Manager stated:

We recognized this problem when we closed out the year. With assistance from the Department of Transportation we corrected the issue and make sure that the transfer of funds does not transcend the calendar year.

Auditor's Conclusion

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

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 3 - Late Receipt Of Allocations And Allocation Deposited Into The General Fund

Our examination disclosed that the 2019, 2020, and the 2021 Liquid Fuels Tax Fund allocations of \$271,892.86, \$265,753.97, and \$245,546.02, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, were not received until December 4, 2019, July 15, 2020, and May 3, 2021, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

Additionally, the Commonwealth of Pennsylvania electronically deposited the 2019 allocations into the municipality's General Fund on December 24, 2019. The allocation was not transferred to the municipality's Liquid Fuels Tax Fund until April 29, 2020.

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Finding No. 3 - Late Receipt Of Allocations And Allocation Deposited Into The General Fund
(Continued)

The practice of depositing 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 . . .

Because the municipality failed to file documents and information timely and originally deposited its 2019 allocation into its General Fund as noted above, the municipality did not have use of the 2019 allocation for nine months, the 2020 allocation for more than four months, and the 2020 allocation for two months. Furthermore, had the allocations been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs. Also, the risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

Recommendations

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

We also recommend that the municipality ensure all liquid fuels allocations are deposited promptly into the Liquid Fuels Tax Fund.

Management's Response

The Borough Manager stated:

This was a result of Finding #2 as we needed to provide proof of corrective actions. We received our annual allocation late in the year and it was not noticed immediately to transfer the funds to the LF Fund. A clear line of communication internally has corrected that issue from not happening again.

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Finding No. 3 - Late Receipt Of Allocations And Allocation Deposited Into The General Fund
(Continued)

Auditor's Conclusion

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

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

An exit conference was held October 11, 2022. Those participating were:

BOROUGH OF WHITE OAK

Mr. John Palyo, Borough Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Joe Landy, Audit Supervisor

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

BOROUGH OF WHITE OAK
ALLEGHENY COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2021

This report was initially distributed to:

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation

Borough of White Oak
Allegheny County
2280 Lincoln Way
White Oak, PA 15131

The Honorable Charles Davis
President of Council

Mr. John Palyo
Borough Manager

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.