

ATTESTATION ENGAGEMENT

Borough of Worthville
Jefferson County, Pennsylvania
33-411

Liquid Fuels Tax Fund
For the Period
January 1, 2016 to December 31, 2018

March 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

Yassmin Gramian, P.E.
Acting 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 Worthville, Jefferson County, for the period January 1, 2016 to December 31, 2018. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria set forth in Note 1. 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 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 Finding No. 2, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in the Findings and Recommendations and Summary of Prior Examination Recommendations sections of this report:

- During 2017 the former Secretary/Treasurer issued three checks totaling \$793.66 from the Liquid Fuels Tax Fund to herself (see Finding No. 1).
- The municipality deposited its 2017 Liquid Fuels Tax Fund allocation of \$1,869.34 into its General Fund on April 12, 2017, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law (see Finding No. 3).
- The 2018 Liquid Fuels Tax Fund allocation of \$1,960.14 was not received until July 5, 2019, which was subsequent to our examination period (see Finding No. 3).
- During our prior examination period, the municipality deposited its 2014 Liquid Fuels Tax Fund allocation of \$1,388.81 into the General Fund. This amount was reimbursed to the municipality's Liquid Fuels Tax Fund on March 5, 2019, which was subsequent to our examination period (see Summary of Prior Examination Recommendations).

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 Worthville, Jefferson County, for the period January 1, 2016 to December 31, 2018, in accordance with the criteria set forth in Note 1.

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 the 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.

Independent Auditor's Report (Continued)

Our consideration of internal control 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 was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the findings listed below, that we consider to be a material weaknesses in internal control:

- The Practice Of Presigning Checks Led To Theft Of Funds.
- Failure To Properly Prepare 2017 Form MS-965.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of Borough of Worthville, Jefferson 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 is required to be reported under *Government Auditing Standards*:

- Late Receipt Of 2018 Allocation and 2017 Allocation Deposited Into The General Fund - Recurring.
- A Complete Record Of Borough Council Meeting Minutes Was Not Available For Examination.

The examination finding for late receipt of 2018 allocation and 2017 allocation deposited in to the General Fund contained in this report cites conditions that existed in the operation of the municipality during the previous engagement period and were not corrected during the current examination period. The county should strive to comply with the recommendations noted in this report.

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 Worthville, Jefferson 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.



Eugene A. DePasquale
Auditor General

January 13, 2020

CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2016 Form MS-965 With Adjustments	3
2017 Form MS-965 With Adjustments	6
2018 Form MS-965 With Adjustments	9
Notes To Forms MS-965 With Adjustments.....	12
Findings And Recommendations:	
Finding No. 1 - The Practice Of Presigning Checks Led To Theft Of Funds	16
Finding No. 2 - Failure To Properly Prepare 2017 Form MS-965	18
Finding No. 3 - Late Receipt Of 2018 Allocation And 2017 Allocation Deposited Into The General Fund - Recurring	20
Finding No. 4 - A Complete Record Of Borough Council Meeting Minutes Was Not Available For Examination	23
Summary Of Prior Examination Recommendations.....	24
Summary Of Exit Conference.....	25
Report Distribution	26

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), 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 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 WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

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.

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
2016 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	250.00	-	250.00
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	3,500.00	-	3,500.00
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	36.00	-	36.00
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 3,786.00</u>	<u>\$ -</u>	<u>\$ 3,786.00</u>

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
2016 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, 2016	\$ 3,936.86	\$ -	\$ 3,936.86
Receipts:			
2. State allocation	1,786.33	-	1,786.33
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	.40	-	.40
2c. Miscellaneous	-	-	-
3. Total receipts	<u>1,786.73</u>	<u>-</u>	<u>1,786.73</u>
4. Total funds available	<u>5,723.59</u>	<u>-</u>	<u>5,723.59</u>
5. Expenditures (Section 1)	<u>3,786.00</u>	<u>-</u>	<u>3,786.00</u>
6. Balance, December 31, 2016	<u><u>\$ 1,937.59</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,937.59</u></u>

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
2016 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	\$ 1,816.20	\$ -	\$ 1,816.20
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	357.27	-	357.27
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	2,173.47	-	2,173.47
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>2,173.47</u>	<u>-</u>	<u>2,173.47</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 1,937.59</u>	<u>\$ -</u>	<u>\$ 1,937.59</u>

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
2017 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	250.00	-	250.00
Traffic control devices	-	-	-
Street lighting	-	745.88	745.88
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	144.00	793.66	937.66
 Total (To Section 2, Line 5)	 <u>\$ 394.00</u>	 <u>\$ 1,539.54</u>	 <u>\$ 1,933.54</u>

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
2017 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2017	\$ 1,937.59	\$ -	\$ 1,937.59
Receipts:			
2. State allocation	1,869.34	(1,869.34)	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	.08	.02	.10
2c. Miscellaneous	-	-	-
3. Total receipts	<u>1,869.42</u>	<u>(1,869.32)</u>	<u>0.10</u>
4. Total funds available	<u>3,807.01</u>	<u>(1,869.32)</u>	<u>1,937.69</u>
5. Expenditures (Section 1)	<u>394.00</u>	<u>1,539.54</u>	<u>1,933.54</u>
6. Balance, December 31, 2017	<u><u>\$ 3,413.01</u></u>	<u><u>\$ (3,408.86)</u></u>	<u><u>\$ 4.15</u></u>

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
2017 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 2)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 1,937.59	\$ -	\$ 1,937.59
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	373.87	(373.87)	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	2,311.46	(373.87)	1,937.59
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>2,311.46</u>	<u>(373.87)</u>	<u>1,937.59</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 2,311.46</u>	<u>\$ (2,307.31)</u>	<u>\$ 4.15</u>

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

BOROUGH OF WORTHVILLE
JEFFERSON 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	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	<u>144.00</u>	<u>-</u>	<u>144.00</u>
 Total (To Section 2, Line 5)	 <u>\$ 144.00</u>	 <u>\$ -</u>	 <u>\$ 144.00</u>

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

BOROUGH OF WORTHVILLE
JEFFERSON 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	\$ 4.15	\$ -	\$ 4.15
Receipts:			
2. State allocation	-	-	-
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	-	-	-
2c. Miscellaneous (Note 5)	142.85	-	142.85
3. Total receipts	142.85	-	142.85
4. Total funds available	147.00	-	147.00
5. Expenditures (Section 1)	144.00	-	144.00
6. Balance, December 31, 2018	<u>\$ 3.00</u>	<u>\$ -</u>	<u>\$ 3.00</u>

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

BOROUGH OF WORTHVILLE
JEFFERSON 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	\$ 4.15	\$ -	\$ 4.15
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	-	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	4.15	-	4.15
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>4.15</u>	<u>-</u>	<u>4.15</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 3.00</u>	<u>\$ -</u>	<u>\$ 3.00</u>

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

BOROUGH OF WORTHVILLE
 JEFFERSON COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2016 TO DECEMBER 31, 2018

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 with varying yearly costs in excess of the amounts indicated below:

2014	2015/2016	2017	2018
\$10,300.00	\$10,500.00	\$10,700.00	\$10,900.00

- 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:

2014	2015/2016	2017	2018
\$10,300.00	\$10,500.00	\$10,700.00	\$10,900.00

- 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 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.

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

1. Criteria (Continued)

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.

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 WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

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, 2018. Custodial credit risk, as defined by GASB No. 40, as amended, 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, 2018, consists of the following:

Cash	<u>\$3.00</u>
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BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$.40 during 2016, \$.10 during 2017, and \$0 during 2018, thus providing additional funds for road maintenance and repairs.

4. 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>2018</u>
General Fund	Grant	\$ 50.00
Financial institution	Reimbursement for closing account	17.85
General Fund	Reimbursement for bank service charges	75.00
		<u>75.00</u>
Total		<u>\$142.85</u>

5. 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>2016</u>	<u>2017</u>	<u>2018</u>
Financial Institution	Bank service charges	\$36.00	\$144.00	\$144.00
Secretary/Treasurer	Theft of funds (Finding No. 1)	-	793.66	-
		<u>-</u>	<u>793.66</u>	<u>-</u>
Totals		<u>\$36.00</u>	<u>\$937.66</u>	<u>\$144.00</u>

BOROUGH OF WORTHVILLE
 JEFFERSON COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2016 TO DECEMBER 31, 2018

Finding No. 1 - The Practice Of Presigning Checks Led To Theft Of Funds

Our examination disclosed that the municipality required two signatures to authorize checks from the Liquid Fuels Tax Fund. This practice was circumvented each time the President of Council signed blank checks. During 2017 the former Secretary/Treasurer issued three checks totaling \$793.66 from the Liquid Fuels Tax Fund to herself that were presigned by the President of Council and then signed by the former Secretary/Treasurer. These checks were as follows:

Check Number	Check Date	Amount
1006	07/10/17	\$193.66
1007	07/14/17	500.00
1008	11/27/17	100.00
Total		\$793.66

Good internal control procedures require that checks be signed only after the payee, date, and amount to be paid have been confirmed. Additionally, responsible officials should compare this information with other supporting documentation, invoices, contracts, etc., prior to approving the checks.

Without these controls, the risk of unauthorized disbursements, errors, or misappropriations occurring and remaining undetected increases significantly.

The theft of funds occurred because the President of Council presigned checks because he trusted the former Secretary/Treasurer. The former Secretary/Treasurer has been criminally charged with stealing over \$47,000.00 of municipal funds.

Recommendations

We recommend that the municipality reimburse \$793.66 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We recommend that the municipality discontinue the practice of presigning Liquid Fuels Tax Fund checks.

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Finding No. 1 - The Practice Of Presigning Checks Led To Theft Of Funds (Continued)

Management's Response

The municipal officials stated:

Checks are no longer presigned.

Auditor's Conclusion

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Finding No. 2 - Failure To Properly Prepare 2017 Form MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2017 Form MS-965. These errors resulted in the following adjustments:

2017 - Section 1

An adjustment of \$745.88 was made to "Street lighting" because these expenditures were not reported.

An adjustment of \$793.66 was made to "Miscellaneous" because expenditures relating to check Nos. 1006, 1007, and 1008 were not reported (Finding No. 1).

2017 - Section 2

An adjustment of \$(1,869.34) was made to "State allocation" because this receipt was deposited into the General Fund (Finding No. 3).

An adjustment of \$.02 was made to "Interest on investments" because interest earned was understated.

2017 - Section 3

An adjustment of \$(373.87) was made to "Current year equipment allocation" because the state allocation of \$(1,869.34) from 2017 - Section 2, which is used to calculate this figure, was deposited into the General Fund.

Good internal controls ensure that the municipality completes its Forms MS-965 accurately and completely. The failure to properly complete Forms MS-965 increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Finding No. 2 - Failure To Properly Prepare 2017 Form MS-965 (Continued)

Management's Response

The municipal officials stated:

In the future we will give accurate information on MS-965 reports.

Auditor's Conclusion

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Finding No. 3 - Late Receipt Of 2018 Allocation And 2017 Allocation Deposited Into The General Fund - Recurring

We cited the municipality for late receipt of allocation and allocation deposited into the General Fund in our prior report for the period January 1, 2014 to December 31, 2015. Our current examination disclosed that the 2018 Liquid Fuels Tax Fund allocation of \$1,960.14, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until July 5, 2019, 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 municipality deposited its 2017 Liquid Fuels Tax Fund allocation of \$1,869.34 into its General Fund on April 12, 2017, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law.

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Finding No. 3 - Late Receipt Of 2018 Allocation And 2017 Allocation Deposited Into The General Fund - Recurring (Continued)

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2018 allocation for more than 16 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.

Additionally, 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 . . .

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

The failure to follow the Liquid Fuels Tax Municipal Allocation Law as noted above could result in the municipality having to reimburse \$1,869.34 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$1,869.34 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Additionally, we again recommend that the municipality deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

**Finding No. 3 - Late Receipt Of 2018 Allocation And 2017 Allocation Deposited Into The
General Fund - Recurring (Continued)**

Management's Response

The municipal officials stated:

We agree with the finding, and in the future, forms will be filled out in a timely manner. In the future, we will deposit the allocation into the Liquid Fuel account.

Auditor's Conclusion

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Finding No. 4 - A Complete Record Of Borough Council Meeting Minutes Was Not Available For Examination

Our examination disclosed that the minutes reflecting advertised meetings of the borough council were not available at the examination site, with the exception of portions of two meetings to award road projects. The meeting minutes were in the borough secretary/treasurer's shorthand system and had not been transcribed in order to be readable by the public.

Section 1111 of *The Borough Code* states, in part, that "the secretary shall attend all meetings of the borough council and keep full minutes of its proceedings. The secretary shall certify copies of any book, paper, bylaw, rule, regulation, resolution, ordinance or proceeding of the borough, under the seal, when so certified, shall be admissible in Commonwealth Court." Furthermore, Section 1113 states, in part, that "the minute book shall be open to inspection of any taxpayer."

The primary purpose of the minutes is to provide an official record of council meetings. Without a complete record of readable minutes, we were unable to determine if there were any references to the road projects or if any additional information would have had an impact on the propriety of liquid fuels expenditures. Additionally, we were unable to determine if litigation or related party transactions were noted.

Recommendation

We recommend that, in the future, transcribed minutes for council meetings be available for public review within a reasonable period of time after each meeting.

Management's Response

The secretary/treasurer stated:

In the future, all meeting minutes will be recorded and sealed with the borough seal.

Auditor's Conclusion

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$1,388.81 to its Liquid Fuels Tax Fund because its 2014 allocation was deposited in its General Fund.

During our current examination, we reviewed a letter dated August 22, 2017, from the Department of Transportation directing the municipality to reimburse \$1,388.81 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on March 5, 2019, which was subsequent to our examination period.

In our prior report, we also recommended that the municipality:

- Deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.
- Complies with the Department of Transportation's *Publication 9* to ensure that its allocations are received during the first week in March.

During our current examination, we noted that the municipality failed to comply with our recommendations (see Finding No. 3).

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

An exit conference was held December 18, 2019. Those participating were:

BOROUGH OF WORTHVILLE

Ms. Rita Slaughenhaupt, Secretary/Treasurer
The Honorable Lowell Young, President of Council

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Ronald J. Fairman, Auditor

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

BOROUGH OF WORTHVILLE
JEFFERSON COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2018

This report was initially distributed to:

Yassmin Gramian, P.E.
Acting Secretary
Department of Transportation

Borough of Worthville
Jefferson County
131 Main Street
Worthville, PA 15784

The Honorable Lowell Young
President of Council

Ms. Rita Slaughenhaupt
Secretary/Treasurer

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.