

ATTESTATION ENGAGEMENT

Borough of Ashville
Cambria County, Pennsylvania
11-401
Liquid Fuels Tax Fund
For the Period
January 1, 2021 to December 31, 2022

July 2024



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 Michael Carroll
Secretary
Department of Transportation
Harrisburg, PA 17120

We were engaged to examine the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Ashville, Cambria County, for the period January 1, 2021 to December 31, 2022, which were required to be prepared in accordance with the information required by the Pennsylvania Department of Transportation and the criteria described in the Background section of this report and the Department of Transportation's Publication 9. 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 conducting the examination in accordance with attestation standards established by the AICPA and *Government Auditing Standards* issued by the Comptroller General of the United States.

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

As described in the Auditor Description of Select Transactions section of this report, the adjustments included on the Form MS-965 with Adjustments were proposed by the Department of the Auditor General.

Independent Auditor's Report (Continued)

The attestation standards require that we make inquiries of management and request written representations from management to confirm certain matters and to support other audit evidence. Accordingly, we called, emailed, and mailed management requesting approval of proposed adjustments, answers to questions regarding the risk of fraud, and a statement on street lighting, with the last request made via email and mail on March 29, 2024. We did not receive any responses or documents. We also called and emailed management requesting management representations along with the information requested on March 29, 2024, with the last request made on June 5, 2024, but we never received a response, management representations, or the other requested information and documentation. Management previously agreed to provide written representations and approve proposed adjustments in the engagement letter, and the failure to do so resulted in limitations on the scope of our examination.

Because of the limitations on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the Form MS-965 With Adjustments is in accordance with the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Borough of Ashville, Cambria County, for the period January 1, 2022 to December 31, 2022, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*, in all material respects.

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, 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 were engaged to perform 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 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 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 finding listed below, that we consider to be material weaknesses in internal control:

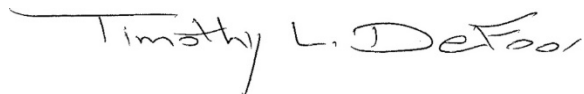
- Authorized Check Signers Are Related.
- Electronic Imaging Of Cancelled Checks From The Bank Did Not Include The Back Of The Checks.
- Documentation Supporting Expenditures Was Not Available For Examination.

In connection with our engagement, we performed tests of the Borough of Ashville, Cambria 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. The results of our tests disclosed an instance of noncompliance listed below that is required to be reported under *Government Auditing Standards*. Additionally, if the scope of our work had been sufficient to enable us to express an opinion of the Forms MS-965, additional instances of noncompliance or other matters may have been identified and reported herein.

- Nonpermissible Expenditures - Recurring.

This report is intended solely for the information and use of PennDOT and the Borough of Ashville, Cambria County, and is not intended to be and should not be used by anyone other than the specified parties.

If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
June 5, 2024

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BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

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 ASHVILLE
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2021 TO DECEMBER 31, 2022

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:

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

- 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:

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

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

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

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 ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

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 should be 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 Forms MS-965 With Adjustments is required to be 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 required to be 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 ASHVILLE
 CAMBRIA 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	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	366.18	-	366.18
Winter maintenance services	7,331.74	-	7,331.74
Traffic control devices	-	-	-
Street lighting	2,360.00	-	2,360.00
Storm sewers and drains	-	-	-
Repairs of tools and machinery	2,128.81	-	2,128.81
Maintenance and repair of roads and bridges	170.00	-	170.00
Highway construction and rebuilding projects	-	-	-
Miscellaneous	7,037.00	-	7,037.00
 Total (To Section 2, Line 5)	 <u>\$ 19,393.73</u>	 <u>\$ -</u>	 <u>\$ 19,393.73</u>

BOROUGH OF ASHVILLE
 CAMBRIA 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	\$ (126.00)	\$ -	\$ (126.00)
Receipts:			
2. State allocation	11,136.61	-	11,136.61
2a. Turnback allocation	-	-	-
2b. Interest on investments	3.62	-	3.62
2c. Miscellaneous	8,400.00	-	8,400.00
3. Total receipts	19,540.23	-	19,540.23
4. Total funds available	19,414.23	-	19,414.23
5. Expenditures (Section 1)	19,393.73	-	19,393.73
6. Balance, December 31, 2021	<u>\$ 20.50</u>	<u>\$ -</u>	<u>\$ 20.50</u>

BOROUGH OF ASHVILLE
 CAMBRIA 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	\$ (126.00)	\$ 126.00	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	2,227.32	-	2,227.32
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	2,101.32	126.00	2,227.32
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>2,101.32</u>	<u>126.00</u>	<u>2,227.32</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 20.50</u>	<u>\$ -</u>	<u>\$ 20.50</u>

BOROUGH OF ASHVILLE
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 2022 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	5,301.44	-	5,301.44
Traffic control devices	-	-	-
Street lighting	2,000.00	-	2,000.00
Storm sewers and drains	-	-	-
Repairs of tools and machinery	1,977.54	-	1,977.54
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous	4,500.00	-	4,500.00
 Total (To Section 2, Line 5)	 <u>\$ 13,778.98</u>	 <u>\$ -</u>	 <u>\$ 13,778.98</u>

BOROUGH OF ASHVILLE
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 2022 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, 2022	\$ 20.50	\$ -	\$ 20.50
Receipts:			
2. State allocation	10,870.67	-	10,870.67
2a. Turnback allocation	-	-	-
2b. Interest on investments	6.33	-	6.33
2c. Miscellaneous	3,000.00	-	3,000.00
3. Total receipts	<u>13,877.00</u>	<u>-</u>	<u>13,877.00</u>
4. Total funds available	<u>13,897.50</u>	<u>-</u>	<u>13,897.50</u>
5. Expenditures (Section 1)	<u>13,778.98</u>	<u>-</u>	<u>13,778.98</u>
6. Balance, December 31, 2022	<u><u>\$ 118.52</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 118.52</u></u>

BOROUGH OF ASHVILLE
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 2022 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	\$ 20.50	\$ -	\$ 20.50
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	2,174.13	-	2,174.13
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	2,194.63	-	2,194.63
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>2,194.63</u>	<u>-</u>	<u>2,194.63</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 118.52</u>	<u>\$ -</u>	<u>\$ 118.52</u>

BOROUGH OF ASHVILLE
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2021 TO DECEMBER 31, 2022

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

Adjustment

2021 - Section 3

An adjustment of \$126.00 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

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>2021</u>	<u>2022</u>
General Fund	Reimbursement for anti-skid	\$ 500.00	\$ -
Special Fund	Reimbursement for calcium chloride	2,000.00	-
General Fund	Reimbursement (Finding No. 4)	5,000.00	-
General Fund	Reimbursement for truck repair	900.00	-
General Fund	Grant	-	1,500.00
General Fund	Correction of transfer in error	-	1,500.00
Totals		<u>\$8,400.00</u>	<u>\$3,000.00</u>

BOROUGH OF ASHVILLE
 CAMBRIA COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2021 TO DECEMBER 31, 2022

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>2021</u>	<u>2022</u>
General Fund	Nonpermissible expenditures (Finding No. 4)	\$7,000.00	\$3,000.00
Financial Institution	Bank service charge	37.00	-
General Fund	Transfer in error	-	1,500.00
Totals		<u>\$7,037.00</u>	<u>\$4,500.00</u>

Transfer In Error

On October 26, 2022, the municipality transferred \$1,500.00 from its Liquid Fuels Tax Fund to its General Fund in error. On November 21, 2022, the municipality transferred this amount from its General Fund to its Liquid Fuels Tax Fund to correct the transfer in error.

Lease-Purchase Agreement

On June 15, 2020, the municipality entered into a lease-purchase agreement with Kubota Leasing to purchase a tractor and accessories for \$31,245.00. The agreement was for a term of five years at an interest rate of 4.85 percent. Principal and interest payments of \$587.49 are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$3,397.21 and \$715.22, respectively, and fees of \$172.28 were also paid. However, the tractor was not properly advertised and bid, and therefore no payments should have been made from the Liquid Fuels Tax Fund. The municipality reimbursed the \$4,284.71 to the Liquid Fuels Tax Fund on December 26, 2023, which was subsequent to our examination period (Summary Of Prior Examination Recommendations).

During the current examination period, the municipality made no payments from the Liquid Fuels Tax Fund. The municipality did not provide us any payment information for 2021 and 2022, and thus we could not verify the current balance of the lease-purchase agreement. The outstanding balance of the lease-purchase agreement as of December 31, 2020, was \$27,847.79, plus interest.

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

Finding No. 1 - Authorized Check Signers Are Related

Our examination disclosed that only two signatures are required to authenticate Liquid Fuels Tax Fund checks. Out of the four authorized signers, two of the signers were the President of Council and the Vice-President of Council, who are daughter and father, respectively.

Good internal control procedures ensure that no related persons are authorized to sign checks drawn on the Liquid Fuels Tax Fund.

Without this control, the risk of unauthorized disbursements, errors, or misappropriation occurring and remaining undetected increases significantly.

We could not determine why this condition occurred.

Recommendation

We recommend that the municipality improve internal control procedures over disbursements by requiring at least two signatures of unrelated municipal officials on all disbursements from the Liquid Fuels Tax Fund account and ensuring none of the authorized check signers are related.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

Finding No. 2 - Electronic Imaging Of Cancelled Checks From The Bank Did Not Include The Back Of The Checks

Our examination disclosed that the municipality made transfers from the Liquid Fuels Tax Fund to the General Fund for the reimbursement of expenditures that could have been paid from the Liquid Fuels Tax Fund. Therefore, our disbursement test included checks from the General Fund account. During our testing, we discovered that images of cancelled checks from the General Fund bank account were not provided for our review. For us to properly complete our examination testing, we have to examine the front and back of the cancelled checks.

Good internal controls and the Commonwealth of Pennsylvania Management Directive 210.11, dated June 16, 1997, require that imaging systems comply with the provisions of the Internal Revenue Service (IRS) procedures for record keeping with electronic imaging. To be acceptable, the documents provided by the system must meet IRS procedures governing size, content, format, and pattern. Those procedures require that all images produced by the imaging system exhibit a high degree of legibility and readability when displayed on paper. Legibility includes the ability to identify all letters and numerals positively and quickly. Readability includes the ability to recognize a group of letters or numerals as words or completed numbers. Imaged documents must include the front and back of a document in which both the front and back are used.

Further, good internal controls ensure that by having a municipal official review the front and back of the cancelled checks, any errors or misappropriations can be detected on a timely basis.

Without this control, the potential exists for errors or misappropriations to go undetected for long periods of time.

It is unknown why this condition occurred.

Recommendations

We recommend that the municipal officials obtain images of the front and back of cancelled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each cancelled check for any errors or misappropriations.

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

**Finding No. 2 - Electronic Imaging Of Cancelled Checks From The Bank Did Not Include
The Back Of The Checks (Continued)**

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

Finding No. 3 - Documentation Supporting Expenditures Was Not Available For Examination

Our examination disclosed that the municipality did not maintain documentation to support expenditures of \$2,360.00 during 2021 for streetlights and \$2,000.00 during 2022 for unknown expenditures. The municipality was unable to provide any invoices to support these expenditures.

Good internal control procedures ensure that there is documentation to support all expenditures.

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

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without adequate documentation, we could not determine if the expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$4,360.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$4,360.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

Finding No. 3 - Documentation Supporting Expenditures Was Not Available For Examination (Continued)

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

Finding No. 4 - Nonpermissible Expenditures - Recurring

We cited the municipality for a nonpermissible expenditure in our prior examination for the period January 1, 2018 to December 31, 2020. Our current examination disclosed that the municipality expended \$7,000.00 during 2021, which includes \$5,000.00 for payroll taxes when no payroll was paid from the Liquid Fuels Tax Fund and \$2,000.00 for equipment insurance. During 2022, the municipality expended \$3,000.00 for equipment insurance. These items are nonpermissible expenditures. The equipment insurance would have been permissible if the municipality's Liquid Fuels Tax Fund was the beneficiary of the insurance policy. However, the municipality did not provide us with the identity of the beneficiary.

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

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

On July 28, 2021, the municipality reimbursed \$5,000.00 to the Liquid Fuels Tax Fund.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse an additional \$5,000.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$5,000.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again recommend that the municipality comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

Finding No. 4 - Nonpermissible Expenditures - Recurring (Continued)

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the borough comply with our recommendations. During our next examination, we will determine if the municipality complied with our recommendations.

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

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 \$4,284.71 to its Liquid Fuels Tax Fund for failing to advertise for bids.

During our current examination, we reviewed a letter dated November 30, 2022, from the Department of Transportation directing the municipality to reimburse \$4,284.71 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on December 26, 2023, which was subsequent to our examination period.

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

- Comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.
- Comply with *The Borough Code* by advertising for bids for all purchases over \$21,000.00. The threshold for advertising for bids increased to purchases over \$21,300.00 for 2021, \$21,900.00 for 2022, \$22,500.00 for 2023, and \$23,200.00 for 2024.
- Only disburse funds from the Liquid Fuels Tax Fund for expenditures incurred.
- Discontinue the practice of expending more than the Liquid Fuels Tax Fund balance.
- Comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March.

During our current examination, we noted that the municipality complied with our last four bulleted recommendations but did not comply with our first bulleted recommendation (see Finding No. 4).

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

Summary Of Onsite Closeout Meeting

An onsite closeout meeting was not conducted with management of Ashville Borough, Cambria County. As discussed in our Independent Auditor's Report, we repeatedly requested management provide us with approval of our proposed adjustment, answers to questions regarding the risk of fraud, a statement on street lighting, and a management representation letter, with the last request made on June 5, 2024. However, management did not respond to our requests or provide any of the requested documents.

BOROUGH OF ASHVILLE
CAMBRIA COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2021 TO DECEMBER 31, 2022

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Borough of Ashville
Cambria County
109 Hickory Street
P. O. Box 165
Ashville, PA 16613

The Honorable Lewis F. De Angelis, Jr.
Vice-President of Council

Ms. Diane J. Boslet
Secretary/Treasurer

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