

ATTESTATION ENGAGEMENT

Borough of Marianna
Washington County, Pennsylvania
62-421
Liquid Fuels Tax Fund
For the Period
January 1, 2016 to December 31, 2019

June 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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

TIMOTHY L. DEFOOR
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 Marianna, Washington County, for the period January 1, 2016 to December 31, 2019. 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 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*.

Independent Auditor's Report (Continued)

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.

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

- The municipality did not maintain invoices to support credit card purchases of \$1,512.07 during 2016, \$1,267.78 during 2017, \$3,296.52 during 2018, and \$931.48 during 2019 (see Finding No. 1).
- The municipality expended \$4,996.86 in excess of the amount available for the purchase of equipment for 2016 (see Finding No. 2):
- The municipality did not receive its 2019 Liquid Fuels Tax Fund allocation of \$30,714.37 until June 12, 2020 (see Finding No. 3).
- In the prior examination period, the municipality expended \$12,000.00 from its Liquid Fuels Tax Fund without advertising for bids. The municipality reimbursed \$6,000.00 to its Liquid Fuels Tax Fund on both January 30, 2020 and March 15, 2021 (Summary of Prior Examination Recommendations).

In our opinion, except for the bulleted matters discussed above, 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 Marianna, Washington County, for the period January 1, 2016 to December 31, 2019, 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 the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We consider the deficiency below to be a material weakness:

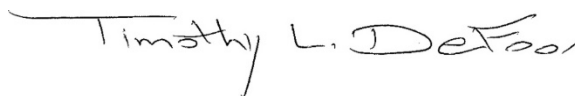
- Documentation Supporting Expenditures Not Available For Examination.

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Borough of Marianna, Washington 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*:

- Over Expended 2016 Equipment Purchase Tally.
- Late Receipt Of Allocations.

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 Marianna, Washington 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.



May 7, 2021

Timothy L. DeFoor
Auditor General

CONTENTS

	<u>Page</u>
Background.....	1
Financial Section:	
2016 Form MS-965 With Adjustments	5
2017 Form MS-965 With Adjustments	8
2018 Form MS-965 With Adjustments	11
2019 Form MS-965 With Adjustments	14
Auditor Description Of Select Transactions.....	17
Findings And Recommendations:	
Finding No. 1 - Documentation Supporting Expenditures Was Not Available For Examination.....	20
Finding No. 2 - Over Expended Equipment Purchase Tally	22
Finding No. 3 - Late Receipt Of Allocations	24
Summary Of Prior Examination Recommendations.....	26
Summary Of Exit Conference.....	27
Report Distribution	28

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

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 MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

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:

2015/2016	2017	2018	2019
\$10,500.00	\$10,700.00	\$10,900.00	\$11,100.00

- 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:

2015/2016	2017	2018	2019
\$10,500.00	\$10,700.00	\$10,900.00	\$11,100.00

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

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

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 MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

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 MARIANNA
WASHINGTON 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	12,478.41	-	12,478.41
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	5,434.51	-	5,434.51
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	8,923.57	115.97	9,039.54
Maintenance and repair of roads and bridges	4,101.03	-	4,101.03
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 30,937.52</u>	 <u>\$ 115.97</u>	 <u>\$ 31,053.49</u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ 31,129.69	\$ -	\$ 31,129.69
Receipts:			
2. State allocation	29,069.03	-	29,069.03
2a. Turnback allocation	-	-	-
2b. Interest on investments	20.92	-	20.92
2c. Miscellaneous	4,996.86	(4,996.86)	-
3. Total receipts	<u>34,086.81</u>	<u>(4,996.86)</u>	<u>29,089.95</u>
4. Total funds available	<u>65,216.50</u>	<u>(4,996.86)</u>	<u>60,219.64</u>
5. Expenditures (Section 1)	<u>30,937.52</u>	<u>115.97</u>	<u>31,053.49</u>
6. Balance, December 31, 2016	<u>\$ 34,278.98</u>	<u>\$ (5,112.83)</u>	<u>\$ 29,166.15</u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ 1,667.74	\$ -	\$ 1,667.74
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	5,813.81	-	5,813.81
3. PENNDOT approved adjustments	<u>4,996.86</u>	<u>(4,996.86)</u>	<u>-</u>
4. Total funds available for equipment acquisition	12,478.41	(4,996.86)	7,481.55
5. Less: Major equipment expenditures	<u>12,478.41</u>	<u>-</u>	<u>12,478.41</u>
6. Remainder	<u>-</u>	<u>(4,996.86)</u>	<u>(4,996.86)</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 381.15	\$ -	\$ 381.15
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,215.75	-	4,215.75
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	10,547.39	-	10,547.39
Maintenance and repair of roads and bridges	2,724.76	1,845.00	4,569.76
Highway construction and rebuilding projects	-	-	-
Miscellaneous	1,845.00	(1,845.00)	-
 Total (To Section 2, Line 5)	 <u>\$ 19,714.05</u>	 <u>\$ -</u>	 <u>\$ 19,714.05</u>

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2017 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, 2017	\$ 34,278.98	\$ (5,112.83)	\$ 29,166.15
Receipts:			
2. State allocation	28,383.95	-	28,383.95
2a. Turnback allocation	-	-	-
2b. Interest on investments	91.48	-	91.48
2c. Miscellaneous	-	3,580.66	3,580.66
3. Total receipts	<u>28,475.43</u>	<u>3,580.66</u>	<u>32,056.09</u>
4. Total funds available	<u>62,754.41</u>	<u>(1,532.17)</u>	<u>61,222.24</u>
5. Expenditures (Section 1)	<u>19,714.05</u>	<u>-</u>	<u>19,714.05</u>
6. Balance, December 31, 2017	<u><u>\$ 43,040.36</u></u>	<u><u>\$ (1,532.17)</u></u>	<u><u>\$ 41,508.19</u></u>

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2017 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	\$ -	\$ -	\$ -
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	5,676.79	-	5,676.79
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	5,676.79	-	5,676.79
5. Less: Major equipment expenditures	<u>-</u>	<u>-</u>	<u>-</u>
6. Remainder	<u>5,676.79</u>	<u>-</u>	<u>5,676.79</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 5,676.79</u>	<u>\$ -</u>	<u>\$ 5,676.79</u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ -	\$ 1,597.55	\$ 1,597.55
Computer/Computer related training	-	-	-
Major equipment purchases	1,597.55	(1,597.55)	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	15,140.48	-	15,140.48
Traffic control devices	60.31	-	60.31
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	6,213.47	-	6,213.47
Maintenance and repair of roads and bridges	11,358.09	-	11,358.09
Highway construction and rebuilding projects	-	-	-
Miscellaneous	33,236.83	(33,236.83)	-
 Total (To Section 2, Line 5)	 <u>\$ 67,606.73</u>	 <u>\$ (33,236.83)</u>	 <u>\$ 34,369.90</u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ 43,040.36	\$ (1,532.17)	\$ 41,508.19
Receipts:			
2. State allocation	31,869.89	(31,869.89)	-
2a. Turnback allocation	-	-	-
2b. Interest on investments	112.31	(4.10)	108.21
2c. Miscellaneous	1,416.20	-	1,416.20
3. Total receipts	<u>33,398.40</u>	<u>(31,873.99)</u>	<u>1,524.41</u>
4. Total funds available	<u>76,438.76</u>	<u>(33,406.16)</u>	<u>43,032.60</u>
5. Expenditures (Section 1)	<u>67,606.73</u>	<u>(33,236.83)</u>	<u>34,369.90</u>
6. Balance, December 31, 2018	<u><u>\$ 8,832.03</u></u>	<u><u>\$ (169.33)</u></u>	<u><u>\$ 8,662.70</u></u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ 5,676.79	\$ -	\$ 5,676.79
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	6,373.98	(6,373.98)	-
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	12,050.77	(6,373.98)	5,676.79
5. Less: Major equipment expenditures	<u>1,597.55</u>	<u>(1,597.55)</u>	<u>-</u>
6. Remainder	<u>10,453.22</u>	<u>(4,776.43)</u>	<u>5,676.79</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 8,832.03</u>	<u>\$ (3,155.24)</u>	<u>\$ 5,676.79</u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ 4,360.46	\$ -	\$ 4,360.46
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	5,635.10	-	5,635.10
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	4,274.08	-	4,274.08
Maintenance and repair of roads and bridges	4,253.11	-	4,253.11
Highway construction and rebuilding projects	-	-	-
Miscellaneous	10.00	-	10.00
 Total (To Section 2, Line 5)	 <u>\$ 18,532.75</u>	 <u>\$ -</u>	 <u>\$ 18,532.75</u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ 8,832.03	\$ (169.33)	\$ 8,662.70
Receipts:			
2. State allocation	-	31,869.89	31,869.89
2a. Turnback allocation	-	-	-
2b. Interest on investments	138.10	-	138.10
2c. Miscellaneous	<u>31,869.89</u>	<u>(31,869.89)</u>	<u>-</u>
3. Total receipts	<u>32,007.99</u>	<u>-</u>	<u>32,007.99</u>
4. Total funds available	<u>40,840.02</u>	<u>(169.33)</u>	<u>40,670.69</u>
5. Expenditures (Section 1)	<u>18,532.75</u>	<u>-</u>	<u>18,532.75</u>
6. Balance, December 31, 2019	<u>\$ 22,307.27</u>	<u>\$ (169.33)</u>	<u>\$ 22,137.94</u>

BOROUGH OF MARIANNA
WASHINGTON 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	\$ 8,832.03	\$ (3,155.24)	\$ 5,676.79
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	-	6,373.98	6,373.98
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	8,832.03	3,218.74	12,050.77
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>8,832.03</u>	<u>3,218.74</u>	<u>12,050.77</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 8,832.03</u>	<u>\$ 3,218.74</u>	<u>\$ 12,050.77</u>

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

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

Adjustments

2016 - Section 1

An adjustment of \$115.97 was made to “Repairs of tools and machinery” because check No. 1650 was not reported.

2016 - Section 2

An adjustment of \$(4,996.86) was made to “Miscellaneous” because there were no miscellaneous receipts.

2016 - Section 3

An adjustment of \$(4,996.86) was made to “PENNDOT approved adjustments” because there were no approved adjustments.

2017 - Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Miscellaneous” because expenditures of \$1,845.00 were misclassified.

2017 - Section 2

An adjustment of \$(5,112.83) was made to “Balance, January 1, 2017” to reflect the adjustment made to the fund balance in 2016 - Section 2.

An adjustment of \$3,580.66 was made to “Miscellaneous” because these receipts were understated.

2018 - Section 1

Adjustments were made to “Minor equipment purchases” and “Major equipment purchases” because expenditures of \$1,597.55 were misclassified.

An adjustment of \$(33,236.83) was made to “Miscellaneous” because there were no miscellaneous expenditures.

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Adjustments (Continued)

2018 - Section 2

An adjustment of \$(1,532.17) was made to “Balance, January 1, 2018” to reflect the adjustment made to the fund balance in 2017 - Section 2.

An adjustment of \$(31,869.89) was made to “State allocation” because the allocation was not received until January 29, 2019.

An adjustment of \$(4.10) was made to “Interest on investments” because interest earnings were overstated.

2018 - Section 3

An adjustment of \$(6,373.98) was made to “Current year equipment allocation” because the state allocation from 2018 - Section 2, which is used to calculate this figure, was not received until January 29, 2019.

An adjustment of \$(1,597.55) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases 2018– Section 1.

2019 - Section 2

An adjustment of \$(169.33) was made to “Balance, January 1, 2019” to reflect the adjustment made to the fund balance in 2018 - Section 2.

Adjustments were made to “State allocation” and “Miscellaneous” because receipts of \$31,869.89 were misclassified.

2019 - Section 3

An adjustment of \$(3,155.24) was made to “Prior year equipment balance” to reflect the adjustments made to the equipment balance in 2018 - Section 3.

An adjustment of \$6,373.98 was made to “Current year equipment allocation” because the state allocation of \$31,869.89 from 2019 - Section 2, which is used to calculate this figure, was misclassified as miscellaneous.

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Miscellaneous Receipts

On July 19, 2017 and June 12, 2018, the municipality granted \$3,580.66 and \$1,416.20, respectively, from its General Fund to Liquid Fuels Tax Fund.

Miscellaneous Expenditure

During 2019 the municipality's Liquid Fuels Tax Fund incurred bank service charges of \$10.00.

Bank Loan

On May 22, 2012, the municipality borrowed \$72,743.52 from Community Bank to purchase a Ford F-550 with a three way hydraulic system, spreader, and a snow plow. The term of the loan was for seven years at an interest rate of 4.625 percent. Principal and interest payments of \$12,478.41 are due annually. Prior years' principal and interest payments from the General Fund were \$28,191.34 and \$9,243.89, respectively.

During the current examination period the municipality paid principal of \$10,386.09 and interest of \$2,092.32 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2016 Form MS-965 - Section 1. Additionally, the municipality paid principal of \$34,166.09 and interest of \$3,351.05 from the General Fund. The loan balance was paid-in-full as of July 24, 2019.

Lease-Purchase Agreement

On May 4, 2017, the municipality entered into a lease-purchase agreement with Kubota Leasing to purchase a zero turn 54" mower for \$6,098.40. Principal payments of \$127.05 are due monthly. The agreement was for a term of four years.

During the current examination period, the municipality made principal payments of \$3,045.10 from the Liquid Fuels Tax Fund. These amounts are reflected in minor equipment purchases on the 2017, 2018 and 2019 Forms MS-965 - Section 1. Additionally, the municipality made principal payments of \$889.35 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2019 was \$2,163.95, plus interest.

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding No. 1 - Documentation Supporting Expenditures Was Not Available For Examination

Our examination disclosed that the municipality did not maintain invoices to support credit card purchases of \$1,512.07 during 2016, \$1,267.78 during 2017, \$3,296.52 during 2018, and \$931.48 during 2019. The borough was also unable to provide us with the credit card statements for the cards. The credit cards were issued to four council members in the name of the council members. The current borough officials believe that the credit card purchases could be fraudulent.¹

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 \$7,007.85 to its Liquid Fuels Tax Fund.

All four council member that were issued credit cards have resigned and the borough is no longer issuing credit cards in the name of council members.

¹ It was communicated to the Department that former council members are under criminal investigation by federal authorities.

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding No. 1 - Documentation Supporting Expenditures Was Not Available For Examination (Continued)

Recommendations

We recommend that the municipality reimburse \$7,007.85 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.

Management's Response

The President of Council stated:

We have since put safeguards in place to make sure the Liquid Fuels funds are spent properly. Also, from approximately November 2017 through July 2019, suspected fraud went on and we think the \$7,007.85 in visa charges taken out of the liquid fuels account may be fraudulent. The FBI is currently investigating.

Auditor's Conclusion

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

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding No. 2 - Over Expended Equipment Purchase Tally

Our examination disclosed that the municipality expended \$4,996.86 in excess of the amount available for the purchase of equipment for 2016, as follows:

<u>2016</u>	<u>Actual</u>
1. Prior year equipment balance	\$ 1,667.74
2. Current year equipment allocation (20% of Lines 2 + 2A, Section 2)	5,813.81
3. PENNDOT approved adjustments	<u>-</u>
4. Total funds available for equipment acquisition	7,481.55
5. Less: Major equipment purchases	<u>12,478.41</u>
6. Amount Over Expended for equipment – 2016	<u><u>\$ (4,996.86)</u></u>

The Department of Transportation’s, *Publication 9*, Appendix D, Section 449.11, 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, 20 percent of the current year’s Liquid Fuels Tax Fund allocations, and any approved adjustments.

The failure to follow *Publication 9* could result in the municipality having to reimburse \$4,996.86 to its Liquid Fuels Tax Fund.

The municipality did not over expend its equipment balance in 2017, 2018, and 2019.

Recommendations

We recommend that the municipality reimburse \$4,996.86 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality continues to only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation’s *Publication 9*.

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding No. 2 - Over Expended Equipment Purchase Tally (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 MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

Finding No. 3 - Late Receipt Of Allocations

Our examination disclosed that the 2018 and 2019 Liquid Fuels Tax Fund allocations of \$31,869.89 and \$30,714.37, respectively, which should have been distributed from the Department of Transportation to the municipality during the first week of March of each year, were not received until January 29, 2019 and June 12, 2020, respectively, 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2018 allocation for almost 11 months and 2019 allocation more than 15 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.

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

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

Recommendation

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.

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 MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

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 \$12,000.00 to its Liquid Fuels Tax Fund for failing to advertise for bids.

During our current examination, we noted that the municipality reimbursed \$6,000.00 to its Liquid Fuels Tax Fund on both January 30, 2020 and March 15, 2021, which was subsequent to the current examination period.

In our prior report we also recommended that the municipality comply with *The Borough Code* by advertising for bids for all purchases over \$19,400.00. The threshold for advertising for bids increased to purchases over \$19,700.00 for 2017, \$20,100.00 for 2018, \$20,600.00 for 2019, \$21,000.00 for 2020, and \$21,300.00 for 2021.

During our current examination we noted that the municipality complied with our recommendation.

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

An exit conference was held April 23, 2021. Those participating were:

BOROUGH OF MARIANNA

The Honorable Jeremy Berardinelli, President of Council

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Paul Palombo, Auditor

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

BOROUGH OF MARIANNA
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2016 TO DECEMBER 31, 2019

This report was initially distributed to:

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

Borough of Marianna
Washington County
1 Procasky Road
P. O. Box 368
Marianna, PA 15345

The Honorable Jeremy Berardinelli
President of Council

Ms. Renee Viana
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.