



MONTOUR COUNTY
47-000

LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
EXAMINATION REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

CONTENTS

	<u>Page</u>
Background.....	1
Independent Auditor's Report.....	3
Financial Section:	
2008 Form MS-991 With Adjustments.....	7
2009 Form MS-991 With Adjustments.....	8
2008 Report Of Act 44 Tax Fund With Adjustments.....	9
2009 Report Of Act 44 Tax Fund With Adjustments.....	10
Notes To Form MS-991 And Reports Of Act 44 Tax Fund With Adjustments.....	11
Findings And Recommendations:	
Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks	19
Finding No. 2 - County Encumbered More Than Its Fund Balance	21
Comment.....	23
Summary Of Exit Conference.....	24
Report Distribution	25

MONTOUR COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
BACKGROUND
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Background

The Vehicle Code makes provisions and provides funding for County Liquid Fuels and Act 44 Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

The Vehicle Code imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. The Vehicle Code further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

The Vehicle Code, as recently amended by Act 44 of 2007 (July 18, 2007, P.L.169), requires the Pennsylvania Turnpike Commission to make annual contributions for the benefit of the Pennsylvania Department of Transportation's Motor License Fund, and further requires the Department of Transportation to distribute \$5,000,000 of the annual contribution to counties (75 Pa. C.S. § 8915.6). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.





**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
AUDITOR GENERAL**

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 Tax Fund With Adjustments of Montour County for the two years ended December 31, 2009. The county's management is responsible for the Forms MS-991 and the Reports of Act 44 Tax Fund. Our responsibility is to express an opinion on the Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting Montour County's Forms MS-991 and Reports of Act 44 Tax Fund for the two years ended December 31, 2009 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each county's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

In our opinion, the Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund and Act 44 Tax Fund of Montour County for the two years ended December 31, 2009, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-991 and the Reports of Act 44 Tax Fund and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Forms MS-991 and the Reports of Act 44 Tax Fund 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-991 and the Reports of Act 44 Tax Fund or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Montour County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of Montour County's Forms MS-991 and the Reports of Act 44 Tax Fund that is more than inconsequential will not be prevented or detected by Montour County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund:

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks.

Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-991 and the Reports of Act 44 Tax Fund will not be prevented or detected by Montour County's internal control. Our consideration of the internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described is a material weakness.

The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- County Encumbered More Than Its Fund Balance.

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

August 30, 2010

JACK WAGNER
Auditor General



MONTOUR COUNTY
 LIQUID FUELS TAX FUND
 2008 FORM MS-991 WITH ADJUSTMENTS

	Reported	Adjustments (Note 4)	Adjusted Amount
Balance, January 1, 2008	\$ 104,700.82	\$ -	\$ 104,700.82
<u>Receipts:</u>			
State allocations	42,931.87	-	42,931.87
Interest (Note 3)	1,810.99	-	1,810.99
Reimbursable agreements (Note 6)	13,094.31	-	13,094.31
Miscellaneous (Note 5)	125,346.24	(112,013.39)	13,332.85
Total receipts	183,183.41	(112,013.39)	71,170.02
Total funds available	287,884.23	(112,013.39)	175,870.84
<u>Expenditures:</u>			
Construction	19,616.47	-	19,616.47
Maintenance and repair	156,170.59	(112,013.39)	44,157.20
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous (Bank service charges)	-	13.44	13.44
Total expenditures	175,787.06	(111,999.95)	63,787.11
Balance, December 31, 2008	112,097.17	(13.44)	112,083.73
Unpaid encumbrances	130,000.00	1,076.71	131,076.71
Unencumbered balance, December 31, 2008	<u>\$ (17,902.83)</u>	<u>\$ (1,090.15)</u>	<u>\$ (18,992.98)</u>

Notes to Forms MS-991 With Adjustments and Reports of Act 44 Tax Fund are an integral part of this report.

MONTOUR COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-991 WITH ADJUSTMENTS

	Reported	Adjustments (Note 4)	Adjusted Amount
Balance, January 1, 2009	\$ 112,083.73	\$ -	\$ 112,083.73
<u>Receipts:</u>			
State allocations	40,698.45	-	40,698.45
Interest (Note 3)	982.01	-	982.01
Reimbursable agreements (Note 6)	161,609.36	-	161,609.36
Miscellaneous (Note 5)	4,770.19	-	4,770.19
Total receipts	208,060.01	-	208,060.01
Total funds available	320,143.74	-	320,143.74
<u>Expenditures:</u>			
Construction	156,385.45	-	156,385.45
Maintenance and repair	5,718.85	5,669.16	11,388.01
Administrative	-	-	-
Grants to political subdivisions	-	-	-
Miscellaneous	5,669.16	(5,669.16)	-
Total expenditures	167,773.46	-	167,773.46
Balance, December 31, 2009	152,370.28	-	152,370.28
Unpaid encumbrances (Note 7)	70,000.00	(6,899.27)	63,100.73
Unencumbered balance, December 31, 2009	\$ 82,370.28	\$ 6,899.27	\$ 89,269.55

Notes to Forms MS-991 With Adjustments and Reports of Act 44 Tax Fund are an integral part of this report.

MONTOUR COUNTY
 LIQUID FUELS TAX FUND
 2008 REPORT OF ACT 44 TAX FUND
 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2008	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 44 Funds	11,973.64	-	11,973.64
Interest (Note 3)	.16	-	.16
Total receipts	<u>11,973.80</u>	<u>-</u>	<u>11,973.80</u>
Total funds available	<u>11,973.80</u>	<u>-</u>	<u>11,973.80</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous (Bank service charges)	-	13.44	13.44
Total expenditures	<u>-</u>	<u>13.44</u>	<u>13.44</u>
Balance, December 31, 2008	<u>\$ 11,973.80</u>	<u>\$ (13.44)</u>	<u>\$ 11,960.36</u>

Notes to Forms MS-991 With Adjustments and Reports of Act 44 Tax Fund are an integral part of this report.

MONTOUR COUNTY
 LIQUID FUELS TAX FUND
 2009 REPORT OF ACT 44 TAX FUND
 WITH ADJUSTMENTS

	Reported	Adjustments	Adjusted Amount
Balance, January 1, 2009	\$ 11,960.36	\$ -	\$ 11,960.36
<u>Receipts:</u>			
Act 44 Funds	11,508.49	-	11,508.49
Interest (Note 3)	115.63	-	115.63
Miscellaneous (Refund for bank service charges)	13.44	-	13.44
Total receipts	11,637.56	-	11,637.56
Total funds available	23,597.92	-	23,597.92
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	-	-	-
Miscellaneous	-	-	-
Total expenditures	-	-	-
Balance, December 31, 2009	\$ 23,597.92	\$ -	\$ 23,597.92

Notes to Forms MS-991 With Adjustments and Reports of Act 44 Tax Fund are an integral part of this report.

MONTOUR COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

1. Criteria

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law;
- property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- construction, reconstruction, operation and maintenance of publicly owned ferryboat operations;
- interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges;
- acquisition, maintenance, repair and operation of traffic signs and signals;
- erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;
- indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and

MONTOUR COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

1. Criteria (Continued)

- individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 15 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation will withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.
- B. *The Vehicle Code*, as recently amended by Act 44 of 2007 (July 18, 2007, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Pennsylvania Turnpike Commission's annual contribution of \$5,000,000 to the Commonwealth's Motor License Fund. The County's Act 44 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.

MONTOUR COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Report of County Liquid Fuels Tax Fund With Adjustments and the Report of Act 44 Tax Fund With Adjustments do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund and the County Act 44 Tax Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the MS-991 form, *Report of County Liquid Fuels Tax Fund*:

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.

Refer to the related Notes: Note 3, Interest Earnings; Note 5, Miscellaneous Receipts; and Note 6, Reimbursable Agreements.

- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.
- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end).
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

Refer to Note 7, Encumbrances.

MONTOUR COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

2. Deposits

The County Code, Title 16 P.S § 17067, authorizes the county 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 from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania that are insured by the FDIC or other like insurance. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

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

There were no deposits exposed to custodial credit risk as of December 31, 2009. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the county's name.

MONTOUR COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-991 AND
REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

2. Deposits (Continued)

Fund Balance

The fund balance for the Liquid Fuels Tax Fund as of December 31, 2009 consists of the following:

Cash	<u>\$152,370.28</u>
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The fund balance for the Act 44 Tax Fund as of December 31, 2009 consists of the following:

Cash	<u>\$23,597.92</u>
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3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in interest-bearing accounts which earned \$1,810.99 during 2008, and \$982.01 during 2009, thus providing additional funds for road maintenance and repairs.

Additionally, the county deposited idle Act 44 tax money in an interest-bearing account which earned \$.16 during 2008, and \$115.63 during 2009, thus providing additional funds for bridge maintenance and repairs.

4. Adjustments

2008 Form MS-991

An adjustment of \$(112,013.39) was made to "Miscellaneous" receipts because a transfer between two Liquid Fuels Tax Fund accounts was incorrectly reported as a receipt.

An adjustment of \$(112,013.39) was made to "Maintenance and repair" because a transfer between two Liquid Fuels Tax Fund accounts was incorrectly reported as an expenditure.

An adjustment of \$13.44 was made to "Miscellaneous" expenditures because bank service charges were not reported.

MONTOUR COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-991 AND
 REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2009

4. Adjustments (Continued)

2008 Form MS-991 (Continued)

An adjustment of \$1,076.71 was made to “Unpaid encumbrances” because the balances of the following encumbrances were reported incorrectly:

<u>Encumbrance No.</u>	<u>Actual Amount</u>	<u>Reported Amount</u>	<u>Adjustment</u>
901683	\$ 5,000.00	\$ -	\$5,000.00
C-06-47000-01	56,076.71	60,000.00	(3,923.29)
Totals	\$61,076.71	\$60,000.00	\$1,076.71

2009 Form MS-991

Adjustments were made to “Maintenance and repair” and “Miscellaneous” because expenditures of \$5,669.16 were misclassified.

An adjustment of \$(6,899.27) was made to “Unpaid encumbrances” because the balance of the following encumbrance was reported incorrectly:

<u>Encumbrance No.</u>	<u>Actual Amount</u>	<u>Reported Amount</u>	<u>Adjustment</u>
C-06-47000-02	\$53,100.73	\$60,000.00	\$(6,899.27)

2008 Report Of Act 44 Tax Fund

An adjustment of \$13.44 was made to “Miscellaneous” expenditures because bank service charges were not reported.

MONTOUR COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-991 AND
 REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2009

5. 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>2008</u>	<u>2009</u>
Various businesses	Reimbursement for traffic signal	\$ 1,073.67	\$ 486.90
Valley Township	Sale of traffic light bulbs	285.54	-
Commonwealth of Pennsylvania	Deposit in error (Note 8)	11,973.64	-
Financial institution	Bank service charges	-	13.44
Local business	Sale of traffic light bulbs	-	240.00
Pennsylvania Counties Risk Pool	Reimbursement for damages	-	3,160.16
SEDA-Council of Governments	Sale of traffic light bulbs	-	869.69
Totals		<u>\$13,332.85</u>	<u>\$4,770.19</u>

6. Reimbursable Agreements

During our examination, we noted that the county entered into reimbursement agreements with the Commonwealth of Pennsylvania for bridge inspections and construction. During our current examination period, the county received \$13,094.31 during 2008 and \$161,609.36 during 2009 as a result of these agreements.

7. Encumbrances

As of December 31, 2009, \$63,100.73 was encumbered for county projects.

8. Deposit In Error

On March 5, 2008 the county deposited its Act 44 Tax Fund allocation of \$11,973.64 into its Liquid Fuels Tax Fund in error. On March 11, 2008, the county transferred \$11,973.64 from its Liquid Fuels Tax Fund to its Act 44 Tax Fund to correct the error.



MONTOUR COUNTY
LIQUID FUELS TAX FUND
AND REPORT OF ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include
The Back Of The Checks

Our examination disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and the back of the canceled 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 county official review the front and back of the canceled checks, any errors or irregularities 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.

The county obtained and provided us with copies of the backs of the canceled checks requested for examination.

Recommendations

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

MONTOUR COUNTY
LIQUID FUELS TAX FUND
AND REPORT OF ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include
The Back Of The Checks (Continued)

Management's Response

The county officials stated:

Montour County will make arrangements with its financial institution to receive images of both front and back of checks on a monthly basis.

Auditor's Conclusion

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

MONTOUR COUNTY
 LIQUID FUELS TAX FUND
 AND REPORT OF ACT 44 TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2009

Finding No. 2 - County Encumbered More Than Its Fund Balance

Our examination disclosed that the county's encumbered balance exceeded its fund balance by \$(3,299.80) as of December 31, 2008. The only time this condition should occur is with the prior approval of the Department of Transportation. The encumbered balance exceeded the fund balance as follows:

	Actual
Fund balance	\$112,083.73
Add: Amount due from the Department of Transportation	15,693.18
Total money available	\$127,776.91
Less: Unpaid encumbrances	131,076.71
Excess amount encumbered	\$ (3,299.80)

The Department of Transportation's *Publication 9*, Chapter One, Section 1.10, states:

. . . that a county's handling of its County Liquid Fuels Tax Fund is normally on a year-to-year basis. However, in an emergency, and with the prior approval of the Municipal Services district office, a county may obligate itself for the expenditure of estimated receipts from the State Liquid Fuels Tax Fund for a period of two years. The county will then receive a credit for such expenditures against such subsequent receipts. Except for this, no county may carryover a credit balance against future receipts from the state from one year to the next.

The county did not obtain approval from the Department of Transportation for the credit balance of \$(3,299.80). Therefore, the county should not have carried an encumbrance balance that is greater than the receipts for the year.

A similar finding was also written in our prior report. However, this condition did not occur during 2009.

MONTOUR COUNTY
LIQUID FUELS TAX FUND
AND REPORT OF ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 2 - County Encumbered More Than Its Fund Balance (Continued)

Recommendations

We recommend that the county transfer \$3,299.80 from its General Fund to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We recommend that, in the future, the county continue to comply with the policies and procedures outlined in the Department of Transportation's *Publication 9*.

Management's Response

The county officials stated:

Montour County will disencumber \$5,000.00 from Bridge No. 23 and will disencumber \$56,076.01 in leftover encumbrances from the Bridge G project, which has been completed.

Auditor's Conclusion

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

MONTOUR COUNTY
LIQUID FUELS TAX FUND
AND REPORT OF ACT 44 TAX FUND
COMMENT
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Comment - Summary Of Prior Examination Recommendation

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$30,299.18 to its Liquid Fuels Tax Fund for encumbering more than its fund balance. A similar finding was also written in our current examination (see Finding No. 2).

During our current examination we reviewed a letter dated March 19, 2010, from the Department of Transportation informing the county that the reimbursement of \$30,299.18 would not be required.

MONTOUR COUNTY
LIQUID FUELS TAX FUND
AND REPORT OF ACT 44 TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

An exit conference was held August 30, 2010. Those participating were:

MONTOUR COUNTY

The Honorable John J. Gerst, Vice-Chairman of the Board of Commissioners

The Honorable Jerry R. Ward, County Commissioner

The Honorable James Petro, Treasurer

Mrs. Rebecca Dressler, Deputy Treasurer

Mrs. Holly A. Brandon, Chief Clerk

Mrs. Linda A. Ritter, Assistant Chief Clerk

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Georgeanne M. Walacavage, Auditor

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

MONTOUR COUNTY
LIQUID FUELS TAX FUND
AND REPORT OF ACT 44 TAX FUND
REPORT DISTRIBUTION
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

This report was initially distributed to:

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

Montour County
29 Mill Street
Danville, PA 17821

The Honorable Trevor S. Finn	Chairman of the Board of Commissioners
The Honorable James Petro	Treasurer
Mrs. Holly A. Brandon	Chief Clerk

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