

ATTESTATION ENGAGEMENT

Westmoreland County
Pennsylvania
64-000

Liquid Fuels, Act 44 and Act 89
Tax Funds, and
County Fee for Local Use Fund
For the Period
January 1, 2020 to December 31, 2020

March 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Form MS-991 With Adjustments for the Liquid Fuels Tax Fund, the Reports of Act 44 and Act 89 Tax Funds With Adjustments, and the Report of County Fee for Local Use Funds With Adjustments of Westmoreland County for the period January 1, 2020 to December 31, 2020 (Forms). The county's management is responsible for presenting the Forms 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 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 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms. 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 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.

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

Independent Auditor's Report (Continued)

As discussed in the Findings And Recommendations section of this report:

- The county deposited the 2020 Act 89 Tax Fund allocations of \$38,530.23 and \$39,738.99 into the Liquid Fuels Tax Fund on June 5, 2020, and December 10, 2020, respectively, which is in noncompliance with the Liquid Fuels and Liquid Fuels Tax Act. On January 22, 2021, the county transferred \$38,530.23 and \$39,738.99 from the Liquid Fuels Tax Fund to the Act 44 Fund in error. The county then corrected the error by transferring these funds to the Act 89 Fund on January 25, 2021, which was subsequent to our examination period (see Finding No. 1).
- During 2020, the county expended \$28,132.20 in excess of the approved amount for Project No. 20-64000-001 (see Finding No. 2).

In our opinion, except for the bulleted matters discussed in above, the Forms present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund, the Act 44 Tax Fund, the Act 89 Tax Fund, and the County Fee for Local Use Fund of Westmoreland County for the period January 1, 2020 to December 31, 2020, 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; 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. 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 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms 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)

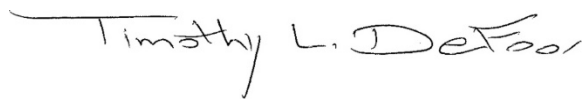
Our consideration of internal control over reporting on the Forms was for the limited purpose of expressing an opinion on whether the Forms are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses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

As part of obtaining reasonable assurance about whether the Forms are free from material misstatement, we performed tests of Westmoreland 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. 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*:

- Act 89 Tax Fund Allocations Deposited Into The Liquid Fuels Tax Fund.
- Liquid Fuels Money Over Expended On Project.

The purpose of this report is to determine whether the county's Liquid Fuels Tax Fund, Act 44 Tax Fund, and Act 89 Tax Fund, and County Fee for Local Use 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 Westmoreland County to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
February 8, 2022

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WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background

The Vehicle Code makes provisions and provides funding for the County Liquid Fuels, Act 44, Act 89, and County Fee for Local Use 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 amended by Act 44 of 2007 (July 18, 2007, P.L.169) and Act 89 of 2013 (November 25, 2013, P.L. 169), provides the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Commonwealth's Motor License Fund (75 Pa. C.S. § 8915.6(b)(2) and as of July 1, 2014 § 9301(b)). 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.

The Vehicle Code, as amended by Act 89 of 2013 (November 25, 2013, P.L. 974, No.89) provides for semi-annual allocations to all counties that own public bridges (75 Pa. C.S. § 9502(a)(2)(iv)). These allocations are made on the first business day of June and December each year. The Commonwealth allocates the funds available through Act 89 to counties 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.

The Vehicle Code, as amended by Act 89 of 2013 (November 25, 2013, P.L. 974, No.89), permits counties to impose a \$5 fee for local use on nonexempt vehicles registered to an address located in the county (75 Pa. C.S. § 1935 (b)). This fee is collected by the Department of Transportation and is distributed to counties that impose the fee on the first business day of June and December each year.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

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;

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

- 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
 - 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 31 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 may 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 amended by Act 44 of 2007 (July 18, 2007, P.L. 169) and Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from 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.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

(1) Funds received by the counties must be deposited in a special fund designated as the County Act 44 Fund and no other money may be deposited and commingled. (Note: Act 44 and Act 89 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). 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 public bridges for which the county is legally responsible.
- Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.
- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
- Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
- Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 44 Fund.
- Inspection costs associated with bridges.
- Purchase of right-of-way for bridge construction, reconstruction, or maintenance.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
 - (4) In order to receive Act 44 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.
- C. *The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 89 funds distributed to the counties from the Department of Transportation. The County's Act 89 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.
- (1) Funds received by the counties must be deposited in a special fund designated as the County Act 89 Fund and no other money may be deposited and commingled. (Note: Act 89 and Act 44 Funds may be deposited in a single account. However, the county must account for these funds independently for auditing). 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 public bridges for which the county is legally responsible.
 - Interest and principal payments on bridge loans and bonds or sinking fund charges for such bonds becoming due within that current calendar year.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

- County Engineer's salary and benefit costs for bridge work (that portion of the total calculated to be relevant to bridge work only).
 - Engineering fees related to bridge work (fees in excess of 10% of the total contract price must be documented and justified to the satisfaction of the District Municipal Services Office).
 - Liability insurance for bridge equipment and vehicles when the named beneficiary is the entity's Act 89 Fund.
 - Inspection costs associated with bridges.
 - Purchase of right-of-way for bridge construction, reconstruction, or maintenance.
- (3) For bridge maintenance/preservation activities, the county must confer with a District Municipal Services Representative to determine if Department of Transportation approval is required. All rehabilitations, replacements or any other work that affects the carrying capacity of the structure or the waterway areas requires the approval of the Department of Transportation.
- (4) In order to receive Act 89 funds as scheduled, each county must submit an annual report showing the receipts and expenditures for the preceding 12 months. The use of the funds must be in compliance with the Act. Failure to do so may result in the county's not receiving allocations until such deficiencies are resolved.
- D. *The Vehicle Code*, as amended by Act 89 of 2013 (November 25, 2013, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the County Fee for Local Use funds distributed to the counties from the Department of Transportation. The County Fee for Local Use 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.
- (1) Funds received by the counties must be deposited in a special fund. No other money may be deposited and commingled in this fund. Money should be invested to earn interest until expended.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

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

- Construction, reconstruction, maintenance, and repair of public roads/streets, or bridges for which the county is legally responsible including a roadway open to the use of the public for vehicular traffic on the grounds of a college or university, public or private school, or public or historical park.
- Curb ramps from to provide for access by individuals with disabilities in accordance with the Americans with Disabilities Act (ADA) and Department of Transportation Standards;
- Property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- Ferry boat operations, where applicable.
- 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
- Transportation related safety studies or safety projects on public highways.
- The construction of sounds walls if included in a highway project as a mitigation measure for environmental purposes and all warrants are met.
- Other expenditures determined, on a case-by-case basis, to be consistent with the requirements and restrictions of Article 8, Section 11 of the Pennsylvania Constitution.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

- (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.
- (4) Each county that has adopted a fee for local use ordinance must submit a set of annual reports showing the receipts and expenditures of all fee for local use funds received from the Commonwealth on forms supplied by the Center for Program Development and Management.

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Form MS-991 With Adjustments, the Reports of Act 44 and Act 89 Tax Funds With Adjustments, and the Report of County Fee For Local Use Funds 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, the County Act 44 Tax Fund, the County Act 89 Tax Fund, and the County Fee For Local Use Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Form MS-991, *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 the County's Liquid Fuels Tax Fund allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- 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).

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

- 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.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Reports Of Act 44 Tax Fund and Act 89 Tax Fund:

- A. The balance in the County Act 44 and Act 89 Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Act 44 and Act 89 allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Total Act 44 and Act 89 funds available for expenditure.
- D. Expenditures for county-owned bridges.
- E. The balance in the fund at the close of the report calendar year.

The Pennsylvania Department of Transportation prescribes that the county report the following on the Reports of County Fee for Local Use Funds:

- A. The balance in the County Fee for Local Use Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include the County's Fee for Local Use Fund allocations, interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.
- C. Total County Fee for Local Use funds available for expenditure.
- D. Expenditures.
- E. The balance in the fund at the close of the report calendar year.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Background (Continued)

Basis Of Accounting

The accompanying Form MS-991 With Adjustments, Report of Act 44 Tax Fund With Adjustments, Report of Act 89 Tax Fund With Adjustments, and Report of County Fee For Local Use Funds With Adjustments are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

WESTMORELAND COUNTY
LIQUID FUELS TAX FUND
2020 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Actual balance in county Liquid Fuels Tax Fund on January 1, 2020	\$ 963,691.24	\$ -	\$ 963,691.24
<u>Receipts:</u>			
Liquid Fuels Tax Funds received from Commonwealth	721,761.15	-	721,761.15
Interest	7,839.00	-	7,839.00
Reimbursable agreements	460,592.79	(209,405.55)	251,187.24
Miscellaneous	7,825.37	287,674.77	295,500.14
Total receipts	<u>1,198,018.31</u>	<u>78,269.22</u>	<u>1,276,287.53</u>
Total Liquid Fuels Tax Funds available for expenditures and encumbrances	<u>2,161,709.55</u>	<u>78,269.22</u>	<u>2,239,978.77</u>
<u>Expenditures:</u>			
Administrative	582.46	-	582.46
Minor equipment purchases	2,572.65	1,050.00	3,622.65
County aid payments	-	-	-
Major equipment expenditures	49,141.05	(1,050.00)	48,091.05
Street cleaning and gutters	-	-	-
Winter maintenance services	184,292.01	(92,008.90)	92,283.11
Traffic control devices	15,468.05	-	15,468.05
Street lighting	6,772.89	-	6,772.89
Storm sewers and drains	30,581.23	-	30,581.23
Repairs of tools and machinery	12,852.83	-	12,852.83
Maintenance and repairs - roads and bridges	207,879.20	92,008.90	299,888.10
Highway construction and rebuilding projects	797,209.03	-	797,209.03
Miscellaneous	-	-	-
Total expenditures	<u>1,307,351.40</u>	<u>-</u>	<u>1,307,351.40</u>
Remaining funds available as of December 31, 2020	<u>\$ 854,358.15</u>	<u>\$ 78,269.22</u>	<u>\$ 932,627.37</u>

WESTMORELAND COUNTY
LIQUID FUELS TAX FUND
2020 FORM MS-991 WITH ADJUSTMENTS

2020 Form MS-991 With Adjustments (Continued)

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
<u>Approved future year receipts and expenditures</u>			
Accounts receivable	\$ 17,352.81	\$ -	\$ 17,352.81
Accounts payable	121,779.48	-	121,779.48
Unpaid encumbrances	-	-	-
Unpaid county aid grants	-	-	-
	<hr/>	<hr/>	<hr/>
Total approved future year receipts and expenditures	104,426.67	-	104,426.67
	<hr/>	<hr/>	<hr/>
Year end balance available for future years as of December 31, 2020	<u>\$ 749,931.48</u>	<u>\$ 78,269.22</u>	<u>\$ 828,200.70</u>

WESTMORELAND COUNTY
2020 REPORT OF ACT 44 TAX FUND
WITH ADJUSTMENTS

	Reported	Adjustments	Adjusted Amount
Balance, January 1, 2020	\$ 173,100.92	\$ -	\$ 173,100.92
<u>Receipts:</u>			
Act 44 Funds	44,178.98	-	44,178.98
Interest	825.67	-	825.67
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
	45,004.65	-	45,004.65
Total receipts	45,004.65	-	45,004.65
Total funds available	218,105.57	-	218,105.57
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	-	-	-
Highway Construction and			
Rebuilding Projects	-	-	-
Miscellaneous	-	-	-
	-	-	-
Total expenditures	-	-	-
Balance, December 31, 2020	\$ 218,105.57	\$ -	\$ 218,105.57

WESTMORELAND COUNTY
2020 REPORT OF ACT 89 TAX FUND
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 252,561.87	\$ -	\$ 252,561.87
<u>Receipts:</u>			
Act 89 Funds	78,269.22	(78,269.22)	-
Interest	1,401.77	-	1,401.77
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>79,670.99</u>	<u>(78,269.22)</u>	<u>1,401.77</u>
Total funds available	<u>332,232.86</u>	<u>(78,269.22)</u>	<u>253,963.64</u>
<u>Expenditures:</u>			
Administrative	-	-	-
Minor Equipment Purchases	-	-	-
Major Equipment Purchases	-	-	-
Street Cleaning and Gutters	-	-	-
Traffic Control Devices	-	-	-
Street Lighting	-	-	-
Storm Sewers and Drains	-	-	-
Repairs of Tools and Machinery	-	-	-
Maintenance and Repairs-			
Roads and Bridges	-	-	-
Highway Construction and			
Rebuilding Projects	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2020	<u>\$ 332,232.86</u>	<u>\$ (78,269.22)</u>	<u>\$ 253,963.64</u>

WESTMORELAND COUNTY
2020 REPORT OF COUNTY FEE FOR LOCAL USE FUNDS
WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2020	\$ 1,011,585.15	\$ (180.00)	\$ 1,011,405.15
<u>Receipts:</u>			
Local Use Funds	1,791,220.00	-	1,791,220.00
Interest	11,784.18	-	11,784.18
Reimbursable agreements	-	-	-
Miscellaneous	178,346.01	180.00	178,526.01
Total receipts	<u>1,981,350.19</u>	<u>180.00</u>	<u>1,981,530.19</u>
Total funds available	<u>2,992,935.34</u>	<u>-</u>	<u>2,992,935.34</u>
<u>Expenditures:</u>			
County-Owned road maintenance	167.00	-	167.00
County-Owned road construction	130,809.20	35,423.79	166,232.99
County-Owned bridge maintenance	747,356.54	(35,423.79)	711,932.75
County-Owned bridge construction	-	-	-
Administrative expenditures	100.00	-	100.00
Miscellaneous	-	-	-
Grants to political subdivisions	-	-	-
Total expenditures	<u>878,432.74</u>	<u>-</u>	<u>878,432.74</u>
Balance, December 31, 2020	<u><u>\$ 2,114,502.60</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,114,502.60</u></u>

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

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

Adjustments

2020 Form MS-991

An adjustment of \$(209,405.55) was made to “Reimbursable agreements” because these receipt were misclassified as miscellaneous.

An adjustment of \$287,674.77 was made to “Miscellaneous” receipts because Act 89 allocations of \$78,269.22 from the Commonwealth of Pennsylvania were not reported, but were incorrectly deposited into the Liquid Fuels Tax Fund, and receipts of \$209,405.55 for reimbursable agreements were misclassified.

Adjustments were made to “Minor equipment purchases” and “Major equipment purchases” because expenditures of \$1,050.00 were misclassified.

Adjustments were made to “Winter maintenance services” and “Maintenance and repair - roads and bridges” and because expenditures of \$92,008.90 were misclassified.

2020 Report of Act 89 Tax Fund

An adjustment of \$(78,269.22) was made to “Act 89 Funds” because Act 89 allocations from the Commonwealth of Pennsylvania were incorrectly deposited into the Liquid Fuels Tax Fund.

2020 Report of County Fee For Local Use Funds

An adjustment of \$(180.00) was made to “Balance, January 1, 2020” because an incorrect fund balance was reported.

An adjustment of \$180.00 was made to “Miscellaneous” receipts because these receipts were understated.

Adjustments were made to “County-Owned road construction” and “County-Owned bridge maintenance” because expenditures of \$35,423.79 were misclassified.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
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Reimbursable Agreements

During our examination, we noted that the county entered into reimbursable agreements with the Department of Transportation for bridge inspections and road and bridge construction costs. During our current examination period, the county received \$251,187.24 as a result of these agreements and deposited this money into its Liquid Fuels Tax Fund. As of December 31, 2020, \$7,232.87 was due the Liquid Fuels Tax Fund.

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>Amount</u>
Commonwealth of Pennsylvania	Deposit in error	\$209,405.55
Commonwealth of Pennsylvania	Act 89 allocations (Finding No. 1)	78,269.22
Commonwealth of Pennsylvania	Gas tax refund	6,884.94
Commonwealth of Pennsylvania	Reimbursement for bridge lighting	745.83
Vendor	Permit fees	175.00
General Fund	Reimbursement for equipment	19.60
Total		<u>\$295,500.14</u>

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
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AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
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Miscellaneous Receipts (Continued)

The following miscellaneous receipts were deposited into the County Fee For Local Use Fund during the examination period:

<u>Source</u>	<u>Description</u>	<u>Amount</u>
General Fund	Reimbursement for road resurfacing project	\$157,552.23
General Fund	Reimbursement for health insurance	20,973.78
Total		<u><u>\$178,526.01</u></u>

Deposit In Error

On April 6, 2020, the county deposited \$209,405.55 from the Commonwealth of Pennsylvania into its Liquid Fuels Tax Fund in error. These funds were for the reimbursement of a bridge construction invoice paid from the Act 13 Fund. As of December 31, 2020, these funds have not been reimbursed to the Act 13 Fund.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Finding No. 1 - Act 89 Tax Fund Allocations Deposited Into The Liquid Fuels Tax Fund

Our examination disclosed that the county deposited the 2020 Act 89 Tax Fund allocations of \$38,530.23 and \$39,738.99 into the Liquid Fuels Tax Fund on June 5, 2020, and December 10, 2020, respectively, which is in noncompliance with the Liquid Fuels and Liquid Fuels Tax Act.

The practice of depositing Act 89 Tax Fund money into an account other than the Act 89 Tax Fund account is contrary to the Department of Transportation's *Publication 9*, Chapter Six, Section 6.5, which states:

Each county must deposit the Act 89 funds it receives into a special fund called the County Act 89 Fund, which may be used for the purposes permitted in the Act.

When Act 89 Tax fund money is commingled with the Liquid Fuels Tax Fund or other funds, the potential for Act 89 Tax Fund money to be used for unauthorized purposes increases significantly.

A new employee in the Fiscal Department deposited the allocations into the Liquid Fuels Tax Fund instead of the Act 89 Tax Fund.

On January 22, 2021, the county transferred \$38,530.23 and \$39,738.99 from the Liquid Fuels Tax Fund to the Act 44 Fund in error. The county then corrected the error by transferring these funds to the Act 89 Fund on January 25, 2021, which was subsequent to our examination period.

Recommendation

We recommend that, in the future, the county deposit all Act 89 tax money promptly into the Act 89 Tax Fund.

Management's Response

The Director of Accounting and Financial Reporting stated:

I agree to the finding. It will be corrected.

Auditor's Conclusion

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

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
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Finding No. 2 - Liquid Fuels Money Over Expended On Project

Our examination disclosed that the county expended \$163,507.00 of Liquid Fuels Tax Fund money on construction project No. 20-64000-001. However, the amount of Liquid Fuels Tax Fund money approved by the Department of Transportation to be expended from the Liquid Fuels Tax Fund for this project was \$135,374.80. The difference of \$28,132.20 should have been paid directly from the General Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$28,132.20 to its Liquid Fuels Tax Fund.

This condition occurred due to an oversight. The last invoice for this project should have been paid from the General Fund.

Recommendations

We recommend that the county reimburse \$28,132.20 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Management's Response

The Director of Accounting and Financial Reporting stated:

I agree to the finding. It will be corrected.

Auditor's Conclusion

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

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination finding to determine if the county should reimburse \$13,258.00 to its Liquid Fuels Tax Fund for failing to maintain documentation for price quotations.

During our current examination, we reviewed a letter dated April 5, 2021, from the Department of Transportation directing the county to reimburse \$13,258.00 to its Liquid Fuels Tax Fund. We noted that the county reimbursed this amount to its Liquid Fuels Tax Fund on May 3, 2021, which was subsequent to our examination period.

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

- Comply with *The County Code*, 53 P.S. § 1801(b) by obtaining price quotations for all purchases between \$10,900.00 and \$20,100.00. The thresholds for obtaining price quotations increased to purchases between \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, and \$11,800.00 and \$21,900.00 during 2022.
- Comply with the Liquid Fuels and Fuels Tax Act and the Department of Transportation's Regulations regarding permissible expenditures.

During our current examination, we noted that the county complied with our recommendations.

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
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An exit conference was held November 5, 2021. Those participating were:

WESTMORELAND COUNTY

Ms. Sara Elias, Director of Accounting and Financial Reporting

Ms. Katie Bianco, General Ledger Supervisor

Ms. Ashley Herold, General Ledger Accountant

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Brian Delaney, CFE, Audit Supervisor

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

WESTMORELAND COUNTY
LIQUID FUELS, ACT 44, AND ACT 89 TAX FUNDS
AND COUNTY FEE FOR LOCAL USE FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2020

This report was initially distributed to:

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

Westmoreland County
2 North Main Street
Suite 101
Greensburg, PA 15601

The Honorable Sean Kertes
Chairman of the Board of Commissioners

The Honorable Jeffrey Balzer
Controller

The Honorable Jared M. Squires
Treasurer

Ms. Sara Elias
Director of Accounting and Financial Reporting

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