

ATTESTATION ENGAGEMENT

Borough of Shenandoah
Schuylkill County, Pennsylvania
53-427

Liquid Fuels Tax Fund
For the Period
January 1, 2020 to December 31, 2022

October 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Michael Carroll
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Borough of Shenandoah, Schuylkill County, for the period January 1, 2020 to December 31, 2022. 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 qualified opinion.

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

As described in the Auditor Description Of Select Transactions section of this report, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

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

- The municipality did not maintain documentation, such as invoices, to support expenditures of \$15,658.76 during 2021 for street lighting (see Finding No. 1).
- The municipality expended \$3,930.00 on April 2, 2020, for engineering fees incurred from September 25, 2019 to November 21, 2019, which are retroactive expenditures (see Finding No. 2).

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 Shenandoah, Schuylkill County, for the period January 1, 2020 to December 31, 2022, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements; and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We 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.

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 Was Not Available For Examination.

Independent Auditor's Report (Continued)

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

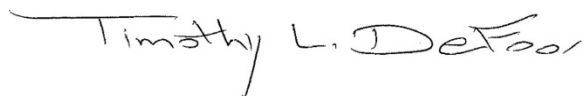
- Retroactive Expenditures.

We also noted matters that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

- Late Receipt Of Allocation.
- Meeting Minutes Not Available For Examination.

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 Shenandoah, Schuylkill 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
July 23, 2024

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BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., provides municipalities other than counties (i.e., townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based upon: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state; and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In such a case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development’s (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition By March 15th.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation’s Financial Consultants.

Criteria

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

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

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs that are less than or equal to the amounts indicated below:

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

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

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

Section 3 of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Background (Continued)

Basis of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Form MS-965 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 Forms 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 SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2020 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	6,168.00	-	6,168.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	1,715.94	1,715.94
Street lighting	64,520.21	(1,715.94)	62,804.27
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	81,334.00	-	81,334.00
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 152,022.21</u>	 <u>\$ -</u>	 <u>\$ 152,022.21</u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2020 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, 2020	\$ 72,452.20	\$ -	\$ 72,452.20
Receipts:			
2. State allocation	148,294.08	-	148,294.08
2a. Turnback allocation	-	-	-
2b. Interest on investments	221.71	-	221.71
2c. Miscellaneous	-	-	-
3. Total receipts	<u>148,515.79</u>	<u>-</u>	<u>148,515.79</u>
4. Total funds available	<u>220,967.99</u>	<u>-</u>	<u>220,967.99</u>
5. Expenditures (Section 1)	<u>152,022.21</u>	<u>-</u>	<u>152,022.21</u>
6. Balance, December 31, 2020	<u><u>\$ 68,945.78</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 68,945.78</u></u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2020 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	\$ 72,452.20	\$ -	\$ 72,452.20
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	29,658.82	-	29,658.82
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	102,111.02	-	102,111.02
5. Less: Major equipment expenditures	6,168.00	-	6,168.00
6. Remainder	<u>95,943.02</u>	<u>-</u>	<u>95,943.02</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 68,945.78</u>	<u>\$ -</u>	<u>\$ 68,945.78</u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2021 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	6,168.00	-	6,168.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,618.55	-	4,618.55
Traffic control devices	-	-	-
Street lighting	75,389.14	-	75,389.14
Storm sewers and drains	-	-	-
Repairs of tools and machinery	7,908.66	-	7,908.66
Maintenance and repair of roads and bridges	6,918.34	-	6,918.34
Highway construction and rebuilding projects	48,910.00	-	48,910.00
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 149,912.69</u>	 <u>\$ -</u>	 <u>\$ 149,912.69</u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2021 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2021	\$ 68,945.78	\$ -	\$ 68,945.78
Receipts:			
2. State allocation	137,680.44	-	137,680.44
2a. Turnback allocation	-	-	-
2b. Interest on investments	46.96	-	46.96
2c. Miscellaneous	-	-	-
3. Total receipts	<u>137,727.40</u>	<u>-</u>	<u>137,727.40</u>
4. Total funds available	<u>206,673.18</u>	<u>-</u>	<u>206,673.18</u>
5. Expenditures (Section 1)	<u>149,912.69</u>	<u>-</u>	<u>149,912.69</u>
6. Balance, December 31, 2021	<u><u>\$ 56,760.49</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,760.49</u></u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2021 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 68,945.78	\$ -	\$ 68,945.78
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	27,536.09	-	27,536.09
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	96,481.87	-	96,481.87
5. Less: Major equipment expenditures	6,168.00	-	6,168.00
6. Remainder	<u>90,313.87</u>	<u>-</u>	<u>90,313.87</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 56,760.49</u>	<u>\$ -</u>	<u>\$ 56,760.49</u>

BOROUGH OF SHENADOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2022 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	5,659.00	(5.00)	5,654.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	8,307.21	-	8,307.21
Traffic control devices	-	1,923.59	1,923.59
Street lighting	59,252.76	(1,923.59)	57,329.17
Storm sewers and drains	-	-	-
Repairs of tools and machinery	6,326.14	-	6,326.14
Maintenance and repair of roads and bridges	37,716.25	-	37,716.25
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	5.00	5.00
 Total (To Section 2, Line 5)	 <u>\$ 117,261.36</u>	 <u>\$ -</u>	 <u>\$ 117,261.36</u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2022 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2022	\$ 56,760.49	\$ -	\$ 56,760.49
Receipts:			
2. State allocation	122,001.21	-	122,001.21
2a. Turnback allocation	-	-	-
2b. Interest on investments	59.16	-	59.16
2c. Miscellaneous	-	-	-
3. Total receipts	<u>122,060.37</u>	<u>-</u>	<u>122,060.37</u>
4. Total funds available	<u>178,820.86</u>	<u>-</u>	<u>178,820.86</u>
5. Expenditures (Section 1)	<u>117,261.36</u>	<u>-</u>	<u>117,261.36</u>
6. Balance, December 31, 2022	<u><u>\$ 61,559.50</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 61,559.50</u></u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
2022 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 56,760.49	\$ -	\$ 56,760.49
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	24,400.24	-	24,400.24
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	81,160.73	-	81,160.73
5. Less: Major equipment expenditures	<u>5,659.00</u>	<u>(5.00)</u>	<u>5,654.00</u>
6. Remainder	<u>75,501.73</u>	<u>5.00</u>	<u>75,506.73</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 61,559.50</u>	<u>\$ -</u>	<u>\$ 61,559.50</u>

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

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

Adjustments

2020 - Section 1

Adjustments were made to “Traffic control devices” and “Street lighting” because expenditures of \$1,715.94 were misclassified.

2022 - Section 1

Adjustments were made to “Major equipment purchases” and “Miscellaneous” because expenditures of \$5.00 were misclassified.

Adjustments were made to “Traffic control devices” and “Street lighting” because expenditures of \$1,923.59 were misclassified.

2022 - Section 3

An adjustment of \$5.00 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2022 - Section 1.

Miscellaneous Expenditures

On March 21, 2022, the municipality expended \$5.00 from the Liquid Fuels Tax Fund for a bank service charge.

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Bank Loan

On September 9, 2016, the municipality borrowed \$53,800.00 from the United States Department of Agriculture to pay off a lease-purchase agreement with TCF Equipment Finance for a 2016 F-350 truck. The amount eligible to be repaid from the Liquid Fuels Tax Fund is \$48,558.00. The remaining \$5,242.00 is to be repaid using other municipal funds. The term of the loan was for ten years at an interest rate of 2.75 percent. Principal and interest payments of \$514.00 are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$15,920.21 and \$4,125.67, respectively.

During the current examination period, the municipality paid principal of \$15,558.65 and interest of \$2,431.35 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2020, 2021 and 2022 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$453.39 and interest of \$60.61 from the General Fund. The outstanding balance of the loan as of December 31, 2022, was \$21,867.75, plus interest. The amount eligible to be repaid from the Liquid Fuels Tax Fund is \$17,079.14.

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

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

Our examination disclosed that the municipality did not maintain documentation, such as invoices, to support expenditures of \$15,658.76 during 2021 for street lighting.

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 \$15,658.76 to its Liquid Fuels Tax Fund.

The borough manger stated that this condition occurred because the prior secretary accidentally through away the invoices supporting the expenditures.

Recommendations

We recommend that the municipality reimburse \$15,658.76 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

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

Management's Response

The borough manager stated:

This matter occurred because the secretary threw away the invoice that would normally be attached to the check. The vendor supplied us over email the breakdown of the account, but the auditor was unable to accept that.

Auditor's Conclusion

The vendor did not supply copies of invoices needed to verify the expenditures. During our next examination, we will determine if the municipality complied with our recommendations.

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 2 - Retroactive Expenditures

Our examination disclosed that the municipality expended \$3,930.00 on April 2, 2020, for engineering fees incurred from September 25, 2019, to November 21, 2019, which are retroactive expenditures.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were incurred September through November 2019, and were not paid until April 2, 2020, the expenditures incurred were not paid in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

The borough manager stated that the borough had several internal issues with personnel/office staff that contributed to these matters.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$3,930.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$3,930.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality comply with the Department of Transportation's *Publication 9* as noted above.

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 2 - Retroactive Expenditures (Continued)

Management's Response

The borough manager stated:

I concur with the auditors' findings and take the responsibility for inadequacies. The borough had several internal issues with personnel/office staff that contributed to these matters. The findings are accurate and more attention is being paid to get everything done in a timely manner.

Auditor's Conclusion

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

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 3 - Late Receipt Of Allocation

Our examination disclosed that the 2022 Liquid Fuels Tax Fund allocation of \$122,001.21, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until June 29, 2022, 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.

This condition occurred because the municipality did not file its Form MS-965 until June 14, 2022.

Because the municipality failed to file its Form MS-965 timely as noted above, the municipality did not have use of the 2022 allocation for almost four 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 SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

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

Recommendation

We recommend that the municipality comply 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 borough manager stated:

I concur with the auditors' findings and take the responsibility for inadequacies. The borough had several internal issues with personnel/office staff that contributed to these matters. The findings are accurate and more attention is being paid to get everything done in a timely manner.

Auditor's Conclusion

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

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

Finding No. 4 - Meeting Minutes Not Available For Examination

Our examination disclosed that the minutes reflecting advertised meetings of the borough were not available at the examination site. The meeting minutes had not been transcribed to be readable by the public from January 1, 2020, to December 31, 2022. Some meeting minutes were transcribed in each year; however, full sets were not available.

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

The primary purpose of the minutes is to provide an official record of council meetings. Without a complete record of readable minutes, transparency of the borough’s activities to the public was reduced.

The borough manager stated that this condition occurred because of issues hiring new people.

Recommendation

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

Management’s Response

The borough manager stated:

This occurred due to the above-mentioned issues with the hiring of new people. Our staff is working diligently to correct this past issue. Our current meeting minutes are all completed immediately after adjournment.

Auditor’s Conclusion

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

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

An onsite closeout meeting was held February 6, 2024. Those participating were:

BOROUGH OF SHENANDOAH

Mr. Tony Sajone, Borough Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Brian P. Dries, Auditor

Mr. Ian Johnson, Auditor

BOROUGH OF SHENANDOAH
SCHUYLKILL COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

This report was initially distributed to:

The Honorable Michael Carroll
Secretary
Department of Transportation

Borough of Shenandoah
Schuylkill County
15 West Washington Street
Shenandoah, PA 17976

The Honorable Joe Boris
President of Council

Mr. Tony Sajone
Borough Manager

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.