

ATTESTATION ENGAGEMENT

Township of Summerhill

Crawford County, Pennsylvania

20-225

Liquid Fuels Tax Fund

For the Period

January 1, 2012 to December 31, 2013

December 2014



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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Department of the Auditor General
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EUGENE A. DePASQUALE
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-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Summerhill, Crawford County, for the period January 1, 2012 to December 31, 2013. The municipality's management is responsible for the Forms MS-965. 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. An examination includes examining, on a test basis, evidence supporting the Township of Summerhill, Crawford County's Forms MS-965 for the period January 1, 2012 to December 31, 2013 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 municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

In our opinion, 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 Township of Summerhill, Crawford County, for the period January 1, 2012 to December 31, 2013, 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-965 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-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A 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 the Township of Summerhill, Crawford 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 the Township of Summerhill, Crawford County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Summerhill, Crawford County's internal control.

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-965 will not be prevented or detected by the Township of Summerhill, Crawford County's internal control.

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Forms MS-965.

Independent Auditor's Report (Continued)

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note other matters that, while not required to be included in this report by *Government Auditing Standards*, have been included in the findings below:

- Purchase Of Ashes That Were Not Certified By The Department Of Transportation.

- Late Receipt Of Allocation.

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

We appreciate the courtesy extended by the Township of Summerhill, Crawford County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

October 4, 2014

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TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Background

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

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

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called 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 this 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. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 17,437.86	\$ -	\$ 17,437.86
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,389.23	-	3,389.23
Traffic control devices	915.49	-	915.49
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	33,639.44	-	33,639.44
Maintenance and repair of roads and bridges	88,221.99	(259.74)	87,962.25
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	94.10	259.74	353.84
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u>\$ 143,698.11</u>	<u>\$ -</u>	<u>\$ 143,698.11</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2012 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, 2012	\$ 1,059.91	\$ -	\$ 1,059.91
Receipts:			
2. State allocation	92,932.00	-	92,932.00
2a. Turnback allocation	12,560.00	-	12,560.00
2b. Interest on investments (Note 3)	8.32	-	8.32
2c. Miscellaneous (Note 5)	40,353.84	-	40,353.84
3. Total receipts	<u>145,854.16</u>	<u>-</u>	<u>145,854.16</u>
4. Total funds available	<u>146,914.07</u>	<u>-</u>	<u>146,914.07</u>
5. Expenditures (Section 1)	<u>143,698.11</u>	<u>-</u>	<u>143,698.11</u>
6. Balance, December 31, 2012	<u><u>\$ 3,215.96</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,215.96</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2012 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 1,059.91	\$ -	\$ 1,059.91
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	21,098.40	-	21,098.40
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	22,158.31	-	22,158.31
5. Less: Major equipment expenditures	17,437.86	-	17,437.86
6. Remainder	<u>4,720.45</u>	<u>-</u>	<u>4,720.45</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 3,215.96</u>	<u>\$ -</u>	<u>\$ 3,215.96</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2013 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 17,437.86	\$ -	\$ 17,437.86
Minor equipment purchases	8,745.00	-	8,745.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	537.95	-	537.95
Street lighting	-	-	-
Storm sewers and drains	1,676.90	-	1,676.90
Repairs of tools and machinery	50,765.87	(9,764.00)	41,001.87
Maintenance and repair of roads and bridges	33,856.47	-	33,856.47
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	94.10	9,669.90	9,764.00
	<u>94.10</u>	<u>9,669.90</u>	<u>9,764.00</u>
Total (To Section 2, Line 5)	<u>\$ 113,114.15</u>	<u>\$ (94.10)</u>	<u>\$ 113,020.05</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2013 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2013	\$ 3,215.96	\$ -	\$ 3,215.96
Receipts:			
2. State allocation	91,380.57	-	91,380.57
2a. Turnback allocation	12,560.00	-	12,560.00
2b. Interest on investments (Note 3)	12.77	-	12.77
2c. Miscellaneous (Note 5)	33,203.32	(94.10)	33,109.22
3. Total receipts	<u>137,156.66</u>	<u>(94.10)</u>	<u>137,062.56</u>
4. Total funds available	<u>140,372.62</u>	<u>(94.10)</u>	<u>140,278.52</u>
5. Expenditures (Section 1)	<u>113,114.15</u>	<u>(94.10)</u>	<u>113,020.05</u>
6. Balance, December 31, 2013	<u>\$ 27,258.47</u>	<u>\$ -</u>	<u>\$ 27,258.47</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2013 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	\$ 3,215.96	\$ -	\$ 3,215.96
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	20,788.11	-	20,788.11
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	24,004.07	-	24,004.07
5. Less: Major equipment expenditures	17,437.86	-	17,437.86
6. Remainder	<u>6,566.21</u>	<u>-</u>	<u>6,566.21</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 6,566.21</u>	<u>\$ -</u>	<u>\$ 6,566.21</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF SUMMERHILL
 CRAWFORD COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria

Section 1

This section 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:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

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

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

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

Section 2

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

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria (Continued)

Section 2 (Continued)

- Expenditures include the total transferred from Section 1.

Section 3

This section 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.

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 Forms MS-965 have 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 Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

1. Criteria (Continued)

Section 3 (Continued)

Basis Of Accounting

The accompanying Forms MS-965 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.

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.

2. Deposits

The Second Class Township Code, Title 53 P.S. § 68204, authorizes the township 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 purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. 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 or savings bank's assets minus liabilities.

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

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2013. 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 municipality's name.

Fund Balance

The fund balance as of December 31, 2013 consists of the following:

Cash	\$27,258.47
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$8.32 during 2012, and \$12.77 during 2013, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2012 - Section 1

Adjustments were made to "Maintenance and repair of roads and bridges" and "Miscellaneous" because expenditures of \$259.74 were misclassified.

2013 - Section 1

An adjustment of \$(9,764.00) was made to "Repairs of tools and machinery" because miscellaneous expenditures of \$9,669.90 were misclassified and a transfer of \$94.10 made on December 31, 2012, was incorrectly reported as an expenditure in 2013.

An adjustment of \$9,669.90 was made to "Miscellaneous" because these expenditures were misclassified as repairs of tools and machinery.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

4. Adjustments (Continued)

2013 - Section 2

An adjustment of \$(94.10) was made to “Miscellaneous” because these receipts were overstated.

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>2012</u>	<u>2013</u>
General Fund	Reimbursement (Comment No. 1)	\$26,344.48	\$ -
General Fund	Reimbursement (Comment No. 2)	13,655.52	12,443.54
General Fund	Reimbursement (Comment No. 3)	-	10,901.68
General Fund	Correction of payment in error (Note 7)	259.74	-
General Fund	Correction of transfers in error (Note 8)	94.10	3,089.00
General Fund	Correction of transfers in error (Note 8)	-	6,675.00
	Totals	<u>\$40,353.84</u>	<u>\$33,109.22</u>

6. Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>2012</u>	<u>2013</u>
Vendor	Payment in error (Note 7)	\$259.74	\$ -
Payroll Fund	Transfers in error (Note 8)	94.10	-
General Fund	Transfers in error (Note 8)	-	9,764.00
	Totals	<u>\$353.84</u>	<u>\$9,764.00</u>

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

7. Payment In Error

On July 12, 2012, the municipality expended \$259.74 from its Liquid Fuels Tax Fund for heating oil in error. On November 19, 2012, the municipality transferred \$259.74 from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.

8. Transfers In Error

On November 13, 2012, the municipality transferred \$94.10 from its Liquid Fuels Tax Fund to its General Fund in error. On December 31, 2012 the municipality transferred this amount from its Payroll Fund to its Liquid Fuels Tax Fund to correct the transfer in error.

On June 4, 2013 and June 13, 2013, the municipality transferred \$3,089.00 and \$6,675.00, respectively, from its Liquid Fuels Tax Fund to its General Fund in error. On June 17, 2013 and June 24, 2013, the municipality transferred \$3,089.00 and \$6,675.00, respectively, from its General Fund to its Liquid Fuels Tax Fund to correct the transfers in error.

9. Lease-Purchase Agreement

On May 8, 2008, the municipality entered into a lease-purchase agreement with Catalyst Capital Corporation to refinance the remaining balance of \$115,848.79 for a loan to purchase a Case backhoe, a 2005 Chevrolet dump truck, a 2006 International dump truck, and to purchase a 2008 Massey Ferguson tractor for \$76,152.86, for a total of \$192,001.65. The agreement was for a term of ten years at an interest rate of 3.93 percent. Principal and interest payments of \$1,937.54 are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$33,396.12 and \$13,104.84, respectively. Additionally, the municipality paid principal of \$26,928.85 and interest of \$9,884.41 from the General Fund.

During the current examination period the municipality paid principal of \$28,297.14 and interest of \$6,578.58 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2012 and 2013 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$9,248.83 and interest of \$2,376.41 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2013 was \$94,130.71, plus interest.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 1 - Purchase Of Ashes That Were Not Certified By The Department Of Transportation

Our examination disclosed that the municipality expended \$2,927.93 during 2012 from the Liquid Fuels Tax Fund for ashes that were not certified by the Department of Transportation.

The above purchases were not made in compliance with the Department of Transportation's *Publication 408*, Section 106.02(a), which states:

Have the source of the material approved before delivery to a project.

The failure to purchase ashes that were approved by the Department of Transportation could result in the municipality having to reimburse \$2,927.93 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$2,927.93 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 408* regarding permissible expenditures.

Management's Response

The secretary/treasurer stated:

I realized after payment was made that it was not an allowable expenditure. I did not realize it until the next year.

Auditor's Conclusion

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

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 2 - Late Receipt Of Allocation

Our examination disclosed that the 2012 Liquid Fuels Tax Fund allocation of \$92,932.00, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, was not received until June 13, 2012, 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2012 allocation for more than two months. Furthermore, had the allocation 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.

The municipality received its 2013 Liquid Fuels Tax Fund allocation on time.

Recommendation

We recommend that, in the future, the municipality continue to comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in April as outlined above.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Finding No. 2 - Late Receipt Of Allocation (Continued)

Management's Response

The secretary/treasurer stated:

The allocation was late because we needed to get a new payment agreement set up for the payback of expenditures from a prior audit that were not allowable expenditures.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
COMMENTS
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

Comment No. 1 - Summary Of 2005-2007 Examination Recommendations

In our 2005-2007 examination we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$76,344.48 to its Liquid Fuels Tax Fund. This amount consists of \$43,654.46 for retroactive expenditures and \$32,690.02 for purchases over \$10,000.00 without advertising for bids.

During our 2010 examination we reviewed a letter dated March 19, 2010, from the Department of Transportation informing the municipality to reimburse \$76,344.48 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$50,000.00 on July 15, 2010 and \$26,344.48 on June 25, 2012 to its Liquid Fuels Tax Fund.

Comment No. 2 - Summary Of 2008-2009 Examination Recommendation

In our 2008-2009 examination we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$26,099.06 to its Liquid Fuels Tax Fund for purchases over \$10,000.00 without advertising for bids.

During our 2010 examination we reviewed a letter dated February 14, 2011, from the Department of Transportation informing the municipality to reimburse \$26,099.06 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$13,655.52 on June 25, 2012 and \$12,443.54 on May 13, 2013 to its Liquid Fuels Tax Fund.

Comment No. 3 - Summary Of 2010 Examination Recommendations

In our 2010 examination we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$10,901.68 to its Liquid Fuels Tax Fund. This amount consists of \$7,696.38 for a failure to maintain documentation for price quotations and \$3,205.30 for a nonpermissible expenditure.

During our 2011 examination we reviewed a letter dated May 1, 2012, from the Department of Transportation informing the municipality to reimburse \$10,901.68 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on May 13, 2013.

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

An exit conference was held June 19, 2014. Those participating were:

TOWNSHIP OF SUMMERHILL

Ms. Brenda Braden, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Ortenzia M. Keller, Auditor

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

TOWNSHIP OF SUMMERHILL
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2012 TO DECEMBER 31, 2013

This report was initially distributed to:

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

Township of Summerhill
Crawford County
9352 Crozier Road
Conneautville, PA 16406

The Honorable Duane K. Agnew

Chairman of the Board of Supervisors

Ms. Brenda Braden

Secretary/Treasurer

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.