

# ATTESTATION ENGAGEMENT

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## Township of Madison Columbia County, Pennsylvania 19-213

Liquid Fuels Tax Fund  
For the Period  
January 1, 2014 to December 31, 2014

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April 2016



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Leslie Richards  
Secretary  
Department of Transportation  
Harrisburg, PA 17120

We examined the accompanying Form MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Madison, Columbia County, for the period January 1, 2014 to December 31, 2014. The municipality's management is responsible for the Form MS-965. Our responsibility is to express an opinion on the Form 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 Madison, Columbia County's Form MS-965 for the period January 1, 2014 to December 31, 2014 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 Form MS-965 With Adjustments are made by the Department of the Auditor General.

### Independent Auditor's Report (Continued)

As discussed in Finding No. 2, the township expended \$21,177.63 during 2014 from the Liquid Fuels Tax Fund for the purchase of fuel in bulk quantities without advertising for bids. Additionally, as discussed in Finding No. 3, the township paid principal of \$9,954.11 and interest of \$983.33 from its Liquid Fuels Tax Fund toward a loan for a truck that was restrictively bid.

In our opinion, except for the matters discussed in the preceding paragraph, the Form MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Madison, Columbia County, for the period January 1, 2014 to December 31, 2014, in conformity with the criteria set forth in Note 1.

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 Form MS-965, and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Form 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 Form MS-965 is 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 Form MS-965 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 Form MS-965 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.

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Form MS-965 is 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. We did identify a certain deficiency in internal control, described in the finding listed below, that we consider to be a material weakness in internal control:

- Failure To Properly Prepare Form MS-965 - Recurring.

Independent Auditor's Report (Continued)

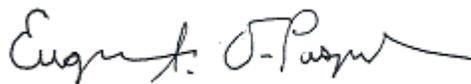
As part of obtaining reasonable assurance about whether the Form MS-965 is free from material misstatement, we performed tests of the Township of Madison, Columbia County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Form MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Noncompliance With Advertising and Bidding Requirements.
- Restrictive Bidding - Recurring.

We are concerned that the township failed to correct prior examination findings for failing to properly prepare Form MS-965 and restrictive bidding. During our current examination the township failed to properly prepare its Form MS-965, failed to comply with advertising and bidding requirements, and made a loan payment for a truck that was restrictively bid. The failure to properly complete Form MS-965 increases the risk that errors or misappropriations may occur and remain undetected. Additionally, the failure to comply with the advertising and bidding requirements of *The Second Class Township Code* could result in the township having to reimburse \$21,177.63 to its Liquid Fuels Tax Fund. Furthermore, the failure to follow the Department of Transportation's *Publication 9* regarding restrictive bidding could result in the township having to reimburse \$10,937.00 to its Liquid Fuels Tax Fund. The township should strive to comply with the recommendations and corrective actions noted in this report.

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Township of Madison, Columbia 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 Madison, Columbia 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

January 12, 2016

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TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

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 MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2014 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 47,937.44	\$ -	\$ 47,937.44
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	9,934.55	9,934.55
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	7,040.52	-	7,040.52
Repairs of tools and machinery	22,920.24	(5.85)	22,914.39
Maintenance and repair of roads and bridges	72,128.46	(9,934.55)	62,193.91
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	55,020.00	(15,000.00)	40,020.00
 Total (To Section 2, Line 5)	 <u>\$ 205,046.66</u>	 <u>\$ (15,005.85)</u>	 <u>\$ 190,040.81</u>

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2014 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2014	\$ 170,287.21	\$ -	\$ 170,287.21
Receipts:			
2. State allocation	136,261.15	-	136,261.15
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	496.85	-	496.85
2c. Miscellaneous (Note 4)	<u>72,722.10</u>	<u>(15,000.00)</u>	<u>57,722.10</u>
3. Total receipts	<u>209,480.10</u>	<u>(15,000.00)</u>	<u>194,480.10</u>
4. Total funds available	<u>379,767.31</u>	<u>(15,000.00)</u>	<u>364,767.31</u>
5. Expenditures (Section 1)	<u>205,046.66</u>	<u>(15,005.85)</u>	<u>190,040.81</u>
6. Balance, December 31, 2014	<u>\$ 174,720.65</u>	<u>\$ 5.85</u>	<u>\$ 174,726.50</u>

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2014 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Finding No. 1)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 149,870.57	\$ -	\$ 149,870.57
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	27,252.23	-	27,252.23
3. PENNDOT approved adjustments	-	30,000.00	30,000.00
4. Total funds available for equipment acquisition	177,122.80	30,000.00	207,122.80
5. Less: Major equipment expenditures	47,937.44	-	47,937.44
6. Remainder	<u>129,185.36</u>	<u>30,000.00</u>	<u>159,185.36</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 129,185.36</u>	<u>\$ 30,000.00</u>	<u>\$ 159,185.36</u>

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

TOWNSHIP OF MADISON  
 COLUMBIA COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORM MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2014 TO DECEMBER 31, 2014

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 was received from the Department of Transportation in March of each year beginning in 2014. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation was received from the Department of Transportation in March of each year beginning in 2014. 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 MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORM MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

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 MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORM MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

1. Criteria (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 financial institutions. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORM MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31, 2014. 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 consists of the following:

Cash	\$ 73,808.43
Certificate of deposit	<u>100,918.07</u>
Total	<u><u>\$174,726.50</u></u>

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts and a certificate of deposit which earned \$496.85 during 2014, thus providing additional funds for road maintenance and repairs.

4. Miscellaneous Receipts

The following miscellaneous receipts were deposited into the Liquid Fuels Tax Fund during the examination period:

Source	Description	Amount
Vendor	Reimbursement of over payment	\$ 50.00
Financial Institution	Reimbursement of bank service charges	20.00
Financial Institution	Proceeds from bank loan (Note 8)	30,000.00
General Fund	Grant	27,492.10
General Fund	Reimbursement for payment in error	<u>160.00</u>
Total		<u><u>\$57,722.10</u></u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORM MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

5. 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>Amount</u>
General Fund	Correction of deposit in error (Note 6)	\$40,000.00
Financial Institution	Bank service charges	20.00
Total		<u>\$40,020.00</u>

6. Deposit In Error

On August 7, 2013, township officials deposited \$40,000.00 into the Liquid Fuels Tax Fund in error. On March 13, 2014, township transferred \$40,000.00 from the Liquid Fuels Tax Fund to the General Fund to correct the deposit in error.

7. Bank Loan

On July 12, 2013, the municipality borrowed \$40,000.00 from First Columbia Bank & Trust Company to purchase a 2006 dump truck. The term of the loan was for five years at an interest rate of 2.95 percent. Principal and interest payments of \$8,689.95 are due annually. The first annual installment was due on May 12, 2014. Because the dump truck was restrictively bid, payment on this loan should not be made from the Liquid Fuels Tax Fund (see Finding No. 3).

During the current examination period, the municipality paid principal of \$9,954.11 and interest of \$983.33 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2014 Form MS-965 - Section 1. The outstanding balance of the loan as of December 31, 2014 was \$30,045.89, plus interest.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORM MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

8. Bank Loan

On July 2, 2014, the municipality borrowed \$30,000.00 from First Columbia Bank & Trust Company to purchase a 2008 New Holland B95 tractor/loader/backhoe. The term of the loan was for three years at an interest rate of 2.30 percent. Principal and interest payments of \$10,430.53 are due annually.

The first annual payment was due on May 2, 2015. The outstanding balance of the loan as of December 31, 2014 was \$30,000.00, plus interest.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

**Finding No. 1 - Failure To Properly Prepare Form MS-965 - Recurring**

We cited the municipality for failure to properly prepare Form MS-965 in our prior report for the period January 1, 2013 to December 31, 2013. Our current examination disclosed that there were errors made in the preparation of the municipality's 2014 Form MS-965. These errors resulted in the following adjustments:

Section 1

- Adjustments were made to "Winter maintenance services" and "Maintenance and repair of roads and bridges" because expenditures of \$9,934.55 were misclassified.
- An adjustment of \$(5.85) was made to "Repairs of tools and machinery" because check No. 1047 was voided but was included as an expenditure.
- An adjustment of \$(15,000.00) was made to "Miscellaneous" because the purchase of a certificate of deposit was incorrectly reported as an expenditure.

Section 2

- An adjustment of \$(15,000.00) was made to "Miscellaneous" because the proceeds from a certificate of deposit were incorrectly reported as a receipt.

Section 3

- An adjustment of \$30,000.00 was made to "PENNDOT approved adjustments" because the proceeds from a bank loan for the purchase of a loader/backhoe were not reported as an approved adjustment.

Good internal controls ensure that the municipality complete its Form MS-965 accurately and completely. The failure to properly complete Form MS-965 increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We again recommend that the municipality ensure that its Form MS-965 is complete and accurate.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

**Finding No. 1 - Failure To Properly Prepare Form MS-965 - Recurring (Continued)**

Management's Response

The municipal officials stated:

We will take steps to improve preparation of Form MS-965.

Auditor's Conclusion

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

**Finding No. 2 - Noncompliance With Advertising And Bidding Requirements**

Our examination disclosed that the township expended \$21,177.63 during 2014 from the Liquid Fuels Tax Fund for the purchase of fuel in bulk quantities without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
Various	Various	1019	01/13/14	\$ 3,494.40
Various	Various	1030	02/11/14	2,238.54
N/A	02/12/14	1031	03/10/14	640.07
Various	Various	1035	04/10/14	1,229.34
Various	Various	1068	07/01/14	5,524.79
Various	Various	1088	09/09/14	3,860.43
N/A	10/11/14	1108	11/10/14	1,341.69
N/A	11/29/14	1118	12/09/14	2,145.07
N/A	12/13/14	1120	12/23/14	703.30
Total				<u>\$21,177.63</u>

The above expenditures were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$18,900.00 for 2013, \$19,100.00 for 2014, and \$19,400.00 for 2015. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$21,177.63 to its Liquid Fuels Tax Fund.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

**Finding No. 2 - Noncompliance With Advertising And Bidding Requirements (Continued)**

Recommendations

We recommend that the township reimburse \$21,177.63 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

Management's Response

The township officials stated:

I always bid the fuel at the end of the year for the next year. However, I could not find where I had done it for 2014. It must have been an oversight on my part.

Auditor's Conclusion

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

**Finding No. 3 - Restrictive Bidding - Recurring**

We cited the municipality for restrictively bidding for a 2006 dump truck in our prior report for the period January 1, 2013 to December 31, 2013. On July 17, 2013 the borrowed \$40,000.00 to purchase a 2006 truck. The advertisement for this truck requested sealed proposals for 2006 dump truck with a “Cat” engine and an “Allison” Transmission. Cat (short for Caterpillar) and “Allison” are Brand names, which makes the bid restrictive. Our current examination disclosed that on May 14, 2014, the municipality paid principal of \$9,954.11 and interest of \$983.33 from the Liquid Fuels Tax Fund (see Note 7) to purchase the truck. The use of Brand names in advertising for equipment without including the words “or its equivalent,” is considered restrictive bidding, and therefore, is prohibited by the Department of Transportation’s *Publication 9*, § 449.3(f), which states:

Brand names. In advertising for equipment to be rented or purchased, or for materials to be purchased or delivered in place, it is unlawful to require or specify any particular make or brand thereof, thereby excluding other makes or brands; however, a particular brand name or its equivalent may be specified if equal consideration is given to all brands which are reasonably similar to the specified brand. Such specifications must be reasonable and not merely imposed in order to exclude some brands of equipment or material in favor of other brands.

The failure to follow the Department of Transportation’s *Publication 9* as noted above could result in the municipality having to reimburse \$10,937.44 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$10,937.44 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again further recommend that, in the future, the municipality follow with the Department of Transportation’s *Publication 9* if it uses Brand names in future advertisements for purchases as cited above.

**Management’s Response**

The municipal officials stated:

We made payment of loan before the prior exit conference date of January 14, 2015.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

**Finding No. 3 - Restrictive Bidding - Recurring (Continued)**

Auditor's Conclusion

The Department of Transportation will determine if the municipality is required to reimburse \$10,937.44 to its Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

An exit conference was held January 5, 2016. Those participating were:

TOWNSHIP OF MADISON

Ms. Peggy Long, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Vernon J. Brennan, Auditor

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2014 TO DECEMBER 31, 2014

This report was initially distributed to:

**The Honorable Leslie Richards**  
Secretary  
Department of Transportation

**Township of Madison**  
Columbia County  
136 Morehead Avenue  
Millville, PA 17846-0620

**The Honorable Michelle Densberger**  
Chairman of the Board of Supervisors

**Ms. Peggy Long**  
Secretary/Treasurer

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).