

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
62-404

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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.

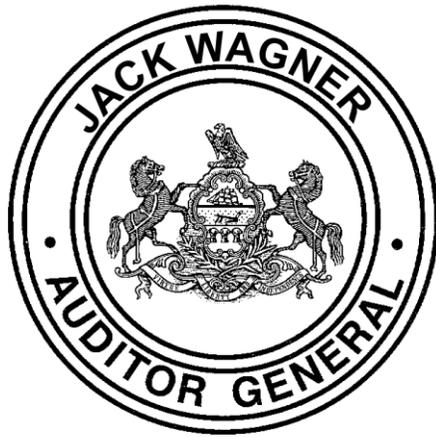
The Vehicle Code, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

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.



Independent Auditor's Report

The Honorable Allen D. Biehler, 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 Borough of Burgettstown, Washington County, for the two years ended December 31, 2007. 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 Borough of Burgettstown, Washington County's Forms MS-965 for the two years ended December 31, 2007 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.

As discussed in Finding No. 2 of this report, the borough expended \$20,224.61 in 2007 for excavating services and materials to repair storm drains without advertising for bids.

Independent Auditor's Report (Continued)

In our opinion, except for the matter discussed in the preceding paragraph, 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 Burgettstown, Washington County, for the two years ended December 31, 2007, 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 Borough of Burgettstown, Washington 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 Borough of Burgettstown, Washington County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Burgettstown, Washington County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- Failure To Properly Prepare Forms MS-965.

Independent Auditor's Report (Continued)

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Borough of Burgettstown, Washington County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

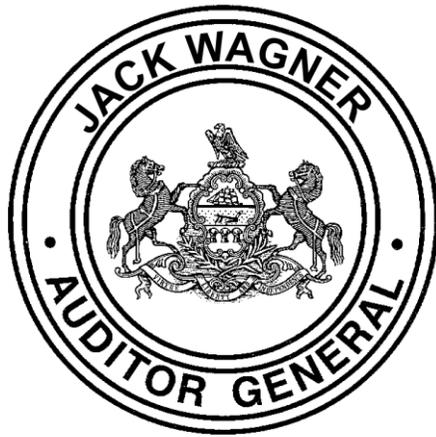
The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.

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

October 29, 2008

JACK WAGNER
Auditor General



BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2006 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	\$ 44,883.30	\$ -	\$ 44,883.30
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	6,918.61	-	6,918.61
Traffic control devices	-	-	-
Street lighting	1,961.98	-	1,961.98
Storm sewers and drains	-	-	-
Repairs of tools and machinery	1,638.39	-	1,638.39
Maintenance and repair of roads and bridges	14,761.01	(342.53)	14,418.48
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 70,163.29</u>	 <u>\$ (342.53)</u>	 <u>\$ 69,820.76</u>

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

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2006 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, 2006	\$ 18,253.44	\$ -	\$ 18,253.44
Receipts:			
2. State allocation	30,733.16	-	30,733.16
2a. Turnback allocation	2,500.00	-	2,500.00
2b. Interest on investments (Note 3)	787.55	-	787.55
2c. Miscellaneous (Note 5)	37,184.00	-	37,184.00
3. Total receipts	71,204.71	-	71,204.71
4. Total funds available	89,458.15	-	89,458.15
5. Expenditures (Section 1)	70,163.29	(342.53)	69,820.76
6. Balance, December 31, 2006	\$ 19,294.86	\$ 342.53	\$ 19,637.39

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

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2006 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 19,132.31	\$ (878.87)	\$ 18,253.44
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	6,646.63	-	6,646.63
3. PENNDOT approved adjustments	-	37,138.00	37,138.00
4. Total funds available for equipment acquisition	25,778.94	36,259.13	62,038.07
5. Less: Major equipment expenditures	44,883.30	-	44,883.30
6. Remainder	<u>(19,104.36)</u>	<u>36,259.13</u>	<u>17,154.77</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ (19,104.36)</u>	<u>\$ 36,259.13</u>	<u>\$ 17,154.77</u>

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

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2007 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	\$ 7,615.30	\$ 692.30	\$ 8,307.60
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	2,904.15	-	2,904.15
Traffic control devices	553.40	-	553.40
Street lighting	300.00	-	300.00
Storm sewers and drains	2,400.00	-	2,400.00
Repairs of tools and machinery	2,869.42	-	2,869.42
Maintenance and repair of roads and bridges	38,327.97	(1,072.30)	37,255.67
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 54,970.24</u>	<u>\$ (380.00)</u>	<u>\$ 54,590.24</u>

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

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2007 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, 2007	\$ 19,294.86	\$ 342.53	\$ 19,637.39
Receipts:			
2. State allocation	33,848.51	-	33,848.51
2a. Turnback allocation	4,000.00	-	4,000.00
2b. Interest on investments (Note 3)	694.27	-	694.27
2c. Miscellaneous (Note 6)	1,272.35	(342.53)	929.82
3. Total receipts	<u>39,815.13</u>	<u>(342.53)</u>	<u>39,472.60</u>
4. Total funds available	<u>59,109.99</u>	<u>-</u>	<u>59,109.99</u>
5. Expenditures (Section 1)	<u>54,970.24</u>	<u>(380.00)</u>	<u>54,590.24</u>
6. Balance, December 31, 2007	<u>\$ 4,139.75</u>	<u>\$ 380.00</u>	<u>\$ 4,519.75</u>

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

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
2007 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 17,154.77	\$ -	\$ 17,154.77
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	7,569.70	-	7,569.70
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	24,724.47	-	24,724.47
5. Less: Major equipment expenditures	7,615.30	692.30	8,307.60
6. Remainder	<u>17,109.17</u>	<u>(692.30)</u>	<u>16,416.87</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 4,139.75</u>	<u>\$ 380.00</u>	<u>\$ 4,519.75</u>

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

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

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 that cost in excess of \$4,000.00.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less.
- 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.
- 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.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

1. Criteria (Continued)

Section 3 (Continued)

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.

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.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

1. Criteria (Continued)

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 Borough Code, Title 53 P.S § 46316, authorizes the borough 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's 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.

There were no deposits exposed to custodial credit risk as of December 31, 2007. 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.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2007 consists of the following:

Cash	<u>\$4,519.75</u>
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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 \$787.55 during 2006, and \$694.27 during 2007, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2006 - Section 1

An adjustment of \$(342.53) was made to "Maintenance and repair of roads and bridges" because check No. 2421 was voided but included as an expenditure.

2006 - Section 3

An adjustment of \$(878.87) was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

An adjustment of \$37,138.00 was made to "PENNDOT approved adjustments" because the proceeds from a loan were not reported as an approved adjustment.

2007 - Section 1

An adjustment of \$692.30 was made to "Major equipment purchases" because these expenditures were understated.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

4. Adjustments (Continued)

2007 - Section 1 (Continued)

An adjustment of \$(1,072.30) was made to “Maintenance and repair of roads and bridges” because these expenditures were overstated.

2007 - Section 2

An adjustment of \$342.53 was made to “Balance, January 1, 2007” to reflect the adjustment made in 2006 - Section 1.

An adjustment of \$(342.53) was made to “Miscellaneous” receipts because a voided check was incorrectly reported as a receipt.

2007 - Section 3

An adjustment of \$692.30 was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2007 - Section 1.

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>2006</u>	<u>2007</u>
Financial institution	Bank loan proceeds (Note 7)	\$37,138.00	\$ -
Financial institution	Refund of bank service charges	46.00	-
Commonwealth of Pennsylvania	Gas tax refund	-	929.82
Totals		<u>\$37,184.00</u>	<u>\$929.82</u>

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

6. General Obligation Note

On January 11, 2006, the municipality purchased a 2005 Chevrolet truck for \$37,268.00. The municipality paid a down payment of \$130.00 from the Liquid Fuels Tax Fund. The remaining \$37,138.00 was borrowed from Citizens Bank of Pennsylvania. The term of the loan was for five years at an interest rate of 4.37 percent. Principal and interest payments of \$692.30 are due monthly.

During the current examination period the municipality paid principal of \$13,213.19 and interest of \$2,709.71 from the Liquid Fuels Tax Fund. These amounts and the down payment are reflected in major equipment purchases on the 2006 and 2007 Forms MS-965 - Section 1. The outstanding balance of the loan as of December 31, 2007 was \$23,924.81, plus interest.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

Finding No. 1 - Failure To Properly Prepare Forms MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2006 and 2007 Forms MS-965. These adjustments, which are disclosed in Note 4, are as follows:

2006 - Section 1

- An adjustment of \$(342.53) was made to "Maintenance and repair of roads and bridges" because check No. 2421 was voided but included as an expenditure.

2006 - Section 3

- An adjustment of \$(878.87) was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.
- An adjustment of \$37,138.00 was made to "PENNDOT approved adjustments" because the proceeds from a loan were not reported as an approved adjustment.

2007 - Section 1

- An adjustment of \$692.30 was made to "Major equipment purchases" because these expenditures were understated.
- An adjustment of \$(1,072.30) was made to "Maintenance and repair of roads and bridges" because these expenditures were overstated.

2007 - Section 2

- An adjustment of \$342.53 was made to "Balance, January 1, 2007" to reflect the adjustment made in 2006 - Section 1.
- An adjustment of \$(342.53) was made to "Miscellaneous" receipts because a voided check was incorrectly reported as a receipt.

2007 - Section 3

- An adjustment of \$692.30 was made to "Major equipment expenditures" to reflect the adjustment made to major equipment purchases in 2007 - Section 1.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

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

Recommendation

We recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

Management's Response

The municipal officials offered no formal response at this time.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the borough expended \$20,224.61 in 2007 from the Liquid Fuels Tax Fund for the purchase of excavating services and materials to repair storm drains 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>
02	04/09/07	2445	04/19/07	\$ 2,400.00
66910	05/07/07	2450	05/14/07	449.00
67029	05/10/07	2451	05/29/07	182.00
66974	05/09/07	2453	06/04/07	1,303.41
2007-120	06/26/07	2458	07/10/07	1,550.00
2007-123	07/23/07	2464	07/26/07	1,100.00
2007-121	07/12/07	2465	08/02/07	1,285.00
68759	07/03/07	2466	08/02/07	898.00
68991	07/12/07	2466	08/02/07	1,310.14
69575	08/02/07	2467	08/08/07	905.00
2007-126	08/14/07	2470	08/16/07	450.00
2007-127	08/14/07	2470	08/16/07	1,704.00
70528	09/05/07	2477	09/18/07	241.06
2007-130	08/24/07	2481	10/11/07	1,480.00
71514	10/11/07	2487	10/16/07	1,329.00
2007-135	10/19/07	2488	10/25/07	830.00
2007-134	10/24/07	2488	10/25/07	1,660.00
71603	10/15/07	2489	10/25/07	998.00
71724	10/19/07	2489	10/25/07	150.00
2007 Total				<u><u>\$20,224.61</u></u>

The above purchases were not made in compliance with the advertising, bidding, and contract requirements of *The Borough Code*, 53 P.S. § 46402(a), (also found at § 1402(a) of *The Borough Code* as published by the Local Government Commission), which requires that purchases made after September 8, 1990, over \$10,000.00 must be advertised, bid, and awarded by contract. *The Borough Code*, 53 P.S. § 46403(a), (also found at § 1403(a) of *The Borough Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

In addition, the above purchases were not made in compliance with the Department of Transportation's *Publication 9*, Appendix D, Section 449.7(d), which states, in part:

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

Each municipality shall make an annual estimate of its requirements of road construction and maintenance materials, and shall advertise for bids on all items and groups of like items ordinarily supplied by a single supplier . . . which are estimated to exceed \$10,000 for the year If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 . . . the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000

The failure to comply with *The Borough Code* and the Department of Transportation's *Publication 9* could result in the borough having to reimburse \$20,224.61 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the borough reimburse \$20,224.61 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the borough comply with *The Borough Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The borough officials stated:

The Burgettstown Borough elected officials in the year 2007 took immediate and emergency action to replace several catch basins throughout the borough without having time for the appropriate procedures to advertise bids. These repairs were needed due to strong storms collapsing and pushing paving up around drains and causing a safety issue.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

Management's Response (Continued)

We contacted the contractor, the only one in the area that was available for this situation. The supplier which was used was the only one at this time who had basins on stock. The Burgettstown Borough would like your consideration in our negligence and procedures on performing this project in this manner.

Auditor's Conclusion

The Department of Transportation's *Publication 9* Appendix D, Section 449.3(d), states:

(d) Emergency exception to advertising and bidding requirements.

Whenever municipal officials determine that an emergency condition exists rendering it essential to undertake immediate repair or maintenance work to protect the health, safety, or welfare of the people, such emergency work may be contracted for by the municipality without the necessity of advertising for competitive bids for the project.

- (1) An emergency which will warrant dispensing with advertising for competitive bids must be immediate, unforeseen, and existing. A condition which may or may not arise in the future or a condition which should reasonably have been foreseen in time to advertise for bids will not warrant dispensing with normal advertising and bidding requirements.
- (2) The determination of the emergency and the actions of the municipal officials in contracting for emergency work must be fully documented for department review.

We did not see any documentation or any mention in the minutes that this was an emergency situation. In addition, the invoices in question covered a six month period. The Department of Transportation will determine if the township must reimburse any or all of the \$20,224.61 to its Liquid Fuels Tax Fund.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

Comment - Summary Of Prior Examination Recommendation

In our prior report we recommended that the borough officials reassess their fiscal policy and consider investing money in excess of current needs in investments outlined in Section 1316 of *The Borough Code* as published by the Local Government Commission.

During our current examination we noted that the borough complied with our recommendation.

BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

An exit conference was held October 29, 2008. Those participating were:

BOROUGH OF BURGETTSTOWN

The Honorable Richard K. Alvarez, President of Council

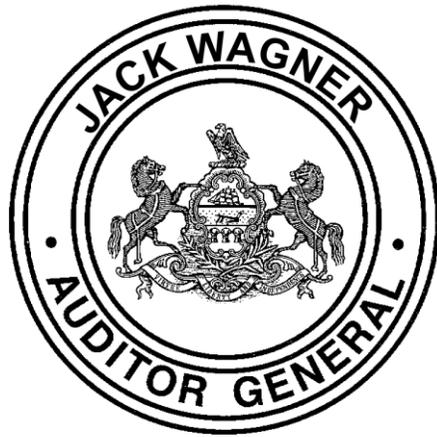
The Honorable Mark J. Sarracino, Councilman

Ms. Debbie Resnik, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. James P. Adams, Auditor

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



BOROUGH OF BURGETTSTOWN
WASHINGTON COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE TWO YEARS ENDED
DECEMBER 31, 2007

This report was initially distributed to:

The Honorable Allen D. Biehler, P.E.
Secretary
Department of Transportation

Borough of Burgettstown
Washington County
1509 Main Street
Burgettstown, PA 15021

The Honorable Richard K. Alvarez

President of Council

Ms. Debbie Resnik

Secretary/Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.