



**BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
23-405**

**LIQUID FUELS TAX FUND  
EXAMINATION REPORT**

**FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
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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 Borough of Collingdale, Delaware County, for the period January 1, 2009 to December 31, 2011. 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 Collingdale, Delaware County's Forms MS-965 for the period January 1, 2009 to December 31, 2011 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)

As discussed in Finding No. 1, the municipality expended \$28,500.00 during 2010 and \$38,000.00 during 2011 from the Liquid Fuels Tax Fund for payroll. However, the municipality did not maintain daily payroll time sheets identifying the nature of the work performed and the location of work assignments. Additionally, as discussed in Finding No. 3, the municipality expended \$1,857.32 during 2009 and \$1,164.56 during 2010 from the Liquid Fuels Tax Fund for cell phone service, which is a nonpermissible expenditure. On September 12, 2011, the municipality reimbursed \$1,164.56 to its Liquid Fuels Tax Fund.

In our opinion, except for the matters 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 Collingdale, Delaware County, for the period January 1, 2009 to December 31, 2011, 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 Collingdale, Delaware 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 Collingdale, Delaware County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Collingdale, Delaware 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:

- Documentation Supporting Payroll Expenditures Was Not Available For Examination.

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 Collingdale, Delaware 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Failure To Obtain Project Approval.
- Nonpermissible Expenditures.

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



**EUGENE A. DEPASQUALE**  
Auditor General

March 8, 2013

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BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

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.

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2009 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	\$ 13,508.53	\$ -	\$ 13,508.53
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	1,924.41	-	1,924.41
Winter maintenance services	4,317.38	-	4,317.38
Traffic control devices	2,216.40	-	2,216.40
Street lighting	-	38,000.00	38,000.00
Storm sewers and drains	-	-	-
Repairs of tools and machinery	7,121.81	-	7,121.81
Maintenance and repair of roads and bridges	11,189.39	-	11,189.39
Highway construction and rebuilding projects	59,499.16	-	59,499.16
Miscellaneous (Note 6)	39,857.32	(38,000.00)	1,857.32
	<u>39,857.32</u>	<u>(38,000.00)</u>	<u>1,857.32</u>
Total (To Section 2, Line 5)	<u>\$ 139,634.40</u>	<u>\$ -</u>	<u>\$ 139,634.40</u>

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

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2009 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, 2009	\$ 50,471.02	\$ 82.87	\$ 50,553.89
Receipts:			
2. State allocation	141,351.99	-	141,351.99
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	336.70	(80.98)	255.72
2c. Miscellaneous	-	-	-
3. Total receipts	<u>141,688.69</u>	<u>(80.98)</u>	<u>141,607.71</u>
4. Total funds available	<u>192,159.71</u>	<u>1.89</u>	<u>192,161.60</u>
5. Expenditures (Section 1)	<u>139,634.40</u>	-	<u>139,634.40</u>
6. Balance, December 31, 2009	<u><u>\$ 52,525.31</u></u>	<u><u>\$ 1.89</u></u>	<u><u>\$ 52,527.20</u></u>

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



BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2009 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	\$ 50,471.02	\$ 82.87	\$ 50,553.89
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	28,270.40	-	28,270.40
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	78,741.42	82.87	78,824.29
5. Less: Major equipment expenditures	13,508.53	-	13,508.53
6. Remainder	<u>65,232.89</u>	<u>82.87</u>	<u>65,315.76</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 52,525.31</u>	<u>\$ 1.89</u>	<u>\$ 52,527.20</u>

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

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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	\$ 29,224.16	\$ -	\$ 29,224.16
Minor equipment purchases	477.13	(374.29)	102.84
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	21,525.42	(19,000.00)	2,525.42
Winter maintenance services	21,151.42	(9,500.00)	11,651.42
Traffic control devices	3,303.73	-	3,303.73
Street lighting	-	-	-
Storm sewers and drains	13,300.00	-	13,300.00
Repairs of tools and machinery	3,673.47	-	3,673.47
Maintenance and repair of roads and bridges	13,006.38	-	13,006.38
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 6)	790.27	28,874.29	29,664.56
	<u>790.27</u>	<u>28,874.29</u>	<u>29,664.56</u>
Total (To Section 2, Line 5)	<u>\$ 106,451.98</u>	<u>\$ -</u>	<u>\$ 106,451.98</u>

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

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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, 2010	\$ 52,525.31	\$ 1.89	\$ 52,527.20
Receipts:			
2. State allocation	135,923.91	-	135,923.91
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	25.75	1.84	27.59
2c. Miscellaneous (Comment)	29,016.32	-	29,016.32
3. Total receipts	<u>164,965.98</u>	<u>1.84</u>	<u>164,967.82</u>
4. Total funds available	<u>217,491.29</u>	<u>3.73</u>	<u>217,495.02</u>
5. Expenditures (Section 1)	<u>106,451.98</u>	<u>-</u>	<u>106,451.98</u>
6. Balance, December 31, 2010	<u><u>\$ 111,039.31</u></u>	<u><u>\$ 3.73</u></u>	<u><u>\$ 111,043.04</u></u>

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

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2010 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	\$ 52,525.31	\$ 1.89	\$ 52,527.20
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	27,184.78	-	27,184.78
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	79,710.09	1.89	79,711.98
5. Less: Major equipment expenditures	29,224.16	-	29,224.16
6. Remainder	<u>50,485.93</u>	<u>1.89</u>	<u>50,487.82</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 50,485.93</u>	<u>\$ 1.89</u>	<u>\$ 50,487.82</u>

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

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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	\$ 11,578.74	\$ -	\$ 11,578.74
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	41,380.92	(38,000.00)	3,380.92
Winter maintenance services	10,452.55	-	10,452.55
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	1,055.00	-	1,055.00
Repairs of tools and machinery	11,220.06	-	11,220.06
Maintenance and repair of roads and bridges	18,161.99	-	18,161.99
Highway construction and rebuilding projects	48,649.75	-	48,649.75
Miscellaneous (Note 6)	-	38,000.00	38,000.00
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total (To Section 2, Line 5)	<u>\$ 142,499.01</u>	<u>\$ -</u>	<u>\$ 142,499.01</u>

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

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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, 2011	\$ 111,043.04	\$ -	\$ 111,043.04
Receipts:			
2. State allocation	139,727.58	-	139,727.58
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	24.70	-	24.70
2c. Miscellaneous (Note 5)	14,464.56	-	14,464.56
3. Total receipts	<u>154,216.84</u>	<u>-</u>	<u>154,216.84</u>
4. Total funds available	<u>265,259.88</u>	<u>-</u>	<u>265,259.88</u>
5. Expenditures (Section 1)	<u>142,499.01</u>	<u>-</u>	<u>142,499.01</u>
6. Balance, December 31, 2011	<u><u>\$ 122,760.87</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 122,760.87</u></u>

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

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 2011 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	\$ 53,950.82	\$ (3,463.00)	\$ 50,487.82
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	27,945.52	-	27,945.52
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	81,896.34	(3,463.00)	78,433.34
5. Less: Major equipment expenditures	11,578.74	-	11,578.74
6. Remainder	<u>70,317.60</u>	<u>(3,463.00)</u>	<u>66,854.60</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 70,317.60</u>	<u>\$ (3,463.00)</u>	<u>\$ 66,854.60</u>

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

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

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 COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

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 COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

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, 2011. 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 COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2011 consists of the following:

Cash	\$122,760.87
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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 \$255.72 during 2009, \$27.59 during 2010, and \$24.70 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2009 - Section 1

Adjustments were made to “Street lighting” and “Miscellaneous” because expenditures of \$38,000.00 were misclassified.

2009 - Section 2

An adjustment of \$82.87 was made to “Balance, January 1, 2009” because of a prior report adjustment that was not carried forward in the fund balance.

An adjustment of \$(80.98) was made to “Interest on investments” because interest earned was overstated.

2009 - Section 3

An adjustment of \$82.87 was made to “Prior year equipment balance” because of prior report adjustments that were not carried forward in the equipment balance.

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

4. Adjustments (Continued)

2010 - Section 1

Adjustments were made to “Minor equipment purchases,” “Cleaning streets and gutters,” “Winter maintenance services,” and “Miscellaneous” because expenditures of \$28,874.29 were misclassified.

2010 - Section 2

An adjustment of \$1.89 was made to “Balance, January 1, 2010” to reflect the adjustment made to the fund balance in 2009 - Section 2.

An adjustment of \$1.84 was made to “Interest on investments” because interest earned was understated.

2010 - Section 3

An adjustment of \$1.89 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2009 - Section 3.

2011 - Section 1

Adjustments were made to “Cleaning streets and gutters” and “Miscellaneous” because expenditures of \$38,000.00 were misclassified.

2011 - Section 3

An adjustment of \$(3,463.00) was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

BOROUGH OF COLLINGDALE  
 DELAWARE COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2009 TO DECEMBER 31, 2011

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>2011</u>
General Fund	Reimbursement (Finding No. 2)	\$13,300.00
General Fund	Reimbursement (Finding No. 3)	<u>1,164.56</u>
Total		<u>\$14,464.56</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>2009</u>	<u>2010</u>	<u>2011</u>
Vendor	Nonpermissible expenditure (Finding No. 3)	\$1,857.32	\$ 1,164.56	\$ -
General Fund	Undocumented Payroll (Finding No. 1)	<u>-</u>	<u>28,500.00</u>	<u>38,000.00</u>
Totals		<u>\$1,857.32</u>	<u>\$29,664.56</u>	<u>\$38,000.00</u>

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

7. Lease-Purchase Agreement

On August 7, 2008, the municipality purchased a 2008 Alliance Johnston VT650 series vacuum street sweeper for \$192,237.00. The municipality made a down payment of \$27,237.00 from its Liquid Fuels Tax Fund and received a grant of \$25,000.00 from the Department of Community and Economic Development toward the purchase of the street sweeper. The municipality entered into a lease purchase agreement with 1<sup>st</sup> Bank Source for the remaining \$140,000.00. The agreement was for a term of seven years at an interest rate of 4.25 percent. Principal and interest payments of \$1,929.79 are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$5,766.38 and \$1,952.78, respectively.

During the current examination period the municipality paid principal of \$35,685.12 and interest of \$6,621.31 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2009, 2010, and 2011 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$20,051.76 and interest of \$7,114.25 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2011 was \$78,496.74, plus interest.

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

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

Our examination disclosed that the municipality expended \$28,500.00 during 2010 and \$38,000.00 during 2011 from the Liquid Fuels Tax Fund for payroll. However, the municipality did not maintain daily payroll time sheets identifying the nature of work performed and the location of work assignments.

Good internal control procedures over payroll ensure that there is documentation identifying the nature of the work performed and location of work assignments.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including payroll made without supporting documentation, are outside the scope of permissible expenditures.

Without payroll documentation that includes daily time sheets that identify the nature of work performed and the location of work assignments, we could not determine if the payroll expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law.

The failure to maintain documentation of payroll expenditures as noted above could result in the municipality having to reimburse \$66,500.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$66,500.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over payroll by maintaining daily time sheets that identify the nature of work performed and the location of work assignments.

BOROUGH OF COLLINGDALE  
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LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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Finding No. 1 - Documentation Supporting Payroll Expenditures Was Not Available For Examination (Continued)

Management's Response

The municipal officials stated:

We do not agree with this finding. In past audits we have explained to the auditor the small amount of Liquid Fuels Funding being used for payroll purposes and it has always been accepted. We have four employees on my highway department. One of these is a supervisor who oversees the Highway Department and the Solid Waste Department. These four men do not pick up trash. This is done by a separate Solid Waste Department. The payroll for these four employees totals in excess of \$170,000 per year. If you remove the supervisor completely from the total the figure is still in excess of \$117,000.

One of these employees is responsible for the operation of the street sweeper. We run the street sweeper, 20 hours a week and 32 weeks a year. This includes two days at 8 hrs per day and 2 days at 2 hours a day. The total cost is 640 hrs at \$18.74 per hr.(2009 figures) for a total of \$11,993.00. If you figure the other three employees of the Highway Department spend at least one hour per day out of 8 hours working doing highway work that is permitted by Liquid Fuels funding the total per year would be \$14,617.00. This brings a very low estimate of payroll figures to \$26,610.00 per year. In 2009 and other years we have only designated \$19,000.00 in Liquid Fuels funding to the Highway Department payroll. Again, when we have explained these figures to previous auditors, they have advised that it was a very small percentage and there was not a problem. If we had been advised that we had to keep a daily diary of the Highway Department's work to justify the use of Liquid Fuels funds, this would have been done or the money would not have been used.

Auditor's Conclusion

Without payroll documentation that includes daily time sheets that identify the nature of work performed and the location of work assignments, we could not determine if the payroll expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law. The Department of Transportation will determine if the municipality is required to reimburse \$66,500.00 to its Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.



BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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Finding No. 2 - Failure To Obtain Project Approval

Our examination disclosed that the municipality expended \$13,300.00 for removal and replacement of 15 feet of pipe and road restoration. The municipality is required to obtain the approval of the Department of Transportation before replacing pipe with a better type. However, the municipality did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states that nonpermissible expenditures include "Construction and reconstruction projects without prior PENNDOT approval."

Additionally, *Publication 9*, Chapter Two, Section 2.8, states, in part:

The following criteria is used to determine when a project is required for work on local roads utilizing Liquid Fuels Tax Funds, when construction, reconstruction and/or resurfacing work exceeds one inch or more in depth as well as other activities.

Guide Rail, Pipe, etc.:	New guide rail, pipe and replacement of existing items with a better or larger type
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On September 12, 2011, the municipality reimbursed \$13,300.00 to the Liquid Fuels Tax Fund.

Recommendation

We recommend that before the municipality expends money on a project, it applies for and obtains prior approval for the project, and when the project is completed it obtains approval of the completed work.

Management's Response

The municipal officials offered no formal response at this time.

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 3 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$1,857.32 during 2009 and \$1,164.56 during 2010 from the Liquid Fuels Tax Fund for cell phone service, which is a nonpermissible expenditure.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance, and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including cell phone charges, are outside the scope of permissible expenditures.

On September 12, 2011, the municipality reimbursed \$1,164.56 to the Liquid Fuels Tax Fund.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$1,857.32 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report. However, there were no nonpermissible expenditures made from the Liquid Fuels Tax Fund during 2011.

Recommendations

We recommend that the municipality reimburse \$1,857.32 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality continue to comply with the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations regarding permissible expenditures.

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FINDINGS AND RECOMMENDATIONS  
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Finding No. 3 - Nonpermissible Expenditures (Continued)

Management's Response

The municipal officials stated:

This has been brought up in the past and we were under the impression that this money had been repaid. We have reimbursed Liquid Fuels in the past for these expenditures and were not aware that there was still money owed.

Auditor's Conclusion

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

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
COMMENT  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

Comment - Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$29,016.32 to its Liquid Fuels Tax Fund. This amount consists of \$21,037.00 for Liquid Fuels money overexpended on projects and \$7,979.32 for nonpermissible expenditures. A finding for nonpermissible expenditures was also written in our current report (see Finding No. 3).

During our current examination we reviewed a letter dated August 13, 2010 from the Department of Transportation informing the municipality to reimburse \$29,016.32 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on September 23, 2010.

During our prior examination we also recommended that the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

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

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

An exit conference was held March 8, 2013. Those participating were:

BOROUGH OF COLLINGDALE

Mr. John A. Hewlings, Borough Manager

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Stephen P. Stoppie, Auditor

Mr. John C. Socket, Auditor

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

BOROUGH OF COLLINGDALE  
DELAWARE COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2009 TO DECEMBER 31, 2011

This report was initially distributed to:

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

Borough of Collingdale  
Delaware County  
800 MacDade Boulevard  
Collingdale, PA 19023

The Honorable Kathleen M. Munro

President of Council

Mr. John A. Hewlings

Borough Manager

This report is a matter of public record and is available online at <http://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](mailto:news@auditorgen.state.pa.us).