



**TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
33-205**

**LIQUID FUELS TAX FUND  
EXAMINATION REPORT**

**FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

### Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.  
Secretary  
Department of Transportation  
Harrisburg, PA 17120

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Eldred, Jefferson County, for the period January 1, 2010 to December 31, 2012. The municipality's management is responsible for the Forms MS-965. Our responsibility is to express an opinion on the Forms MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Township of Eldred, Jefferson County's Forms MS-965 for the period January 1, 2010 to December 31, 2012 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 \$10,264.84 during 2010 for the purchase of cold patch and \$15,692.87 during 2011 for the purchase of diesel fuel without advertising for bids. Additionally, as discussed in Finding No. 2, the municipality expended \$1,140.40 from its Liquid Fuels Tax Fund during 2010 for gravel. However, the source of the gravel was not certified by the Materials Unit of the Department of Transportation.

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 Township of Eldred, Jefferson County, for the period January 1, 2010 to December 31, 2012, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Eldred, Jefferson County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Township of Eldred, Jefferson County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Eldred, Jefferson County's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Township of Eldred, Jefferson County's internal control.

Independent Auditor's Report (Continued)

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

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

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

This report is intended solely for the information and use of the Pennsylvania Department of Transportation and the management of the Township of Eldred, Jefferson 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 5, 2013

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TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

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 ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
2010 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 11,700.00	\$ -	\$ 11,700.00
Minor equipment purchases	243.88	-	243.88
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,163.71	-	3,163.71
Traffic control devices	72.00	-	72.00
Street lighting	27.87	-	27.87
Storm sewers and drains	-	-	-
Repairs of tools and machinery	7,922.89	-	7,922.89
Maintenance and repair of roads and bridges	111,647.77	-	111,647.77
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 134,778.12</u>	<u>\$ -</u>	<u>\$ 134,778.12</u>

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
2010 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, 2010	\$ 300.17	\$ -	\$ 300.17
Receipts:			
2. State allocation	103,049.02	-	103,049.02
2a. Turnback allocation	31,840.00	-	31,840.00
2b. Interest on investments (Note 3)	25.80	-	25.80
2c. Miscellaneous	-	-	-
3. Total receipts	<u>134,914.82</u>	<u>-</u>	<u>134,914.82</u>
4. Total funds available	<u>135,214.99</u>	<u>-</u>	<u>135,214.99</u>
5. Expenditures (Section 1)	<u>134,778.12</u>	<u>-</u>	<u>134,778.12</u>
6. Balance, December 31, 2010	<u><u>\$ 436.87</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 436.87</u></u>

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



TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
2010 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 300.17	\$ -	\$ 300.17
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	26,977.80	-	26,977.80
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	27,277.97	-	27,277.97
5. Less: Major equipment expenditures	11,700.00	-	11,700.00
6. Remainder	<u>15,577.97</u>	<u>-</u>	<u>15,577.97</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 436.87</u>	<u>\$ -</u>	<u>\$ 436.87</u>

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

TOWNSHIP OF ELDRED  
JEFFERSON 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	\$ -	\$ -	\$ -
Minor equipment purchases	249.00	-	249.00
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	2,630.37	-	2,630.37
Traffic control devices	-	-	-
Street lighting	806.18	-	806.18
Storm sewers and drains	-	-	-
Repairs of tools and machinery	10,892.55	(60.72)	10,831.83
Maintenance and repair of roads and bridges	115,534.66	-	115,534.66
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 130,112.76</u>	 <u>\$ (60.72)</u>	 <u>\$ 130,052.04</u>

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

TOWNSHIP OF ELDRED  
JEFFERSON 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	\$ 436.87	\$ -	\$ 436.87
Receipts:			
2. State allocation	105,431.20	-	105,431.20
2a. Turnback allocation	31,840.00	-	31,840.00
2b. Interest on investments (Note 3)	14.65	-	14.65
2c. Miscellaneous	-	-	-
3. Total receipts	<u>137,285.85</u>	<u>-</u>	<u>137,285.85</u>
4. Total funds available	<u>137,722.72</u>	<u>-</u>	<u>137,722.72</u>
5. Expenditures (Section 1)	<u>130,112.76</u>	<u>(60.72)</u>	<u>130,052.04</u>
6. Balance, December 31, 2011	<u><u>\$ 7,609.96</u></u>	<u><u>\$ 60.72</u></u>	<u><u>\$ 7,670.68</u></u>

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
2011 FORM MS-965 – SECTION 3  
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 436.87	\$ -	\$ 436.87
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	27,454.24	-	27,454.24
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	27,891.11	-	27,891.11
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>27,891.11</u>	<u>-</u>	<u>27,891.11</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 7,609.96</u>	<u>\$ 60.72</u>	<u>\$ 7,670.68</u>

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

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 15,765.00	\$ (4,765.00)	\$ 11,000.00
Minor equipment purchases	1,019.76	4,765.00	5,784.76
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,276.36	-	4,276.36
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	21,428.04	-	21,428.04
Maintenance and repair of roads and bridges	101,038.69	-	101,038.69
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 143,527.85</u>	<u>\$ -</u>	<u>\$ 143,527.85</u>

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
2012 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, 2012	\$ 7,609.96	\$ 60.72	\$ 7,670.68
Receipts:			
2. State allocation	107,615.06	-	107,615.06
2a. Turnback allocation	31,840.00	-	31,840.00
2b. Interest on investments (Note 3)	17.79	-	17.79
2c. Miscellaneous (Note 5)	35,509.90	-	35,509.90
3. Total receipts	<u>174,982.75</u>	<u>-</u>	<u>174,982.75</u>
4. Total funds available	<u>182,592.71</u>	<u>60.72</u>	<u>182,653.43</u>
5. Expenditures (Section 1)	<u>143,527.85</u>	<u>-</u>	<u>143,527.85</u>
6. Balance, December 31, 2012	<u><u>\$ 39,064.86</u></u>	<u><u>\$ 60.72</u></u>	<u><u>\$ 39,125.58</u></u>

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
2012 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	\$ -	\$ 7,670.68	\$ 7,670.68
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	27,891.01	-	27,891.01
3. PENNDOT approved adjustments	-	7,269.00	7,269.00
4. Total funds available for equipment acquisition	27,891.01	14,939.68	42,830.69
5. Less: Major equipment expenditures	15,765.00	(4,765.00)	11,000.00
6. Remainder	12,126.01	19,704.68	31,830.69
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	\$ 12,126.01	\$ 19,704.68	\$ 31,830.69

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

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 prior to 2012 and in excess of \$10,000.00 during 2012 and subsequent years.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less prior to 2012 and \$10,000.00 or less during 2012 and subsequent years.
- 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.



TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

1. Criteria (Continued)

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.

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.

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

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 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'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, 2012. 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.

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2012 consists of the following:

Cash	<u>\$39,125.58</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$25.80 during 2010, \$14.65 during 2011, and \$17.79 during 2012, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2011 - Section 1

An adjustment of \$(60.72) was made to “Repairs of tools and machinery” because check No. 3148 was voided but was included as an expenditure.

2012 - Section 1

Adjustments were made to “Major equipment purchases” and “Minor equipment purchases” because expenditures of \$4,765.00 were misclassified.

2012 - Section 2

An adjustment of \$60.72 was made to “Balance, January 1, 2012” to reflect the adjustment made to the fund balance in 2011 - Section 2.

2012 - Section 3

An adjustment of \$7,670.68 was made to “Prior year equipment balance” because the beginning equipment balance was understated.

An adjustment of \$7,269.00 was made to “PENNDOT approved adjustments” because the proceeds from the sale of equipment were not reported as approved adjustments.

TOWNSHIP OF ELDRED  
 JEFFERSON COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE PERIOD  
 JANUARY 1, 2010 TO DECEMBER 31, 2012

4. Adjustments (Continued)

2012 - Section 3 (Continued)

An adjustment of \$(4,765.00) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2012 – 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>2012</u>
General Fund	Reimbursement (Comment)	\$28,240.90
Resident Farmington Township	Sale of backhoe Sale of road broom	6,161.00
		<u>1,108.00</u>
Total		<u>\$35,509.90</u>

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination also disclosed that the township expended \$10,264.84 during 2010 from the Liquid Fuels Tax Fund for the purchase of cold patch 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>
412004	04/13/10	2959	04/29/10	\$ 1,761.03
6415	06/07/10	2984	06/21/10	664.30
6422	06/09/10	2984	06/21/10	589.11
2994	06/26/10	3000	07/12/10	2,712.96
3132	08/04/10	3024	08/23/10	<u>4,537.44</u>
Total				<u>\$10,264.84</u>

Additionally, our examination disclosed that the township expended \$15,692.87 during 2011 from the Liquid Fuels Tax Fund for the purchase of fuel 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>
242418	01/11/11	3067	04/06/11	\$ 519.87
282786	01/24/11	3067	04/06/11	2,949.95
284521	02/10/11	3067	04/06/11	1,654.09
283433	03/01/11	3070	04/18/11	1,686.00
261524	03/18/11	3070	04/18/11	1,574.29
282487	03/29/11	3070	04/18/11	1,215.33
291159	04/28/11	3085	05/17/11	2,444.79
334285	06/27/11	3114	07/25/11	1,092.92
287897	07/26/11	3135	08/26/11	546.72
287896	07/26/11	3135	08/26/11	119.43
288208	08/05/11	3149	09/13/11	445.90
291624	09/08/11	3168	11/03/11	499.54
291623	09/08/11	3168	11/03/11	<u>944.04</u>
Total				<u>\$15,692.87</u>

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

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 \$10,000.00 must be advertised, bid, and awarded by contract. *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.

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

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 Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$25,957.71 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report. However, all items tested during 2012 that were required to be advertised and bid were properly advertised and bid.

Recommendations

We recommend that the township reimburse \$25,957.71 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township continue to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9*. The threshold for advertising and bidding increased to \$18,500.00 for 2012 and subsequent years.

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

Management's Response

The township officials stated:

We were made aware of the findings by Penn DOT and they are being handled.

Auditor's Conclusion

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

Finding No. 2 – Purchase Of Uncertified Gravel

Our examination disclosed that the municipality expended \$1,140.40 during 2010 from the Liquid Fuels Tax Fund for gravel. However, the source of the gravel was not approved by the Materials Unit of the Department of Transportation.

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

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

The failure to follow Department of Transportation's *Publication 408* as noted above could result in the municipality having to reimburse \$1,140.40 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$1,140.40 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality comply with the Department of Transportation's *Publication 408* as noted above.

Management's Response

The municipal officials stated:

We were made aware of the findings by PennDOT and they are being handled.



TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
COMMENT  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

Comment – Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$28,240.90 to its Liquid Fuels Tax Fund. This amount consists of \$22,147.12 for purchases over \$10,000.00 in noncompliance with advertising and bidding requirements, \$5,246.68 for purchases made from vendors that were not awarded a contract, and \$847.10 for related party transactions. A similar finding concerning purchases over \$10,000.00 in noncompliance with advertising and bidding requirements was also written in our current report (see Finding No. 1).

During our current examination we reviewed a letter dated December 19, 2011, from the Department of Transportation informing the municipality to reimburse \$28,240.90 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$14,120.45 to its Liquid Fuels Tax Fund on both January 26, 2012 and on September 25, 2012.

In our prior report we also recommended:

- That the township discontinue making purchases from vendors that were not awarded a contract.
- That the township comply with *The Second Class Township Code* and the Ethics Act as amended concerning related party transactions.

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

An exit conference was held March 5, 2013. Those participating were:

TOWNSHIP OF ELDRED

The Honorable Michael H. Caldwell, Chairman of the Board of Supervisors  
Ms. Deborah A. Gillung, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Christopher Heglen, Auditor

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

TOWNSHIP OF ELDRED  
JEFFERSON COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2010 TO DECEMBER 31, 2012

This report was initially distributed to:

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

Township of Eldred  
Jefferson County  
3441 Route 36  
Brookville, PA 15825

The Honorable Michael H. Caldwell

Chairman of the Board of Supervisors

Ms. Deborah A. Gillung

Secretary/Treasurer

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).