

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
25-215

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

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TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

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.

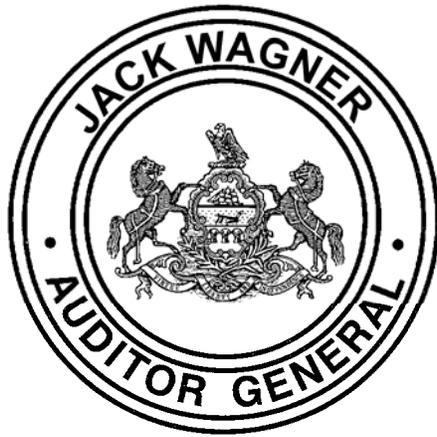
The Vehicle Code, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

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.





**Department of the Auditor General
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER
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 Springfield, Erie County, for the two years ended December 31, 2010. 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 Springfield, Erie County's Forms MS-965 for the two years ended December 31, 2010 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 paid an invoice for \$1,140.25 twice. Additionally, as discussed in Comment No. 1 of this report, during the 2006-2007 examination period the township expended \$53,755.09 for employee health benefits without maintaining supporting payroll documentation, \$7,610.29 for duplicate transfers to the General Fund, and \$10,300.00 for Liquid Fuels money improperly transferred to the General Fund. On December 7, 2010 the municipality reimbursed \$35,832.69 to its Liquid Fuels Tax Fund. As of December 31, 2010, the municipality had not reimbursed the remaining \$35,832.69. Furthermore, as discussed in Comment No. 2, during the 2008 examination period the township expended \$15,697.97 for employee health benefits without maintaining supporting payroll documentation. As of May 12, 2011, this amount had not been reimbursed to the 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 Township of Springfield, Erie County, for the two years ended December 31, 2010, 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 Springfield, Erie 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

Independent Auditor's Report (Continued)

Township of Springfield, Erie County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Springfield, Erie 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:

- Duplicate Payment Of Invoice.

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 Springfield, Erie 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. However, we believe that the significant deficiency described above is not a material weakness.

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

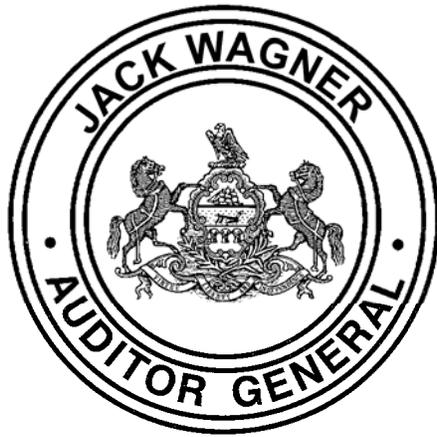
- Late Receipt Of Allocation.

We are concerned in light of the municipality's failure to correct a previously reported finding regarding the late receipt of an allocation. During our current examination period the municipality paid an invoice twice and received its allocation late. The municipality should strive to implement the recommendations and corrective actions noted in this report.

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

May 12, 2011

JACK WAGNER
Auditor General



TOWNSHIP OF SPRINGFIELD
 ERIE 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	\$ 36,202.50	\$ (2,545.61)	\$ 33,656.89
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	26,555.05	(1,534.26)	25,020.79
Traffic control devices	-	-	-
Street lighting	4,012.66	-	4,012.66
Storm sewers and drains	-	-	-
Repairs of tools and machinery	24,009.48	4,758.36	28,767.84
Maintenance and repair of roads and bridges	80,042.42	3,272.94	83,315.36
Highway construction and rebuilding projects	-	8,835.40	8,835.40
Miscellaneous (Bank service charges)	-	30.00	30.00
 Total (To Section 2, Line 5)	 <u>\$ 170,822.11</u>	 <u>\$ 12,816.83</u>	 <u>\$ 183,638.94</u>

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

TOWNSHIP OF SPRINGFIELD
 ERIE 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	\$ 26,175.70	\$ -	\$ 26,175.70
Receipts:			
2. State allocation	181,348.86	-	181,348.86
2a. Turnback allocation	7,720.00	-	7,720.00
2b. Interest on investments (Note 3)	3.58	-	3.58
2c. Miscellaneous (Note 5)	-	463.57	463.57
3. Total receipts	<u>189,072.44</u>	<u>463.57</u>	<u>189,536.01</u>
4. Total funds available	<u>215,248.14</u>	<u>463.57</u>	<u>215,711.71</u>
5. Expenditures (Section 1)	<u>170,822.11</u>	<u>12,816.83</u>	<u>183,638.94</u>
6. Balance, December 31, 2009	<u><u>\$ 44,426.03</u></u>	<u><u>\$ (12,353.26)</u></u>	<u><u>\$ 32,072.77</u></u>

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

TOWNSHIP OF SPRINGFIELD
 ERIE 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	\$ 22,467.22	\$ -	\$ 22,467.22
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	37,813.77	-	37,813.77
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	60,280.99	-	60,280.99
5. Less: Major equipment expenditures	<u>36,202.50</u>	<u>(2,545.61)</u>	<u>33,656.89</u>
6. Remainder	<u>24,078.49</u>	<u>2,545.61</u>	<u>26,624.10</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 24,078.49</u>	<u>\$ 2,545.61</u>	<u>\$ 26,624.10</u>

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

TOWNSHIP OF SPRINGFIELD
 ERIE 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	\$ 30,000.00	\$ -	\$ 30,000.00
Minor equipment purchases	292.29	(292.29)	-
Computer/Computer related training	1,000.00	-	1,000.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	17,121.47	(2,468.32)	14,653.15
Traffic control devices	157.03	-	157.03
Street lighting	2,277.88	-	2,277.88
Storm sewers and drains	2,048.88	(2,048.88)	-
Repairs of tools and machinery	37,131.34	(677.31)	36,454.03
Maintenance and repair of roads and bridges	125,949.32	6,627.05	132,576.37
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Bank service charges)	95.98	-	95.98
	<u> </u>	<u> </u>	<u> </u>
Total (To Section 2, Line 5)	<u>\$ 216,074.19</u>	<u>\$ 1,140.25</u>	<u>\$ 217,214.44</u>

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

TOWNSHIP OF SPRINGFIELD
 ERIE 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	\$ 32,072.77	\$ -	\$ 32,072.77
Receipts:			
2. State allocation	174,114.93	-	174,114.93
2a. Turnback allocation	7,720.00	-	7,720.00
2b. Interest on investments (Note 3)	148.34	-	148.34
2c. Miscellaneous (Note 5)	49,164.69	1,140.25	50,304.94
3. Total receipts	<u>231,147.96</u>	<u>1,140.25</u>	<u>232,288.21</u>
4. Total funds available	<u>263,220.73</u>	<u>1,140.25</u>	<u>264,360.98</u>
5. Expenditures (Section 1)	<u>216,074.19</u>	<u>1,140.25</u>	<u>217,214.44</u>
6. Balance, December 31, 2010	<u><u>\$ 47,146.54</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 47,146.54</u></u>

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

TOWNSHIP OF SPRINGFIELD
 ERIE 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	\$ 24,078.49	\$ 2,545.61	\$ 26,624.10
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	36,366.99	-	36,366.99
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	60,445.48	2,545.61	62,991.09
5. Less: Major equipment expenditures	30,000.00	-	30,000.00
6. Remainder	<u>30,445.48</u>	<u>2,545.61</u>	<u>32,991.09</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 30,445.48</u>	<u>\$ 2,545.61</u>	<u>\$ 32,991.09</u>

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

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

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.

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

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.

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

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, 2010. 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 SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2010 consists of the following:

Cash	<u>\$47,146.54</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 and a certificate of deposit which earned \$3.58 during 2009, and \$148.34 during 2010, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2009 - Section 1

An adjustment of \$(2,545.61) was made to "Major equipment purchases" because these expenditures were overstated.

An adjustment of \$(1,534.26) was made to "Winter maintenance services" because these expenditures were overstated.

An adjustment of \$4,758.36 was made to "Repairs of tools and machinery" because these expenditures were understated.

An adjustment of \$3,272.94 was made to "Maintenance and repair of roads and bridges" because these expenditures were understated.

An adjustment of \$8,835.40 was made to "Highway construction and rebuilding projects" because these expenditures were not reported.

An adjustment of \$30.00 was made to "Miscellaneous" expenditures because bank service charges were not reported.

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

4. Adjustments

2009 - Section 2

An adjustment of \$463.57 was made to “Miscellaneous” because a receipt for winter maintenance from the Commonwealth of Pennsylvania was not reported.

2009 - Section 3

An adjustment of \$(2,545.61) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2009 – Section 1.

2010 - Section 1

An adjustment of \$(292.29) was made to “Minor equipment purchases” because these expenditures were overstated.

An adjustment of \$(2,468.32) was made to “Winter maintenance services” because these expenditures were overstated.

An adjustment of \$(2,048.88) was made to “Storm sewers and drains” because these expenditures were overstated.

An adjustment of \$(677.31) was made to “Repairs of tools and machinery” because these expenditures were overstated.

An adjustment of \$6,627.05 was made to “Maintenance and repair of roads and bridges” because these expenditures were understated.

2010 - Section 2

An adjustment of \$1,140.25 was made to “Miscellaneous” because these receipts were understated.

2010 - Section 3

An adjustment of \$2,545.61 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2009 - Section 3.

TOWNSHIP OF SPRINGFIELD
 ERIE COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2010

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>2009</u>	<u>2010</u>
Department of Transportation	Winter maintenance agreement	\$463.57	\$ -
General Fund	Reimbursement (Comment No. 1)	-	35,832.69
Erie County	County aid	-	13,332.00
Local vendor	Refund (Finding No. 1)	-	<u>1,140.25</u>
Total		<u>\$463.57</u>	<u>\$50,304.94</u>

6. Bank Loan

On May 11, 2007, the municipality borrowed \$50,000.00 from Community National Bank to purchase a new front end loader. The term of the loan was for two years at an interest rate of 5.45 percent. Principal payments of \$25,000.00 are due annually, and interest payments are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$25,000.00 and \$3,879.45, respectively.

During the current examination period the municipality paid principal of \$25,000.00 and interest of \$656.89 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2009 Form MS-965 – Section 1. The loan was paid-in-full on June 5, 2009.

TOWNSHIP OF SPRINGFIELD
 ERIE COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE TWO YEARS ENDED
 DECEMBER 31, 2010

Finding No. 1 - Duplicate Payment Of Invoice

Our examination disclosed that the municipality paid the following invoice twice:

<u>Invoice Number</u>	<u>First Check No.</u>	<u>First Date Paid</u>	<u>Second Check No.</u>	<u>Second Date Paid</u>	<u>Invoice Amount</u>
281565	3945	02/11/10	3957	03/17/10	<u>\$1,140.25</u>

On August 20, 2010, the municipality deposited \$1,140.25 into its Liquid Fuels Tax Fund that was received from the vendor.

Although this money was reimbursed to the Liquid Fuels Tax Fund on August 20, 2010, the primary concern is the inadequate internal controls which enabled the duplicate payment of \$1,140.25 to remain undetected for five months.

Good internal controls ensure that all invoices are reviewed timely to avoid duplicate payments. The failure to follow this procedure increases the possibility that duplicate payments can be made on vendor invoices and go undetected for long periods of time.

Recommendation

We recommend that the municipality establish and implement internal controls to ensure vendor invoices are reviewed timely to avoid duplicate payments.

Management's Response

The municipal officials stated:

Vendor notified us of duplicate payment and subsequently reimbursed township for overpayment. It was deposited on August 20, 2010.

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

Finding No. 1 - Duplicate Payment Of Invoice (Continued)

Auditor's Conclusion

The municipality should establish and implement internal controls to ensure vendor invoices are reviewed timely to avoid duplicate payments. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

Finding No. 2 - Late Receipt Of Allocation

Our examination disclosed that the 2009 Liquid Fuels Tax Fund allocation, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, was not received until June 5, 2009, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the allocation for more than two months. Furthermore, had the allocation been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

A similar finding was also written in our prior report.

Recommendation

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

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

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

Management's Response

The municipal officials stated:

Previous Secretary did not file necessary forms in a timely manner. She has since been terminated, June 2010.

Auditor's Conclusion

The municipality should ensure that all required forms are filed timely. During our next examination we will determine if the municipality complied with our recommendation.

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
COMMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

Comment No. 1 – Summary Of 2006-2007 Examination Recommendations

In our 2006-2007 report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$71,665.38 to its Liquid Fuels Tax Fund. This amount consists of \$53,755.09 for employee health benefits without maintaining supporting payroll documentation, \$7,610.29 for duplicate transfers to the General Fund, and \$10,300.00 for liquid fuels money improperly transferred to the General Fund.

During our current examination we reviewed a letter dated May 19, 2009, from the Department of Transportation informing the municipality to reimburse \$71,665.38 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$35,832.69 to its Liquid Fuels Tax Fund on December 7, 2010. As of the date of this report, the municipality had not reimbursed the remaining \$35,832.69 to its Liquid Fuels Tax Fund.

Comment No. 2 – Summary Of 2008 Examination Recommendations

In our 2008 report we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$15,697.97 to its Liquid Fuels Tax Fund for employee health benefits without maintaining supporting payroll documentation.

During our current examination, we reviewed a letter dated January 13, 2011, from the Department of Transportation informing the municipality to reimburse \$15,697.97 to its Liquid Fuels Tax Fund. As of the date of this report the municipality had not reimbursed this amount to its Liquid Fuels Tax Fund.

In our prior report, we also recommended:

- That the municipality ensure good internal controls over payroll/health benefits by maintaining daily time sheets that identify the nature of work performed and the location of work assignments and the portion of health benefits being paid for each employee.
- That the municipality establish and implement an adequate system of internal controls over disbursements. This includes ensuring that there are at least two authorized signatures on checks and that if the facsimile signature stamp of the municipal officials is used, each municipal official have their own stamp and the stamp should be maintained and applied by the officials whose name is represented on the stamp.

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
COMMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010

Comment No. 2 – Summary Of 2008 Examination Recommendations (Continued)

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

TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

An exit conference was held May 12, 2011. Those participating were:

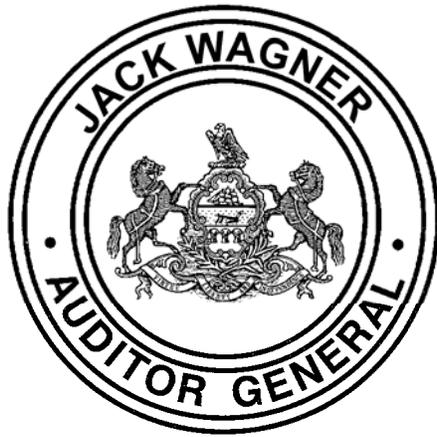
TOWNSHIP OF SPRINGFIELD

The Honorable William B. Holliday, Chairman of the Board of Supervisors
Mrs. Meredith L. Borstorff, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Ms.Ortenzia M. Keller, Auditor

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



TOWNSHIP OF SPRINGFIELD
ERIE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE TWO YEARS ENDED
DECEMBER 31, 2010

This report was initially distributed to:

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

Township of Springfield
Erie County
13300 Ridge Road
P. O. Box 274
West Springfield, PA 16443

The Honorable William B. Holliday

Chairman of the Board of Supervisors

Mrs. Meredith L. Borstorff

Secretary

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.