

# ATTESTATION ENGAGEMENT

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Township of Springhill

Fayette County, Pennsylvania

26-220

Liquid Fuels Tax Fund

For the Period

January 1, 2020 to December 31, 2021

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November 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

### Independent Auditor's Report

The Honorable Michael Carroll  
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 Springhill, Fayette County, for the period January 1, 2020 to December 31, 2021. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. 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 involves performing procedures to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with ethical requirements relating to the engagement.

As described in the Auditor Description Of Select Transactions section of this report, 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 the Findings And Recommendations and Summary Of Prior Examination Recommendations section of this report:

- The 2021 Liquid Fuels Tax Fund allocation of \$162,895.98 and Turnback Allocation of \$23,480.00, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, were not received until February 25, 2022, and February 24, 2022, respectively. (see Finding No. 1)
- The municipality expended \$164.00, \$606.44, and \$210.00 from its Liquid Fuels Tax Fund on January 16, 2020, January 11, 2021, and February 4, 2021, respectively, for expenditures incurred on September 19, 2019, August 31, 2020, and February 12, 2020, which are retroactive expenditures. (see Finding No. 2).
- The municipality expended \$540.00 during 2020 from the Liquid Fuels Tax Fund for a garage door repair, which is a nonpermissible expenditure (see Finding No. 3).
- In our prior examination period the municipality expended \$39,900.00 in noncompliance with advertising and bidding requirements. The municipality reimbursed this amount to its Liquid Fuels Tax Fund on May 27, 2022, which was subsequent to our examination period (see Summary Of Prior Examination Recommendations).

In our opinion, except for the bulleted matters described above, 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 Springhill, Fayette County, for the period January 1, 2020 to December 31, 2021, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements; and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

## Independent Auditor's Report (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

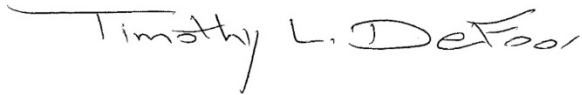
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Springhill, Fayette County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

- Late Receipt Of Allocations.
- Retroactive Expenditures.
- Nonpermissible Expenditure.
- Failure To Pay Federal And State Payroll Taxes.
- A Complete Record Of Township Meeting Minutes Was Not Available For Examination.

Independent Auditor's Report (Continued)

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Springhill, Fayette County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor  
Auditor General  
September 19, 2023

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TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., provides municipalities other than counties (i.e., 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 upon: (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.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code 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 allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either 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 such a 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. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2020 TO DECEMBER 31, 2021

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development’s (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation’s Financial Consultants.

*Criteria*

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

- Minor equipment purchases are purchases of road machinery and road equipment with varying yearly costs that are less than or equal to the amounts indicated below:

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

- Agility projects are exchanges of services with the Department of Transportation.



TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

Section 3 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.

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

Background (Continued)

*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 Form MS-965 has 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 Form 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 is prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

*General Fixed Assets*

General fixed assets are recognized as expenditures at the time of purchase. No depreciation has been provided on the heavy equipment used to maintain and repair roads and bridges.

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 2020 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 2,800.00	\$ -	\$ 2,800.00
Computer/Computer related training	-	-	-
Major equipment purchases	9,535.76	-	9,535.76
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	239.40	-	239.40
Traffic control devices	185.02	-	185.02
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	32,685.93	540.00	33,225.93
Maintenance and repair of roads and bridges	30,411.11	164.00	30,575.11
Highway construction and rebuilding projects	-	-	-
Miscellaneous	421.76	-	421.76
 Total (To Section 2, Line 5)	 <u>\$ 76,278.98</u>	 <u>\$ 704.00</u>	 <u>\$ 76,982.98</u>

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 2020 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, 2020	\$ 768,631.36	\$ 704.00	\$ 769,335.36
Receipts:			
2. State allocation	175,647.42	-	175,647.42
2a. Turnback allocation	23,480.00	-	23,480.00
2b. Interest on investments	2,511.70	-	2,511.70
2c. Miscellaneous	4,250.00	-	4,250.00
3. Total receipts	205,889.12	-	205,889.12
4. Total funds available	974,520.48	704.00	975,224.48
5. Expenditures (Section 1)	76,278.98	704.00	76,982.98
6. Balance, December 31, 2020	<u>\$ 898,241.50</u>	<u>\$ -</u>	<u>\$ 898,241.50</u>

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 2020 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	\$ 87,738.50	\$ -	\$ 87,738.50
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	39,825.48	-	39,825.48
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	127,563.98	-	127,563.98
5. Less: Major equipment expenditures	9,535.76	-	9,535.76
6. Remainder	<u>118,028.22</u>	<u>-</u>	<u>118,028.22</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 118,028.22</u>	<u>\$ -</u>	<u>\$ 118,028.22</u>

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 2021 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	31,120.17	-	31,120.17
Maintenance and repair of roads and bridges	26,978.63	-	26,978.63
Highway construction and rebuilding projects	-	-	-
Miscellaneous	74.00	-	74.00
 Total (To Section 2, Line 5)	 <u>\$ 58,172.80</u>	 <u>\$ -</u>	 <u>\$ 58,172.80</u>

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 2021 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, 2021	\$ 898,945.50	\$ (704.00)	\$ 898,241.50
Receipts:			
2. State allocation	162,895.98	(162,895.98)	-
2a. Turnback allocation	23,480.00	(23,480.00)	-
2b. Interest on investments	1,023.69	-	1,023.69
2c. Miscellaneous	-	-	-
3. Total receipts	<u>187,399.67</u>	<u>(186,375.98)</u>	<u>1,023.69</u>
4. Total funds available	<u>1,086,345.17</u>	<u>(187,079.98)</u>	<u>899,265.19</u>
5. Expenditures (Section 1)	<u>58,172.80</u>	<u>-</u>	<u>58,172.80</u>
6. Balance, December 31, 2021	<u><u>\$ 1,028,172.37</u></u>	<u><u>\$ (187,079.98)</u></u>	<u><u>\$ 841,092.39</u></u>

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 2021 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	\$ 118,028.22	\$ -	\$ 118,028.22
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	37,275.20	(37,275.20)	-
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	155,303.42	(37,275.20)	118,028.22
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>155,303.42</u>	<u>(37,275.20)</u>	<u>118,028.22</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 155,303.42</u>	<u>\$ (37,275.20)</u>	<u>\$ 118,028.22</u>



TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

The following information relates to certain types of transactions for which the Pennsylvania Department of Transportation requested that we provide additional detail:

Adjustments

2020 - Section 1

An adjustment of \$540.00 was made to “Repairs of tools and machinery” because check No. 367 was not reported.

An adjustment of \$164.00 was made to “Maintenance and repair of roads and bridges” because check No. 368 was not reported.

2020 - Section 2

An adjustment of \$704.00 was made to “Balance, January 1, 2020” because of prior report adjustments that were not carried forward in the fund balance.

2021 - Section 2

An adjustment of \$(704.00) was made to “Balance, January 1, 2021” to reflect the adjustment made to the fund balance in 2020 - Section 2.

An adjustment of \$(162,895.98) was made to “State allocation” because the allocation was reported but not received until 2022.

An adjustment of \$(23,480.00) was made to “Turnback allocation” because the allocation was report but not received until 2022.

2021 - Section 3

An adjustment of \$(37,275.20) was made to “Current year equipment allocation” because the state allocation of \$162,895.98 and turnback allocation of \$23,480.00 from 2021 - Section 2, which are used to calculate this figure, were reported but not received until 2022.

Miscellaneous Receipts

On February 20, 2020, the municipality deposited \$4,250.00 into its Liquid Fuels Tax Fund that was received from a vendor for a reimbursement for damages.

TOWNSHIP OF SPRINGHILL  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
 FOR THE PERIOD  
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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>2020</u>	<u>2021</u>
Financial institution	Bank service charges	\$421.76	\$ -
Financial institution	Bank service charges	-	74.00
Totals		<u>\$421.76</u>	<u>\$74.00</u>

Lease-Purchase Agreement

On October 24, 2016, the municipality entered into a lease-purchase agreement with F.N.B. Bank to purchase a JCB skid steer loader for \$52,899.00. The agreement was for a term of six years at an interest rate of 3.09 percent. Principal and interest payments of \$9,535.76 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$9,174.82 and \$360.94, respectively. Additionally, the municipality paid principal of \$16,683.71 and interest of \$2,387.81 from the General Fund.

During the current examination period, the municipality paid principal of \$9,010.61 and interest of \$525.15 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2020 Form MS-965 - Section 1. Additionally, the municipality paid principal of \$18,029.86 and interest of \$1,041.66 from the General Fund. As of October 14, 2021, the lease-purchase agreement was paid-in-full.

Lease-Purchase Agreement

On February 2, 2017, the municipality entered into a lease-purchase agreement with F.N. B. Bank to purchase a 2016 Massey Ferguson tractor for \$113,865.80. The agreement was for a term of five years at an interest rate of 3.163980 percent. Principal and interest payments of \$24,417.80 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$21,950.33 and \$2,467.47, respectively. Additionally, the municipality paid principal of \$44,217.69 and interest of \$4,058.91 from the General Fund.

During the current examination period, the municipality paid principal of \$47,697.78 and interest of \$1,137.82 from the General Fund. As of February 17, 2021, the lease-purchase agreement was paid-in-full.

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 1 - Late Receipt Of Allocations**

Our examination disclosed that the 2021 Liquid Fuels Tax Fund allocation of \$162,895.98 and Turnback Allocation of \$23,480.00, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, were not received until February 25, 2022, and February 24, 2022, respectively. The Liquid Fuels Tax Fund allocation was not received timely 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 31<sup>st</sup> and the Survey of Financial Condition by March 15<sup>th</sup>.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation's Financial Consultants.

The turnback allocation was made to the municipality in accordance with the *Vehicle Code*, 75 Pa. C.S.A. § 9511 and is the only withheld CRP hold or block imposed by the Department of Revenue, which is why both allocations were withheld.

Because of the hold or block imposed by the Department of Revenue, the municipality did not have use of the 2021 Liquid Fuels and Turnback allocations for almost one year. 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.

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 1 - Late Receipt Of Allocation And Turnback (Continued)**

Recommendation

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

Management's Response

The municipal officials stated:

We are doing all reports to get the allocations. We have to pay back and deposit all the funds that were not permitted, so we can get our state check.

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 2 - Retroactive Expenditures**

Our examination disclosed that the municipality expended \$164.00, \$606.44, and \$210.00 from its Liquid Fuels Tax Fund on January 16, 2020, January 11, 2021, and February 4, 2021, respectively, for expenditures incurred on September 19, 2019, August 31, 2020, and February 12, 2020, which are retroactive expenditures.

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, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were incurred on September 19, 2019, August 31, 2020, and February 12, 2020, and were not paid until January 16, 2020, January 11, 2021, and February 4, 2021, respectively, the expenditures incurred were not paid in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

Municipal officials stated this condition occurred because there were new secretaries and new treasurers during the examination period.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$980.44 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$980.44 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* as noted above.

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 2 - Retroactive Expenditures (Continued)**

Management's Response

The municipal officials stated:

We will not pay any back bills from the Liquid Fuels Tax Fund.

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 3 - Nonpermissible Expenditure**

Our examination disclosed that the municipality expended \$540.00 during 2020 from the Liquid Fuels Tax Fund for a garage door repair, 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 garage door repairs, are outside the scope of permissible expenditures.

Municipal officials stated this condition occurred because there were new secretaries and new treasurers during the examination period.

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 \$540.00 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$540.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 3 - Nonpermissible Expenditure (Continued)**

Management's Response

The municipal officials stated:

We will only pay bills permitted by the state.

Auditor's Conclusion

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



TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 4 - Failure To Pay Federal And State Payroll Taxes**

Our examination disclosed that during 2021, the municipality expended \$20,000.00 from its Liquid Fuels Tax Fund for payroll expenditures. Although the municipality withheld federal and states taxes from the wages of supervisors and employees, it did not remit payroll taxes timely to the proper authorities.

The municipality should refer to the following publications and websites for payroll withholding and remitting requirements:

- IRS Publication 15 (Circular E) Employers Tax Guide  
[www.irs.gov](http://www.irs.gov)
- Pennsylvania Department of Revenue Rev - 415 Employer Withholding Information Guide  
[www.revenue.pa.gov](http://www.revenue.pa.gov)

Municipal officials stated this condition occurred because there were new secretaries and new treasurers during the examination period.

The failure to remit payroll taxes resulted in the municipality having to pay interest and penalties on uncollected taxes.

During our current examination, we noted that the municipality paid the taxes and penalties at the rates prescribed by law for 2021. All unpaid taxes and related interest, and penalties were paid subsequent to our examination period.

**Recommendation**

We recommend that, in the future, the municipality remit payroll taxes timely as prescribed by law.

**Management's Response**

The municipal officials stated:

We are now paying all taxes for each month and quarter.

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 4 - Failure To Pay Federal And State Payroll Taxes (Continued)**

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 5 - A Complete Record Of Township Meeting Minutes Was Not Available For Examination**

Our examination disclosed that a complete record of minutes reflecting meetings of the board of supervisors was not available at the township during the examination period of January 1, 2020 to December 31, 2021.

*The Second Class Township Code, Section 605, states:*

Minutes and Record. – (a) The board of supervisors shall provide for the recording of minutes of its proceedings and other books it may find necessary in the performance of its duties. The records shall be made available to the board of auditors during the annual audit. Unless the custodian of the records agrees otherwise, the records shall be audited or inspected at the place where they are normally maintained. Supervisors who leave office shall deliver all township records in their possession to their successors or to the township secretary.

(b) All township records required to be recorded or transcribed are valid if typewritten, printed, photostated or microfilmed, and, where recording in a specified book of record is required, including minutes of the proceedings of the board of supervisors, the records may be recorded or transcribed in a mechanical post binder book capable of being permanently sealed, with consecutively numbered pages with a security code printed thereon and a permanent locking device with the township seal being impressed upon each page, or bound book with pages being consecutively numbered by transcribing directly upon the pages of the book of record, or may be attached to the book of record by stapling or by glue or any other adhesive substance or material, and all records previously recorded or transcribed in any manner authorized by this section are validated. When any record is recorded or transcribed by attaching the record or a copy of it to the book of record, the township seal shall be impressed upon each page to which the record is attached, each impression covering both a portion of the attached record and a portion of the page of the book of record to which the record is attached.

The primary purpose of the minutes is to provide an official record of council meetings. Without a complete record of minutes, we were unable to determine if there were any references to information which would have had an impact on the propriety of liquid fuels expenditures. Additionally, we were unable to determine if litigation or related party transactions were noted.

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 5 - A Complete Record Of Township Meeting Minutes Was Not Available For Examination (Continued)**

Municipal officials stated this condition occurred because there were new secretaries and new treasurers during the examination period.

Recommendation

We recommend that, in the future, transcribed minutes for council meetings be available for public review within a reasonable period of time after each meeting.

Management's Response

The municipal officials stated:

We are keeping the minute book up to date.

Auditor's Conclusion

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

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

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 \$118,124.13 to its Liquid Fuels Tax Fund for failing to maintain documentation supporting expenditures, of which \$39,900.00 was also noncompliant with advertising and bidding requirements.

During our current examination, we reviewed a letter dated November 24, 2021, from the Department of Transportation directing the municipality to reimburse \$39,900.00 of the \$118,124.13 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on May 27, 2022, which was subsequent to our examination period.

In our prior report, we also recommended that the municipality:

- Ensure good internal control over expenditures by maintaining adequate documentation to support expenditures.
- Comply with *The Second Class Township Code* by advertising for bids for all purchases over \$20,600.00. The threshold for advertising for bids increased to purchases over \$21,000.00 for 2020, \$21,300.00 for 2021, \$21,900.00 for 2022, and \$22,500.00 for 2023.

During our current examination, we did not note any instances of failure to maintain documentation to support expenditures nor did we find any failures to comply with advertising and bidding requirements.

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF ONSITE CLOSEOUT MEETING  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

An onsite closeout meeting was held May 23, 2023. Those participating were:

TOWNSHIP OF SPRINGHILL

The Honorable Robert Gene Grimm, II, Chairman of the Board of Supervisors

The Honorable Greg Hostetler, Vice-Chairman of the Board of Supervisors

Mrs. Linda M. Smith, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Michele Simpson, Auditor

TOWNSHIP OF SPRINGHILL  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

This report was initially distributed to:

**The Honorable Michael Carroll**  
Secretary  
Department of Transportation

**Township of Springhill**  
Fayette County  
198 Lake Lynn Road  
Lake Lynn, PA 15451

**The Honorable Robert Gene Grimm, II**  
Chairman of the Board of Supervisors

**The Honorable Greg Hostetler**  
Vice-Chairman of the Board of Supervisors

**Mrs. Linda M. Smith**  
Secretary/Treasurer

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).