

ATTESTATION ENGAGEMENT

Township of Ulysses
Potter County, Pennsylvania
52-223
Liquid Fuels Tax Fund
For the Period
January 1, 2013 to December 31, 2014

May 2016



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Leslie Richards
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 Ulysses, Potter County, for the period January 1, 2013 to December 31, 2014. 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 Ulysses, Potter County's Forms MS-965 for the period January 1, 2013 to December 31, 2014 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 township expended \$13,861.81 during 2013 and \$12,861.67 during 2014 for the purchase of diesel fuel. However, documentation for price quotations was not available for examination.

In our opinion, except for the matter discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Ulysses, Potter County, for the period January 1, 2013 to December 31, 2014, in conformity with the criteria set forth in Note 1.

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; and 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.

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.

Independent Auditor's Report (Continued)

As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of Township of Ulysses, Potter 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 instance of noncompliance that is required to be reported under *Government Auditing Standards*:

- Documentation For Price Quotations Was Not Available For Examination - Recurring.

We also noted a matter that, while not required to be included in this report by *Government Auditing Standards*, has been included in the finding below:

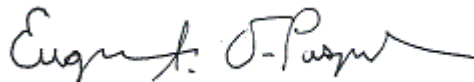
- Late Receipt Of Allocation.

We are concerned in light of the township's failure to correct a previously reported examination finding for purchases made without maintaining documentation for price quotations. During our current examination the municipality failed to maintain documentation for price quotations and received its 2014 Liquid Fuels Tax Fund allocation late.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$26,723.48 to its Liquid Fuels Tax Fund. Additionally, because the municipality failed to file documents and information timely, the municipality did not have use of the 2014 allocation for more than three months. The municipality should take corrective action and implement the recommendations 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 Ulysses, Potter County, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended by the Township of Ulysses, Potter County, to us during the course of our examination. If you have any questions, please feel free to contact Michael B. Kashishian, CPA, CGAP, CFE, Director, Bureau of County Audits, at 717-787-1363.



Eugene A. DePasquale
Auditor General

March 1, 2016

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TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

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 ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
2013 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	1,389.66	-	1,389.66
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	15,273.99	(27.70)	15,246.29
Maintenance and repair of roads and bridges	43,773.73	-	43,773.73
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 60,437.38</u>	 <u>\$ (27.70)</u>	 <u>\$ 60,409.68</u>

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

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
2013 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, 2013	\$ 56,314.02	\$ -	\$ 56,314.02
Receipts:			
2. State allocation	59,935.16	-	59,935.16
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	113.88	-	113.88
2c. Miscellaneous	-	-	-
3. Total receipts	<u>60,049.04</u>	<u>-</u>	<u>60,049.04</u>
4. Total funds available	<u>116,363.06</u>	<u>-</u>	<u>116,363.06</u>
5. Expenditures (Section 1)	<u>60,437.38</u>	<u>(27.70)</u>	<u>60,409.68</u>
6. Balance, December 31, 2013	<u>\$ 55,925.68</u>	<u>\$ 27.70</u>	<u>\$ 55,953.38</u>

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

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
2013 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	\$ 7,294.51	\$ 4,715.94	\$ 12,010.45
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	11,987.03	-	11,987.03
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	19,281.54	4,715.94	23,997.48
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>19,281.54</u>	<u>4,715.94</u>	<u>23,997.48</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 19,281.54</u>	<u>\$ 4,715.94</u>	<u>\$ 23,997.48</u>

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

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
2014 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	10,124.68	-	10,124.68
Maintenance and repair of roads and bridges	67,122.02	-	67,122.02
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 77,246.70</u>	 <u>\$ -</u>	 <u>\$ 77,246.70</u>

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

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
2014 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, 2014	\$ 55,925.68	\$ 27.70	\$ 55,953.38
Receipts:			
2. State allocation	64,188.21	-	64,188.21
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	87.10	-	87.10
2c. Miscellaneous (Summary Of 2011- 2012 Examination Recommendations)	<u>25,628.68</u>	<u>(27.70)</u>	<u>25,600.98</u>
3. Total receipts	<u>89,903.99</u>	<u>(27.70)</u>	<u>89,876.29</u>
4. Total funds available	<u>145,829.67</u>	<u>-</u>	<u>145,829.67</u>
5. Expenditures (Section 1)	<u>77,246.70</u>	<u>-</u>	<u>77,246.70</u>
6. Balance, December 31, 2014	<u>\$ 68,582.97</u>	<u>\$ -</u>	<u>\$ 68,582.97</u>

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

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
2014 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 19,281.54	\$ 4,715.94	\$ 23,997.48
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	12,837.64	-	12,837.64
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	32,119.18	4,715.94	36,835.12
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>32,119.18</u>	<u>4,715.94</u>	<u>36,835.12</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 32,119.18</u>	<u>\$ 4,715.94</u>	<u>\$ 36,835.12</u>

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

TOWNSHIP OF ULYSSES
 POTTER COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

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 with varying yearly costs in excess of the amounts indicated below:

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

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

Prior To 2012	2012	2013	2014
\$4,000.00	\$10,000.00	\$10,200.00	\$10,300.00

- 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 was received from the Department of Transportation during the first week in April of each year through 2013. Municipalities began receiving the state allocation in March of each year beginning in 2014. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation was received from the Department of Transportation during the first week in April of each year through 2013. Municipalities began receiving the turnback allocation in March of each year beginning in 2014. 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.

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

1. Criteria (Continued)

Section 2 (Continued)

- 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.

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.

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

1. Criteria (Continued)

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.

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 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.

TOWNSHIP OF ULYSSES
 POTTER COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2013 TO DECEMBER 31, 2014

2. Deposits (Continued)

There were no deposits exposed to custodial credit risk as of December 31 2014. 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.

Fund Balance

The fund balance as of December 31, 2014 consists of the following:

Cash	\$34,624.58
Certificates of deposit	<u>33,958.39</u>
Total	<u>\$68,582.97</u>

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account and certificates of deposit which earned \$113.88 during 2013, and \$87.10 during 2014, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2013 - Section 1

An adjustment of \$(27.70) was made to “Repairs of tools and machinery” because check No. 1177 was voided but was included as an expenditure.

2013 - Section 3

An adjustment of \$4,715.94 was made to “Prior year equipment balance” because an incorrect equipment balance was reported.

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

4. Adjustments (Continued)

2014 - Section 2

An adjustment of \$27.70 was made to “Balance, January 1, 2014” to reflect the adjustment made to the fund balance in 2013 - Section 2.

An adjustment of \$(27.70) was made to “Miscellaneous” because these receipts were overstated.

2014 - Section 3

An adjustment of \$4,715.94 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2013 - Section 3.

5. Lease-Purchase Agreement

On June 2, 2010, the municipality entered into a lease-purchase agreement with Daimler Truck Financial to purchase a 2010 Freightliner Model M2 4x4 truck for \$119,080.00. The agreement was for a term of five years at an interest rate of 3.75 percent. Principal and interest payments of \$25,600.98 are due annually. Because the township did not properly bid for the truck, the payments are not eligible to be paid from the Liquid Fuels Tax Fund.

Principal payments made from the Liquid Fuels Tax Fund during 2009 and 2010 were \$25,600.98. The reimbursement for these payments was not required by the Department of Transportation (see Summary Of 2009-2010 Examination Recommendations).

Principal and interest payments made from the Liquid Fuels Tax Fund during 2011-2012 were \$22,095.52 and \$3,505.46, respectively. These amounts were reimbursed to the Liquid Fuels Tax Fund (see Summary Of 2011-2012 Examination Recommendations). Additionally, during the prior examination period the municipality paid principal of \$22,924.10 and interest of \$2,676.88 from the General Fund.

During the current examination period, the municipality paid principal of \$48,459.40 and interest of \$2,742.57 from the General Fund. The agreement was paid-in-full on May 27, 2014.

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination -
Recurring**

We cited the municipality for failing to maintain documentation for price quotations in our prior report for the period January 1, 2011 to December 31, 2012. Our current examination disclosed that the township expended \$13,861.81 during 2013 and \$12,861.67 during 2014 from the Liquid Fuels Tax Fund for the purchase of diesel fuel. The township was required to obtain three written or telephonic price quotations for these expenditures. However, documentation for price quotations was not available for examination. The diesel fuel purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
Various	Various	1148	02/18/13	2,878.10	
Various	Various	1150	03/12/13	1,854.74	
Various	Various	1162	04/09/13	2,285.24	
442650	04/23/13	1173	05/14/13	463.50	
Various	Various	1174	06/24/13	1,445.80	
Various	Various	1181	07/16/13	477.25	
443215	07/16/13	1184	08/12/13	586.15	
438648	08/09/13	1194	09/16/13	476.25	
11505318	09/12/13	1195	10/09/13	993.00	
Various	Various	1203	11/13/13	1,661.16	
449686	11/20/13	1213	12/19/13	740.62	
2013 Total					\$13,861.81
Various	Various	1223	01/20/14	2,083.27	
Various	Various	1228	02/10/14	2,315.38	
Various	Various	1241	03/20/14	2,728.99	
Various	Various	1248	07/14/14	978.86	
10444450	07/02/14	1258	08/13/14	642.00	
Various	Various	1266	09/19/14	1,528.21	
10445722	09/15/14	1268	10/08/14	761.25	
Various	Various	1274	11/12/14	1,823.71	
2014 Total					<u>12,861.67</u>
Two Year Total					<u>\$26,723.48</u>

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination -
Recurring (Continued)**

The above expenditures were not made in compliance with the contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(b), (also found at § 3102(b) of *The Second Class Township Code* as published by the Local Government Commission), which states, in part:

Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts [during 2012] that exceed ten thousand dollars (\$10,000.00) but are less than the amount [in excess of \$18,500.00] requiring advertisement and competitive bidding or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. A written record of telephonic price quotations shall be made and shall contain at least the date of the quotation, the name of the contractor and the contractor's representative, the construction, reconstruction, repair, maintenance or work which was the subject of the quotation and the price. Written price quotations, written records of telephonic price quotations and memoranda shall be retained for a period of three years.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$26,723.48 to its Liquid Fuels Tax Fund.

This condition occurred because the municipality failed to comply with our prior examination recommendation to obtain price quotations when required by *The Second Class Township Code*.

Recommendations

We recommend that the township reimburse \$26,723.48 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding. The thresholds for obtaining price quotations increased to purchases between \$10,200.00 and \$18,900.00 for 2013, \$10,300.00 and \$19,100.00 for 2014, and \$10,500.00 and \$19,400.00 for 2015 and 2016.

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

**Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination -
Recurring (Continued)**

Management's Response

The township officials stated:

We agree with the finding for 2013 and 2014 and as of 2015 we are receiving bids.

Auditor's Conclusion

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

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Finding No. 2 - Late Receipt Of Allocation

Our examination disclosed that the 2014 Liquid Fuels Tax Fund allocation of \$64,188.21 which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until June 20, 2014, 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 2014 allocation for more than three 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.

Recommendation

We recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* to ensure that the allocations are received timely.

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

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

Management's Response

The municipal officials stated:

As of 2015, all reports have been filed timely

Auditor's Conclusion

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

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATIONS' RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

Summary Of 2009-2010 Examination Recommendation

In our 2009-2010 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$25,600.98 to its Liquid Fuels Tax Fund for a truck that was improperly bid.

During our current examination, we reviewed a letter from the Department of Transportation dated May 6, 2014, informing the municipality that reimbursement of \$25,600.98 would not be required.

Summary Of 2011-2012 Examination Recommendations

In our 2011-2012 report, we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$63,278.96 to its Liquid Fuels Tax Fund. This amount consists of:

- \$25,600.98 for a lease purchase payment on a truck that was improperly bid.
- \$17,175.69 for the purchase of diesel fuel without advertising for bids.
- \$13,786.35 for the purchase of diesel fuel without maintaining documentation for price quotations.
- \$4,715.94 in excess of the amount available for the purchase of equipment for the year ending December 31, 2011.
- \$2,000.00 for related party transactions.

During our current examination, dated February 4, 2015, from the Department of Transportation informing the municipality to reimburse \$25,600.98 of the \$63,278.96 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed \$25,600.98 to its Liquid Fuels Tax Fund on December 4, 2014.

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATIONS RECOMMENDATIONS
FOR THE PERIOD
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Summary Of 2011-2012 Examinations' Recommendations (continued)

In our 2011-2012 report we also recommended that the township:

- Comply with *The Second Class Township Code* by advertising for bids before agreeing to purchase items over \$10,000.00. The threshold for advertising for bids increased to purchases over \$18,500.00 for 2012, \$18,900.00 for 2013, \$19,100.00 for 2014, and \$19,400.00 for 2015 and 2016.
- Comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by advertising for bids for purchases over \$10,000.00. The thresholds for advertising and bidding increased to \$18,500.00 in 2012, \$18,900.00 for 2013, \$19,100.00 for 2014, and \$19,400.00 for 2015 and 2016.
- Comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by maintaining documentation for price quotations for purchases between \$4,000.00 and \$10,000.00. The thresholds for obtaining price quotations increased to purchases between \$10,000.00 and \$18,500.00 in 2012, \$10,200.00 and \$18,900.00 for 2013, \$10,300.00 and \$19,100.00 for 2014, and \$10,500.00 and \$19,400.00 for 2015 and 2016..
- Only expend up to the approved amount on equipment expenditures in accordance with the Department of Transportation's *Publication 9*.
- Comply with *The Second Class Township Code* and the Ethics Act regarding related party transactions.

During our current examination, we noted that the municipality complied with our first, second, fourth, and fifth bulleted recommendations but did not comply with our third bulleted recommendation (see Finding No. 1).

TOWNSHIP OF ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

An exit conference was held January 26, 2016. Those participating were:

TOWNSHIP OF ULYSSES

Ms. Cheryl Freeman, 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 ULYSSES
POTTER COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2013 TO DECEMBER 31, 2014

This report was initially distributed to:

The Honorable Leslie Richards
Secretary
Department of Transportation

Township of Ulysses
Potter County
2556 SR 49 West
Ulysses, PA 16948

The Honorable Richard Erickson
Chairman of the Board of Supervisors

Ms. Cheryl Freeman
Secretary/Treasurer

This report is a matter of public record and is available online at 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.