



TOWNSHIP OF LOGAN
BLAIR COUNTY
07-210

LIQUID FUELS TAX FUND
EXAMINATION REPORT

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

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Township of Logan, Blair County's Forms MS-965 for the period January 1, 2010 to December 31, 2011 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

As described in Note 4, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the municipality expended \$37,498.62 during 2010, and \$20,025.56 during 2011, for the purchase of paving materials without advertising for bids. Additionally as discussed in Finding No. 2, the municipality expended \$522.69 during 2010, \$7,164.68 during 2011, and \$17,514.70 during 2012, for the purchase of ID-2, which are nonpermissible expenditures.

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 Logan, Blair County, for the period January 1, 2010 to December 31, 2012, in conformity with the criteria set forth in Note 1.

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

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

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

Independent Auditor's Report (Continued)

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

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

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

- Nonpermissible Expenditures.

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



EUGENE A. DEPASQUALE
Auditor General

April 11, 2013

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

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

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

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In this case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

TOWNSHIP OF LOGAN
 BLAIR COUNTY
 LIQUID FUELS TAX FUND
 2010 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	7,349.45	-	7,349.45
Winter maintenance services	138,399.27	-	138,399.27
Traffic control devices	33,832.40	-	33,832.40
Street lighting	3,403.07	-	3,403.07
Storm sewers and drains	55,532.93	-	55,532.93
Repairs of tools and machinery	8,812.22	-	8,812.22
Maintenance and repair of roads and bridges	70,536.64	-	70,536.64
Highway construction and rebuilding projects	141,053.57	-	141,053.57
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 458,919.55</u>	 <u>\$ -</u>	 <u>\$ 458,919.55</u>

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

TOWNSHIP OF LOGAN
BLAIR COUNTY
LIQUID FUELS TAX FUND
2010 FORM MS-965 – SECTION 2
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 350,310.07	\$ -	\$ 350,310.07
Receipts:			
2. State allocation	312,347.26	-	312,347.26
2a. Turnback allocation	10,320.00	-	10,320.00
2b. Interest on investments (Note 3)	688.30	-	688.30
2c. Miscellaneous (Note 5)	7,195.86	-	7,195.86
3. Total receipts	<u>330,551.42</u>	<u>-</u>	<u>330,551.42</u>
4. Total funds available	<u>680,861.49</u>	<u>-</u>	<u>680,861.49</u>
5. Expenditures (Section 1)	<u>458,919.55</u>	<u>-</u>	<u>458,919.55</u>
6. Balance, December 31, 2010	<u><u>\$ 221,941.94</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 221,941.94</u></u>

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

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

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 350,310.07	\$ -	\$ 350,310.07
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	64,533.45	-	64,533.45
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	414,843.52	-	414,843.52
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>414,843.52</u>	<u>-</u>	<u>414,843.52</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 221,941.94</u>	<u>\$ -</u>	<u>\$ 221,941.94</u>

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

TOWNSHIP OF LOGAN
 BLAIR COUNTY
 LIQUID FUELS TAX FUND
 2011 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 7,535.24	\$ -	\$ 7,535.24
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	7,500.00	-	7,500.00
Winter maintenance services	104,635.30	-	104,635.30
Traffic control devices	12,670.88	-	12,670.88
Street lighting	-	-	-
Storm sewers and drains	41,384.32	-	41,384.32
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	45,434.47	4,258.18	49,692.65
Highway construction and rebuilding projects	174,977.88	-	174,977.88
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 394,138.09</u>	 <u>\$ 4,258.18</u>	 <u>\$ 398,396.27</u>

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

TOWNSHIP OF LOGAN
BLAIR COUNTY
LIQUID FUELS TAX FUND
2011 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, 2011	\$ 221,941.94	\$ -	\$ 221,941.94
Receipts:			
2. State allocation	323,612.91	-	323,612.91
2a. Turnback allocation	10,320.00	-	10,320.00
2b. Interest on investments (Note 3)	550.31	-	550.31
2c. Miscellaneous (Note 5)	1,506.20	4,258.18	5,764.38
3. Total receipts	<u>335,989.42</u>	<u>4,258.18</u>	<u>340,247.60</u>
4. Total funds available	<u>557,931.36</u>	<u>4,258.18</u>	<u>562,189.54</u>
5. Expenditures (Section 1)	<u>394,138.09</u>	<u>4,258.18</u>	<u>398,396.27</u>
6. Balance, December 31, 2011	<u>\$ 163,793.27</u>	<u>\$ -</u>	<u>\$ 163,793.27</u>

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

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

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 221,941.94	\$ -	\$ 221,941.94
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	66,786.58	-	66,786.58
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	288,728.52	-	288,728.52
5. Less: Major equipment expenditures	7,535.24	-	7,535.24
6. Remainder	<u>281,193.28</u>	<u>-</u>	<u>281,193.28</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 163,793.27</u>	<u>\$ -</u>	<u>\$ 163,793.27</u>

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

TOWNSHIP OF LOGAN
 BLAIR COUNTY
 LIQUID FUELS TAX FUND
 2012 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	5,000.00	-	5,000.00
Winter maintenance services	67,043.57	-	67,043.57
Traffic control devices	16,506.02	-	16,506.02
Street lighting	-	-	-
Storm sewers and drains	4,132.38	-	4,132.38
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	75,124.62	-	75,124.62
Highway construction and rebuilding projects	128,591.99	-	128,591.99
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 296,398.58</u>	 <u>\$ -</u>	 <u>\$ 296,398.58</u>

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

TOWNSHIP OF LOGAN
BLAIR COUNTY
LIQUID FUELS TAX FUND
2012 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, 2012	\$ 163,793.27	\$ -	\$ 163,793.27
Receipts:			
2. State allocation	333,345.70	-	333,345.70
2a. Turnback allocation	10,320.00	-	10,320.00
2b. Interest on investments (Note 3)	583.95	-	583.95
2c. Miscellaneous (Note 5)	1,287.17	-	1,287.17
3. Total receipts	<u>345,536.82</u>	<u>-</u>	<u>345,536.82</u>
4. Total funds available	<u>509,330.09</u>	<u>-</u>	<u>509,330.09</u>
5. Expenditures (Section 1)	<u>296,398.58</u>	<u>-</u>	<u>296,398.58</u>
6. Balance, December 31, 2012	<u><u>\$ 212,931.51</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 212,931.51</u></u>

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

TOWNSHIP OF LOGAN
BLAIR COUNTY
LIQUID FUELS TAX FUND
2012 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	\$ 163,793.27	\$ -	\$ 163,793.27
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	68,733.14	-	68,733.14
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	232,526.41	-	232,526.41
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>232,526.41</u>	<u>-</u>	<u>232,526.41</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 212,931.51</u>	<u>\$ -</u>	<u>\$ 212,931.51</u>

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

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

1. Criteria

Section 1

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

- Major equipment purchases are purchases of road machinery and road equipment that cost in excess of \$4,000.00 prior to 2012 and in excess of \$10,000.00 during 2012 and subsequent years.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less prior to 2012 and \$10,000.00 or less during 2012 and subsequent years.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

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

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.
- Expenditures include the total transferred from Section 1.

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

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

1. Criteria (Continued)

Section 3 (Continued)

balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

Department of Transportation *Publication 9* requires that the amount expended for equipment purchases in a given year not exceed the sum of the equipment balance carried forward from the previous year and 20 percent of the current year's Liquid Fuels Tax Fund allocation and, if applicable, 20 percent of the turnback allocation plus other Department of Transportation approved adjustments.

If the municipality spent in excess of the amount listed on Line 4, the excess must be reimbursed to the Liquid Fuels Tax Fund.

The equipment balance to be carried forward for the subsequent year is the lesser of the amount on Line 6 or the ending fund balance on Line 6 of Section 2, but not less than zero.

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Forms MS-965 have been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments are prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

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

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

The Second Class Township Code, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2012. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

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

2. Deposits (Continued)

Fund Balance

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

Cash	<u>\$212,931.51</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$688.30 during 2010, \$550.31 during 2011, and \$583.95 during 2012, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2011 - Section 1

An adjustment of \$4,258.18 was made to "Maintenance and repair of roads and bridges" because these expenditures were understated.

2011 - Section 2

An adjustment of \$4,258.18 was made to "Miscellaneous" because the reimbursement for fuel was not reported.

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

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>2010</u>	<u>2011</u>	<u>2012</u>
General Fund	Reimbursement for pipe and stone	\$3,306.78	\$1,506.20	\$1,287.17
P.E.M.A	Severe weather assistance	3,889.08	-	-
General Fund	Reimbursement for fuel	-	4,258.18	-
Totals		<u>\$7,195.86</u>	<u>\$5,764.38</u>	<u>\$1,287.17</u>

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

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

Our examination disclosed that the township expended \$37,498.62 during 2010 and \$20,025.56 during 2011, from the Liquid Fuels Tax Fund for the purchase of paving materials without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
2593	04/16/2010	53664	05/11/2010	\$ 237.51	
2697	04/23/2010	53664	05/11/2010	988.40	
2777	04/30/2010	53744	05/18/2010	2,360.66	
2874	05/07/2010	53744	05/18/2010	2,216.53	
2960	05/14/2010	53898	06/08/2010	3,228.73	
3044	05/21/2010	53898	06/08/2010	4,464.47	
3141	05/28/2010	53978	06/15/2010	4,531.56	
3227	06/04/2010	53978	06/15/2010	4,398.82	
3336	06/11/2010	54080	06/29/2010	3,199.70	
3446	06/18/2010	54080	06/29/2010	1,092.54	
3546	06/25/2010	54275	07/27/2010	1,629.57	
3607	07/02/2010	54275	07/27/2010	2,750.69	
3739	07/09/2010	54275	07/27/2010	277.72	
3837	07/16/2010	54275	07/27/2010	582.30	
4187	08/13/2010	54623	09/07/2010	557.41	
4281	08/20/2010	54623	09/07/2010	548.24	
4365	08/27/2010	54732	09/21/2010	1,888.39	
4460	09/03/2010	54732	09/21/2010	705.45	
4530	09/10/2010	54732	09/21/2010	706.11	
4617	09/17/2010	54895	10/12/2010	143.45	
4703	09/24/2010	54895	10/12/2010	457.19	
4789	10/01/2010	54972	10/19/2010	533.18	
2010 Total					\$37,498.62

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

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

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
6336	04/22/2011	56581	05/10/2011	\$ 264.01	
6421	04/29/2011	56663	05/17/2011	736.03	
6505	05/06/2011	56663	05/17/2011	172.52	
6617	05/13/2011	56700	05/24/2011	4,281.54	
6813	05/27/2011	56809	06/07/2011	1,400.71	
6979	06/10/2011	57011	07/05/2011	571.24	
7082	06/17/2011	57011	07/05/2011	1,838.71	
7175	06/24/2011	57011	07/05/2011	731.78	
7279	07/01/2011	57090	07/12/2011	269.33	
7380	07/08/2011	57308	08/09/2011	815.97	
7464	07/15/2011	57308	08/09/2011	390.36	
7558	07/22/2011	57308	08/09/2011	540.65	
8345	09/23/2011	57735	10/04/2011	2,527.60	
8406	09/30/2011	57735	10/04/2011	686.56	
8496	10/07/2011	57853	10/18/2011	2,262.36	
8580	10/14/2011	57882	10/25/2011	549.29	
8665	10/21/2011	57988	11/09/2011	1,061.21	
8825	11/04/2011	58068	11/04/2011	925.69	
2011 Total					<u>\$20,025.56</u>
Two Year Total					<u>\$57,524.18</u>

The above expenditures were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$10,000.00 must be advertised, bid, and awarded by contract. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

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

Each municipality shall make an annual estimate of its requirements of road construction and maintenance materials, and shall advertise for bids on all items

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

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

and groups of like items ordinarily supplied by a single supplier . . . which are estimated to exceed \$10,000 for the year If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 . . . the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 . . .

The failure to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$57,524.18 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$57,524.18 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The township officials stated:

We never know how much hot patch will be needed in a given year. We have no way of knowing how many road cuts will be made due to new construction or utilities nor do we know what kind of condition the roads will be in after the winter. In the event we have a larger patching project, our Highway Foreman typically gets phone quotes; however, we were unable to locate the documentation to support his quotes for the years in question.

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

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

The fact that the Township's 80 miles of roads are so spread out and it is essential that the material remain hot, the distance between where the material is picked up and laid is a determining factor of where the product is purchased. Delivery is not an option because in most cases we are only getting four tons at a time. The vendor where we purchase most of our hot patch material is within close proximity to the Township line. The other vendor, which has locations both in Tyrone and Roaring Spring, is further away. The added cost of time and travel and fuel to get to these locations is also taken into consideration.

Furthermore, although these costs may be deemed as ineligible or noncompliant, the Township has anywhere from \$97,737.00 to \$986,804.00 in eligible costs per year to the Liquid Fuels program that we expended out of the General Fund. In 2010, we had approximately \$97,737.00 in eligible expenses for electricity, fuel, maintenance and repairs of highway vehicles and equipment purchases that were expended out of the General Fund which could have been paid out of Liquid Fuels. We had an additional amount of \$782,824.22 in wages and benefits for the highway crew. In 2011, we had approximately \$188,316.00 in eligible expenses for electricity, fuel, maintenance and repairs of highway vehicles and equipment purchases that were expended out of the General Fund which could have been paid out of Liquid Fuels. We had an additional amount of \$798,488.00 in wages and benefits for the highway crew. In 2012, we had approximately \$176,966.00 in eligible expenses for electricity, fuel, maintenance and repairs of highway vehicles and equipment purchases that were expended out of the General Fund which could have been paid out of Liquid Fuels. We had an additional amount of \$671,556.65 in wages and benefits for the highway crew.

Auditor's Conclusion

The Second Class Township Code and Department of Transportation *Publication 9* require purchases in excess of \$10,000.00 to be advertised and bid. The advertising and bidding threshold for 2012 was increased for purchases in excess of \$18,500.00. The Department of Transportation will determine if \$57,524.18 should be reimbursed to the Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

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

Finding No. 2 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$522.69 during 2010, \$7,164.68 during 2011, and \$17,514.70 during 2012, from the Liquid Fuels Tax of for the paving material ID-2, which are nonpermissible expenditures.

Paving materials approved by the Department of Transportation are listed in the Department of Transportation Specifications *Publication 408*, Section 702. ID-2 is not approved for use by municipalities.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$25,202.07 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$25,202.07 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality only purchase paving materials that are approved by the Department of Transportation.

Management's Response

The municipal officials stated:

The current management of Logan Township was not aware that ID2 was no longer an eligible expense of Liquid Fuels. Despite lack of notice, we believe the ordering of the product was a terminology misunderstanding/inconsistency. When ordering, our road crew may use terms such as "topcoat" or "hot patch". It is uncertain how the vendor's operators interpret that. What is known is that the vendor lists both BCBC and ID-2 binder together under their list of asphalt products as both products have essentially the same properties and are designed to be laid as a base for strength purposes.

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

Finding No. 2 - Nonpermissible Expenditures (Continued)

Auditor's Conclusion

ID-2 is not approved by the Department of Transportation for use by municipalities. The municipality should purchase paving materials that are approved by the Department of Transportation. During our next examination we will determine if the municipality complied with our recommendations.

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

An exit conference was held April 11, 2013. Those participating were:

TOWNSHIP OF LOGAN

Mr. Timothy B. Brown, Township Manager

Mrs. Tiffany M. Noonan, Finance Director/Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Michele A. Garman, CFE, Audit Supervisor

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

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

This report was initially distributed to:

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

Township of Logan
Blair County
100 Chief Logan Circle
Altoona, PA 16602

The Honorable James A. Patterson	Chairman of the Board of Supervisors
Mr. Timothy B. Brown	Township Manager
Mrs. Tiffany M. Noonan	Finance Director/Secretary/Treasurer

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, 231 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.