



TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
15-236

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

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

We examined the accompanying Forms MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Tredyffrin, Chester County, for the period January 1, 2011 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 Tredyffrin, Chester County's Forms MS-965 for the period January 1, 2011 to December 31, 2012 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

Independent Auditor's Report (Continued)

As discussed in Finding No. 2, the municipality deposited \$87,864.36 of Liquid Fuels Tax Fund money into the General Fund on June 30, 2011. This money was received from Easttown Township for the reimbursement of bridge repairs that were paid from the Liquid Fuels Tax Fund. Because the reimbursement was for expenditures paid from the Liquid Fuels Tax Fund, the reimbursement should have been deposited into the Liquid Fuels Tax Fund.

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 Tredyffrin, Chester County, for the period January 1, 2011 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 Tredyffrin, Chester 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 Tredyffrin, Chester County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Tredyffrin, Chester County's internal control. We consider the deficiency described in the finding below to be a significant deficiency in internal control over reporting on the Forms MS-965:

- One Signature On Liquid Fuels Tax Fund Checks.

Independent Auditor's Report (Continued)

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 Tredyffrin, Chester County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

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

- Liquid Fuels Money Deposited Into The General Fund.
- Failure To Obtain Project Approval.
- Documentation For Price Quotations Was Not Available For Examination.
- Nonpermissible Expenditures.

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

- Late Receipt Of Allocation.

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



EUGENE A. DEPASQUALE
Auditor General

July 17, 2013

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TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2011 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 TREDYFFRIN
 CHESTER COUNTY
 LIQUID FUELS TAX FUND
 2011 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	7,610.80	-	7,610.80
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	120,211.36	-	120,211.36
Highway construction and rebuilding projects	642,900.20	-	642,900.20
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 770,722.36</u>	<u>\$ -</u>	<u>\$ 770,722.36</u>

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

TOWNSHIP OF TREDYFFRIN
 CHESTER COUNTY
 LIQUID FUELS TAX FUND
 2011 FORM MS-965 – SECTION 2
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2011	\$ 582,146.55	\$ -	\$ 582,146.55
Receipts:			
2. State allocation	604,633.55	-	604,633.55
2a. Turnback allocation	680.00	-	680.00
2b. Interest on investments (Note 3)	194.94	-	194.94
2c. Miscellaneous	-	-	-
3. Total receipts	<u>605,508.49</u>	<u>-</u>	<u>605,508.49</u>
4. Total funds available	<u>1,187,655.04</u>	<u>-</u>	<u>1,187,655.04</u>
5. Expenditures (Section 1)	<u>770,722.36</u>	<u>-</u>	<u>770,722.36</u>
6. Balance, December 31, 2011	<u><u>\$ 416,932.68</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 416,932.68</u></u>

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

TOWNSHIP OF TREDYFFRIN
 CHESTER 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	\$ 242,980.60	\$ -	\$ 242,980.60
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	121,062.71	-	121,062.71
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	364,043.31	-	364,043.31
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>364,043.31</u>	<u>-</u>	<u>364,043.31</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 364,043.31</u>	<u>\$ -</u>	<u>\$ 364,043.31</u>

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

TOWNSHIP OF TREDYFFRIN
 CHESTER 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	\$ 60,000.00	\$ -	\$ 60,000.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	77,086.48	-	77,086.48
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	770,699.17	-	770,699.17
Miscellaneous (Bank service charges)	1,290.26	-	1,290.26
 Total (To Section 2, Line 5)	 <u>\$ 909,075.91</u>	 <u>\$ -</u>	 <u>\$ 909,075.91</u>

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

TOWNSHIP OF TREDYFFRIN
 CHESTER 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	\$ 416,932.68	\$ -	\$ 416,932.68
Receipts:			
2. State allocation	614,620.08	-	614,620.08
2a. Turnback allocation	680.00	-	680.00
2b. Interest on investments (Note 3)	2,949.77	-	2,949.77
2c. Miscellaneous	-	-	-
3. Total receipts	<u>618,249.85</u>	<u>-</u>	<u>618,249.85</u>
4. Total funds available	<u>1,035,182.53</u>	<u>-</u>	<u>1,035,182.53</u>
5. Expenditures (Section 1)	<u>909,075.91</u>	<u>-</u>	<u>909,075.91</u>
6. Balance, December 31, 2012	<u><u>\$ 126,106.62</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 126,106.62</u></u>

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

TOWNSHIP OF TREDYFFRIN
 CHESTER 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	\$ 364,043.31	\$ -	\$ 364,043.31
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	123,060.02	-	123,060.02
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	487,103.33	-	487,103.33
5. Less: Major equipment expenditures	60,000.00	-	60,000.00
6. Remainder	<u>427,103.33</u>	<u>-</u>	<u>427,103.33</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 126,106.62</u>	<u>\$ -</u>	<u>\$ 126,106.62</u>

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

1. Criteria

Section 1

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

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

Section 2

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

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

1. Criteria (Continued)

Section 3

This section of Form MS-965 With Adjustments determines if the municipality expended Liquid Fuels Tax Fund money in excess of the permissible amount for equipment and the balance that the municipality may carry forward for the purchase of equipment to the subsequent year.

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

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

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

Basis Of Presentation

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

Basis Of Accounting

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 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 TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

2. Deposits (Continued)

Fund Balance

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

Cash	<u><u>\$126,106.62</u></u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account and certificates of deposit which earned \$194.94 during 2011, and \$2,949.77 during 2012, thus providing additional funds for road maintenance and repairs.

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 1 - One Signature On Liquid Fuels Tax Fund Checks

Our examination disclosed that only one signature was required to authorize checks drawn on the Liquid Fuels Tax Fund. When only one signature is required there is a significant risk of unauthorized disbursements, errors, or misappropriations occurring and remaining undetected. To decrease this risk, good internal controls require that at least two authorized signatures be required to authorize checks drawn on the Liquid Fuels Tax Fund.

Recommendation

We recommend that the municipality improve internal control procedures over disbursements by requiring at least two signatures on all disbursements from the Liquid Fuels Tax Fund account.

Management's Response

The finance director stated:

All of the findings included in the exit confirmation memorandum have been communicated to the relevant employees. Corrective actions and procedures have been implemented by the township.

Auditor's Conclusion

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 2 - Liquid Fuels Money Deposited Into The General Fund

Our examination disclosed that the municipality deposited \$87,864.36 of Liquid Fuels Tax Fund money into the General Fund on June 30, 2011. This money was received from Easttown Township for the reimbursement of bridge repairs that were paid from the Liquid Fuels Tax Fund. Because the reimbursement was for expenditures paid from the Liquid Fuels Tax Fund, the reimbursement should have been deposited into the Liquid Fuels Tax Fund.

The practice of depositing liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

. . .each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law as noted above could result in the municipality having to reimburse \$87,864.36 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$87,864.36 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We recommend that, in the future, the municipality deposit all liquid fuels tax money promptly into the Liquid Fuels Tax Fund.

Management's Response

The finance director stated:

All of the findings included in the exit confirmation memorandum have been communicated to the relevant employees. Corrective actions and procedures have been implemented by the township.

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 2 - Liquid Fuels Money Deposited Into The General Fund

Auditor's Conclusion

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 3 - Failure To Obtain Project Approval

Our examination disclosed that the municipality expended \$15,710.75 for engineering services for a bridge reconstruction project without obtaining the approval of the Department of Transportation. Before reconstructing a bridge the municipality must obtain the approval of the Department of Transportation. However, the municipality did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

Department of Transportation *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 that nonpermissible expenditures include “Construction and reconstruction projects without prior PENNDOT approval.”

Additionally, *Publication 9*, Chapter Two, Section 2.8, states, in part:

The following criteria is used to determine when a project is required for work on local roads utilizing Liquid Fuels Tax Funds, when construction, reconstruction and/or resurfacing work exceeds one inch or more in depth as well as other activities.

Bridges:	All rehabilitations, replacements, or any other work that affects the carrying capacity of the structure or the waterway areas require project approval.
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We reviewed a letter dated November 20, 2012, from the Department of Transportation informing the municipality that the reimbursement of \$15,710.75 would not be required.

Recommendation

We recommend that before the municipality expends money on a project, it applies for and obtains prior approval for the project, and when the project is completed it obtains approval of the completed work.

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 3 - Failure To Obtain Project Approval (Continued)

Management's Response

The finance director stated:

All of the findings included in the exit confirmation memorandum have been communicated to the relevant employees. Corrective actions and procedures have been implemented by the township.

Auditor's Conclusion

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 4 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that the township expended \$6,000.00 during 2011 from the Liquid Fuels Tax Fund for the purchase of 1,000 square yards of micro surfacing. The township was required to obtain telephonic price quotations for this expenditure. However, documentation for price quotations was not available for examination.

The above expenditure was 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 that exceed four thousand dollars (\$4,000.00) but are less than the amount [in excess of \$10,000.00] 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.

We reviewed a letter dated November 20, 2012, from the Department of Transportation informing the municipality that the reimbursement of \$6,000.00 would not be required.

Recommendation

We recommend that, in the future, the township comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding. The threshold for obtaining price quotations was increased to purchases between \$10,000.00 and \$18,500.00 for 2012, \$10,200.00 and \$18,900.00 for 2013, and 10,300.00 and \$19,100.00 for 2014.

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 4 - Documentation For Price Quotations Was Not Available For Examination
(Continued)

Management's Response

The finance director stated:

All of the findings included in the exit confirmation memorandum have been communicated to the relevant employees. Corrective actions and procedures have been implemented by the township.

Auditor's Conclusion

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

TOWNSHIP OF TREDYFFRIN
 CHESTER COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 5 - Nonpermissible Expenditures

Our examination disclosed that the municipality expended \$458.77 during 2011 from the Liquid Fuels Tax Fund for the multiple purchases of Type 2A Modified stone, which is a nonpermissible expenditure. These expenditures are as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
246742	04/09/11	48162	04/27/11	\$119.96
246741	04/09/11	48162	04/27/11	222.78
247695	04/16/11	48261	05/18/11	116.03
Total				\$458.77

Stone approved by the Department of Transportation is listed in the Department of Transportation Specifications *Publication 408*, Section 703.2. Type 2A Modified stone does not appear in *Publication 408*.

We reviewed a letter dated November 20, 2012, from the Department of Transportation informing the municipality that the reimbursement of \$458.77 would not be required.

Recommendation

We recommend that, in the future, the municipality purchase stone that is approved by the Department of Transportation.

Management's Response

The finance director stated:

All of the findings included in the exit confirmation memorandum have been communicated to the relevant employees. Corrective actions and procedures have been implemented by the township.

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 5 - Nonpermissible Expenditures (Continued)

Auditor's Conclusion

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 6 - Late Receipt Of Allocation

Our examination disclosed that the 2011 Liquid Fuels Tax Fund allocation of \$604,633.55, which should have been distributed from the Department of Transportation to the municipality during the first week of April of that year, was not received until December 29, 2011 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 2011 allocation for almost nine 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.

The municipality received its 2012 Liquid Fuels Tax Fund allocation on time.

Recommendation

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Finding No. 6 - Late Receipt Of Allocation (Continued)

Management's Response

The finance director stated:

All of the findings included in the exit confirmation memorandum have been communicated to the relevant employees. Corrective actions and procedures have been implemented by the township.

Auditor's Conclusion

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

Comment - Summary Of Prior Examination Recommendation

In our prior report we recommended that the municipality continue to ensure that its Forms MS-965 are complete and accurate.

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

An exit conference was held July 17, 2013. Those participating were:

TOWNSHIP OF TREDYFFRIN

Mr. Timothy J. Klarich, Finance Director

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Stephen P. Stoppie, Auditor

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

TOWNSHIP OF TREDYFFRIN
CHESTER COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2012

This report was initially distributed to:

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

Township of Tredyffrin
Chester County
1100 Duportail Road
Berwyn, PA 19312

The Honorable Michael C. Heaberg

Chairman of the Board of Supervisors

Mr. Timothy J. Klarich

Finance Director

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.