



TOWNSHIP OF RICHLAND
CLARION COUNTY
10-205

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

Released April 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



TOWNSHIP OF RICHLAND
CLARION COUNTY
16-219

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

CONTENTS

	<u>Page</u>
Background.....	1
Independent Auditor’s Report.....	3
Financial Section:	
2009 Form MS-965 With Adjustments	7
2010 Form MS-965 With Adjustments	10
2011 Form MS-965 With Adjustments	13
Notes To Forms MS-965 With Adjustments.....	16
Findings And Recommendations:	
Finding No. 1 - Failure To Properly Prepare Forms MS-965	23
Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements	26
Comments	29
Summary Of Exit Conference.....	30
Report Distribution	31

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

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.





Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

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 Richland, Clarion County, for the period January 1, 2009 to December 31, 2011. 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 Richland, Clarion County's Forms MS-965 for the period January 1, 2009 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. 2, the township expended \$19,589.67 in 2010 and \$15,158.88 in 2011 for the purchase of stone without advertising for bids.

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 Richland, Clarion County, for the period January 1, 2009 to December 31, 2011, 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 Richland, Clarion 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 Richland, Clarion County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Richland, Clarion 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:

- Failure To Properly Prepare Forms MS-965.

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 Richland, Clarion 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 instance of noncompliance that is required to be reported under *Government Auditing Standards*:

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

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



June 26, 2012

EUGENE A. DEPASQUALE
Auditor General



TOWNSHIP OF RICHLAND
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 8,500.00	\$ -	\$ 8,500.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,339.98	-	3,339.98
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	14,201.05	70.00	14,271.05
Maintenance and repair of roads and bridges	55,011.17	110.42	55,121.59
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 81,052.20</u>	 <u>\$ 180.42</u>	 <u>\$ 81,232.62</u>

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

TOWNSHIP OF RICHLAND
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2009 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, 2009	\$ 41,914.30	\$ -	\$ 41,914.30
Receipts:			
2. State allocation	54,098.38	-	54,098.38
2a. Turnback allocation	11,880.00	-	11,880.00
2b. Interest on investments (Note 3)	425.72	-	425.72
2c. Miscellaneous (Note 5)	14,545.00	-	14,545.00
3. Total receipts	<u>80,949.10</u>	<u>-</u>	<u>80,949.10</u>
4. Total funds available	<u>122,863.40</u>	<u>-</u>	<u>122,863.40</u>
5. Expenditures (Section 1)	<u>81,052.20</u>	<u>180.42</u>	<u>81,232.62</u>
6. Balance, December 31, 2009	<u>\$ 41,811.20</u>	<u>\$ (180.42)</u>	<u>\$ 41,630.78</u>

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

TOWNSHIP OF RICHLAND
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2009 FORM MS-965 – SECTION 3
 WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 36,119.76	\$ -	\$ 36,119.76
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	13,195.67	-	13,195.67
3. PENNDOT approved adjustments	<u>-</u>	<u>8,500.00</u>	<u>8,500.00</u>
4. Total funds available for equipment acquisition	49,315.43	8,500.00	57,815.43
5. Less: Major equipment expenditures	<u>8,500.00</u>	<u>-</u>	<u>8,500.00</u>
6. Remainder	<u><u>40,815.43</u></u>	<u><u>8,500.00</u></u>	<u><u>49,315.43</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ 40,815.43</u></u>	<u><u>\$ 815.35</u></u>	<u><u>\$ 41,630.78</u></u>

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

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

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	4,408.02	-	4,408.02
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	8,063.71	(528.62)	7,535.09
Maintenance and repair of roads and bridges	41,337.40	12,579.95	53,917.35
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 53,809.13</u>	 <u>\$ 12,051.33</u>	 <u>\$ 65,860.46</u>

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

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

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2010	\$ 41,811.20	\$ (180.42)	\$ 41,630.78
Receipts:			
2. State allocation	49,131.00	-	49,131.00
2a. Turnback allocation	11,880.00	-	11,880.00
2b. Interest on investments (Note 3)	203.58	-	203.58
2c. Miscellaneous (Note 5)	1,732.37	-	1,732.37
3. Total receipts	<u>62,946.95</u>	<u>-</u>	<u>62,946.95</u>
4. Total funds available	<u>104,758.15</u>	<u>(180.42)</u>	<u>104,577.73</u>
5. Expenditures (Section 1)	<u>53,809.13</u>	<u>12,051.33</u>	<u>65,860.46</u>
6. Balance, December 31, 2010	<u>\$ 50,949.02</u>	<u>\$ (12,231.75)</u>	<u>\$ 38,717.27</u>

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

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

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 35,214.00	\$ 6,416.78	\$ 41,630.78
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	12,202.20	-	12,202.20
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	47,416.20	6,416.78	53,832.98
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>47,416.20</u>	<u>6,416.78</u>	<u>53,832.98</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 47,416.20</u>	<u>\$ (8,698.93)</u>	<u>\$ 38,717.27</u>

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

TOWNSHIP OF RICHLAND
 CLARION 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	9,739.52	-	9,739.52
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	7,269.43	(6.90)	7,262.53
Maintenance and repair of roads and bridges	51,870.89	(1,661.40)	50,209.49
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 68,879.84</u>	<u>\$ (1,668.30)</u>	<u>\$ 67,211.54</u>

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

TOWNSHIP OF RICHLAND
 CLARION 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	\$ 50,949.02	\$ (12,231.75)	\$ 38,717.27
Receipts:			
2. State allocation	50,265.49	-	50,265.49
2a. Turnback allocation	11,880.00	-	11,880.00
2b. Interest on investments (Note 3)	72.79	-	72.79
2c. Miscellaneous	-	-	-
3. Total receipts	<u>62,218.28</u>	<u>-</u>	<u>62,218.28</u>
4. Total funds available	<u>113,167.30</u>	<u>(12,231.75)</u>	<u>100,935.55</u>
5. Expenditures (Section 1)	<u>68,879.84</u>	<u>(1,668.30)</u>	<u>67,211.54</u>
6. Balance, December 31, 2011	<u><u>\$ 44,287.46</u></u>	<u><u>\$ (10,563.45)</u></u>	<u><u>\$ 33,724.01</u></u>

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

TOWNSHIP OF RICHLAND
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 2011 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	\$ 47,416.20	\$ (8,698.93)	\$ 38,717.27
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	12,429.10	-	12,429.10
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	59,845.30	(8,698.93)	51,146.37
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>59,845.30</u>	<u>(8,698.93)</u>	<u>51,146.37</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 44,287.46</u>	<u>\$ (10,563.45)</u>	<u>\$ 33,724.01</u>

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

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

1. Criteria

Section 1

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

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

Section 2

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

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

Section 3

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

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

1. Criteria (Continued)

Section 3 (Continued)

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

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

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

Basis Of Presentation

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

Basis Of Accounting

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

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

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, 2011. 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 RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2011 consists of the following:

Cash	<u>\$33,724.01</u>
------	--------------------

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in an interest-bearing account which earned \$425.72 during 2009, \$203.58 during 2010, and \$72.79 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2009 - Section 1

An adjustment of \$70.00 was made to “Repairs of tools and machinery” because check No. 2571 was reported as \$635.66 but was issued for \$705.66.

An adjustment of \$110.42 was made to “Maintenance and repair of roads and bridges” because check No. 2576 for \$265.67 was voided but was included as an expenditure and check No. 2602 for \$376.09 was not reported.

2009 - Section 3

An adjustment of \$8,500.00 was made to “PENNDOT approved adjustments” because the proceeds for the return of a backhoe to a vendor were not reported as approved adjustments.

2010 - Section 1

An adjustment of \$(528.62) was made to “Repairs of tools and machinery” because check No. 2624 was voided but included as an expenditure.

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

4. Adjustments (Continued)

2010 - Section 1 (Continued)

An adjustment of \$12,579.95 was made to “Maintenance and repair of roads and bridges” because check No. 312 for \$2,879.54, and check No. 319 for \$11,074.44 were not reported. Additionally, check No. 2617 was reported as \$480.00 but was issued for \$729.94, check No. 2631 was reported as \$388.74 but was issued for \$393.74, and check No. 2646 was reported as \$1,080.00 but was issued for \$878.42. Also, check No. 2663 for \$1,427.39 was voided but was included as an expenditure.

2010 - Section 2

An adjustment of \$(180.42) was made to “Balance, January 1, 2010” to reflect the adjustments made in 2009 - Section 1.

2010 - Section 3

An adjustment of \$6,416.78 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

2011 - Section 1

An adjustment of \$(6.90) was made to “Repairs of tools and machinery” because check No. 2674 was reported as \$88.34 but was issued for \$81.44.

An adjustment of \$(1,661.40) was made to “Maintenance and repair of roads and bridges” because these expenditures were overstated.

2011 - Section 2

An adjustment of \$(12,231.75) was made to “Balance, January 1, 2011” to reflect the adjustment made to the fund balance in 2010 - Section 2.

2011 - Section 3

An adjustment of \$(8,698.93) was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

TOWNSHIP OF RICHLAND
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2009 TO DECEMBER 31, 2011

5. Miscellaneous Receipts

<u>Source</u>	<u>Description</u>	<u>2009</u>	<u>2010</u>
Vendor	Return of backhoe	\$ 8,500.00	\$ -
General Fund	Reimbursement (Comment No. 1)	6,045.00	-
Vendor	Reimbursement for road materials	<u>-</u>	<u>1,732.37</u>
Total		<u>\$14,545.00</u>	<u>\$1,732.37</u>



TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 1 - Failure To Properly Prepare Forms MS-965

Our examination disclosed that there were numerous errors made in the preparation of the municipality's 2009, 2010, and 2011 Forms MS-965. These adjustments, which are disclosed in Note 4, are as follows:

2009 - Section 1

- An adjustment of \$70.00 was made to "Repairs of tools and machinery" because check No. 2571 was reported as \$635.66 but was issued for \$705.66.
- An adjustment of \$110.42 was made to "Maintenance and repair of roads and bridges" because check No. 2576 for \$265.67 was voided but was included as an expenditure and check No. 2602 for \$376.09 was not reported.

2009 - Section 3

- An adjustment of \$8,500.00 was made to "PENNDOT approved adjustments" because the proceeds for the return of a backhoe to a vendor were not reported as approved adjustments.

2010 - Section 1

- An adjustment of \$(528.62) was made to "Repairs of tools and machinery" because check No. 2624 was voided but was included as an expenditure.
- An adjustment of \$12,579.95 was made to "Maintenance and repair of roads and bridges" because check No. 312 for \$2,879.54 and check No. 319 for \$11,074.44 were not reported. Additionally, check No. 2617 was reported as \$480.00 but was issued for \$729.94, check No. 2631 was reported as \$388.74 but was issued for \$393.74 and check No. 2646 was reported as \$1,080.00 but was issued for \$878.42. Also, check No. 2663 for \$1,427.39 was voided but was included as an expenditure.

2010 - Section 2

- An adjustment of \$(180.42) was made to "Balance, January 1, 2010" to reflect the adjustments made in 2009 - Section 1.

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

2010 - Section 3

- An adjustment of \$6,416.78 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

2011 - Section 1

- An adjustment of \$(6.90) was made to “Repairs of tools and machinery” because check No. 2674 was reported as \$88.34 but was issued for \$81.44.
- An adjustment of \$(1,661.40) was made to “Maintenance and repair of roads and bridges” because these expenditures were overstated.

2011 - Section 2

- An adjustment of \$(12,231.75) was made to “Balance, January 1, 2011” to reflect the adjustment made to the fund balance in 2010 - Section 2.

2011 - Section 3

- An adjustment of \$(8,698.93) was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

Good internal controls ensure that the municipality completes its Forms MS-965 accurately and completely. The failure to properly complete Forms MS-965 increases the risk that errors or misappropriations may occur and remain undetected.

Recommendation

We recommend that the municipality ensure that its Forms MS-965 are complete and accurate.

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 1 - Failure To Properly Prepare Forms MS-965 (Continued)

Management's Response

The municipal officials offered no formal response at this time.

TOWNSHIP OF RICHLAND
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the township expended \$19,589.67 during 2010 and \$15,158.88 during 2011 from the Liquid Fuels Tax Fund for the purchase of stone 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>
497452	01/07/10	2617	01/14/10	\$ 729.94	
497559	01/14/10	2618	02/07/10	1,195.96	
497553	01/14/10	2618	02/07/10	740.97	
498426	02/04/10	2618	02/07/10	939.35	
498869	02/17/10	2628	03/08/10	324.93	
498990	02/25/10	2628	03/08/10	1,193.04	
500103	03/25/10	2629	04/13/10	1,094.10	
4646	04/30/10	2639	05/11/10	358.11	
505388	05/06/10	2643	06/08/10	161.33	
505721	05/17/10	2643	06/08/10	163.22	
506671	05/24/10	2643	06/08/10	612.33	
4047	05/31/10	2654	07/13/10	3,159.76	
6875	06/15/10	2654	07/13/10	4,891.18	
513181	08/13/10	2667	09/12/10	299.03	
514160	08/20/10	2667	09/12/10	347.71	
515175	09/03/10	2667	09/12/10	128.66	
12348	09/30/10	2669	10/14/10	1,474.85	
518854	10/22/10	2671	01/04/11	147.06	
15300	12/15/10	2672	01/04/11	1,118.45	
522705	12/29/10	2673	01/04/11	143.25	
15680	12/31/10	2677	01/04/11	<u>366.44</u>	

2010 Total

\$19,589.67

TOWNSHIP OF RICHLAND
 CLARION COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 2 - 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>
524762	02/25/11	2688	03/08/11	925.35	
525860	03/25/11	2700	04/12/11	140.84	
526494	04/01/11	2700	04/12/11	161.42	
526703	04/07/11	2700	04/12/11	180.32	
16727	02/15/11	2716	06/07/11	3,724.54	
19683	04/30/11	2705	05/17/11	2,799.75	
527891	04/25/11	2711	06/07/11	546.09	
528076	04/29/11	2711	06/07/11	1,043.79	
529306	05/13/11	2711	06/07/11	150.92	
530068	05/26/11	2711	06/07/11	349.95	
540007	09/16/11	2735	10/13/11	348.71	
540212	09/23/11	2735	10/13/11	298.76	
541356	09/30/11	2735	10/13/11	496.86	
541792	10/07/11	2735	10/13/11	860.22	
542914	10/14/11	2738	11/01/11	794.83	
543644	10/21/11	2738	11/01/11	1,340.91	
545284	10/28/11	2738	11/01/11	160.97	
546359	11/11/11	2743	12/13/11	268.52	
546853	11/18/11	2743	12/13/11	168.89	
547784	12/02/11	2743	12/13/11	<u>397.24</u>	
2011 Total					<u>15,158.88</u>
Two Year Total					<u>\$34,748.55</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.

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

Finding No. 2 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

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 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 \$34,748.55 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$34,748.55 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* as noted in this finding.

Management's Response

The township officials offered no formal response at this time.

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
COMMENTS
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

Comment No. 1 – Summary Of 2005-2006 Examination Recommendation

In our 2005-2006 report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$6,045.00 to its Liquid Fuels Tax Fund for a failure to maintain documentation for price quotations.

During our 2007-2008 examination we reviewed a letter dated December 31, 2008, from the Department of Transportation informing the municipality to reimburse \$6,045.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on December 30, 2009.

Comment No. 2 – Summary Of 2007-2008 Examination Recommendation

In our 2007-2008 report we recommended that the municipality file all required documents and information timely to receive its allocation during the first week in April.

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

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

An exit conference was held June 26, 2012. Those participating were:

TOWNSHIP OF RICHLAND

Mrs. Linda Spoharski, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. James F. Fee, Auditor

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

TOWNSHIP OF RICHLAND
CLARION COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

This report was initially distributed to:

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

Township of Richland
Clarion County
511 Dittman Road
Emlenton, PA 16373

The Honorable Jack Stewart

Chairman of the Board of Supervisors

Mrs. Linda Spoharski

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, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.