



**TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
23-104**

**LIQUID FUELS TAX FUND
EXAMINATION REPORT**

**FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010**

Released April 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
23-104

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

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TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

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.





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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 Lower Chichester, Delaware County, for the period January 1, 2008 to December 31, 2010. 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 Lower Chichester, Delaware County's Forms MS-965 for the period January 1, 2008 to December 31, 2010 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, on August 13, 2010, the township expended \$11,212.00 for the purchase and installation of manhole covers from its Liquid Fuels Tax Fund. Also during 2010 the township expended \$10,619.00 for the maintenance of street lights. However, the municipality did not advertise for bids for these purchases. Additionally, as discussed in Finding No. 3, the township expended \$41,038.58 on construction project No. 09-23104-1CA. However, the amount approved to be expended from the Liquid Fuels Tax Fund for this project was \$22,777.70. The difference of \$18,260.88 should have been paid from the General Fund. On December 3, 2009, the municipality deposited county aid money of \$6,750.00 into its Liquid Fuels Tax Fund for its portion of the project leaving \$11,510.88 to be reimbursed to the Liquid Fuels Tax Fund. Furthermore, as discussed in Finding No. 4, the township expended \$6,500.00 from its Liquid Fuels Tax Fund for the replacement of sidewalks and curbs, which is a nonpermissible expenditure.

In our opinion, except for the matters discussed in the preceding paragraph, the Forms MS-965 With Adjustments present, in all materials respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Lower Chichester, Delaware County, for the period January 1, 2008 to December 31, 2010, in conformity with the criteria set forth in Note 1.

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

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*:

- Liquid Fuels Tax Fund Allocation Deposited Into The General Fund.

Independent Auditor's Report (Continued)

- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.
- Liquid Fuels Money Overexpended On Project.
- Nonpermissible Expenditure.

We are concerned in light of the municipality's failure to correct a previously reported finding regarding the overexpenditure of Liquid Fuels Tax Fund money on projects. During our current examination period the municipality deposited its 2009 Liquid Fuels Tax Fund allocation into the General Fund, made purchases over \$10,000.00 in noncompliance with advertising and bidding requirements, overexpended Liquid Fuels Tax Fund money on a road project, and made a nonpermissible expenditure. The municipality should strive to implement the recommendations and corrective actions noted in this report.

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



April 20, 2012

EUGENE A. DEPASQUALE
Auditor General



TOWNSHIP OF LOWER CHICHESTER
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2008 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	629.10	-	629.10
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	16,103.09	(12,430.00)	3,673.09
Street lighting	-	12,430.00	12,430.00
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	342.87	-	342.87
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 17,075.06</u>	<u>\$ -</u>	<u>\$ 17,075.06</u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2008 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, 2008	\$ 1,188.31	\$ 602.30	\$ 1,790.61
Receipts:			
2. State allocation	58,245.69	-	58,245.69
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	220.87	-	220.87
2c. Miscellaneous	-	-	-
3. Total receipts	<u>58,466.56</u>	<u>-</u>	<u>58,466.56</u>
4. Total funds available	<u>59,654.87</u>	<u>602.30</u>	<u>60,257.17</u>
5. Expenditures (Section 1)	<u>17,075.06</u>	<u>-</u>	<u>17,075.06</u>
6. Balance, December 31, 2008	<u><u>\$ 42,579.81</u></u>	<u><u>\$ 602.30</u></u>	<u><u>\$ 43,182.11</u></u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2008 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	\$ 1,188.31	\$ 602.30	\$ 1,790.61
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	11,649.14	-	11,649.14
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	12,837.45	602.30	13,439.75
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>12,837.45</u>	<u>602.30</u>	<u>13,439.75</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 12,837.45</u>	<u>\$ 602.30</u>	<u>\$ 13,439.75</u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE 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	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	1,924.54	-	1,924.54
Traffic control devices	28,821.41	(19,050.00)	9,771.41
Street lighting	-	19,050.00	19,050.00
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	41,038.58	(41,038.58)	-
Highway construction and rebuilding projects	-	41,038.58	41,038.58
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 71,784.53</u>	<u>\$ -</u>	<u>\$ 71,784.53</u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 2009 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, 2009	\$ 43,182.11	\$ -	\$ 43,182.11
Receipts:			
2. State allocation	59,499.72	(3,375.00)	56,124.72
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	123.40	15.18	138.58
2c. Miscellaneous (Note 5)	6,750.00	3,375.00	10,125.00
3. Total receipts	<u>66,373.12</u>	<u>15.18</u>	<u>66,388.30</u>
4. Total funds available	<u>109,555.23</u>	<u>15.18</u>	<u>109,570.41</u>
5. Expenditures (Section 1)	<u>71,784.53</u>	<u>-</u>	<u>71,784.53</u>
6. Balance, December 31, 2009	<u>\$ 37,770.70</u>	<u>\$ 15.18</u>	<u>\$ 37,785.88</u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE 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	\$ 12,837.45	\$ 602.30	\$ 13,439.75
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	11,224.94	-	11,224.94
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	24,062.39	602.30	24,664.69
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>24,062.39</u>	<u>602.30</u>	<u>24,664.69</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 24,062.39</u>	<u>\$ 602.30</u>	<u>\$ 24,664.69</u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE 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	10,226.39	-	10,226.39
Traffic control devices	3,432.84	6,849.18	10,282.02
Street lighting	55,105.92	(7,940.18)	47,165.74
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	17,712.00	-	17,712.00
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 86,477.15</u>	<u>\$ (1,091.00)</u>	<u>\$ 85,386.15</u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE 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	\$ 37,785.88	\$ -	\$ 37,785.88
Receipts:			
2. State allocation	55,531.44	-	55,531.44
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	123.16	-	123.16
2c. Miscellaneous	-	-	-
3. Total receipts	<u>55,654.60</u>	<u>-</u>	<u>55,654.60</u>
4. Total funds available	<u>93,440.48</u>	<u>-</u>	<u>93,440.48</u>
5. Expenditures (Section 1)	<u>86,477.15</u>	<u>(1,091.00)</u>	<u>85,386.15</u>
6. Balance, December 31, 2010	<u><u>\$ 6,963.33</u></u>	<u><u>\$ 1,091.00</u></u>	<u><u>\$ 8,054.33</u></u>

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

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE 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	\$ 24,737.39	\$ (72.70)	\$ 24,664.69
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	11,106.29	-	11,106.29
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	35,843.68	(72.70)	35,770.98
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>35,843.68</u>	<u>(72.70)</u>	<u>35,770.98</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 6,963.33</u>	<u>\$ 1,091.00</u>	<u>\$ 8,054.33</u>

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

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

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 LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

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 LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

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 First Class Township Code, Title 53 P.S § 56705.1, 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, 2010. 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 LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2010 consists of the following:

Cash	<u>\$8,054.33</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 which earned \$220.87 during 2008, \$138.58 during 2009, and \$123.16 during 2010, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 1

Adjustments were made to “Traffic control devices” and “Street lighting” because expenditures of \$12,430.00 were misclassified.

2008 - Section 2

An adjustment of \$602.30 was made to “Balance, January 1, 2008” because of a prior report adjustment that was not carried forward in the fund balance.

2008 - Section 3

An adjustment of \$602.30 was made to “Prior year equipment balance” because of prior report adjustments that were not carried forward in the equipment balance.

2009 - Section 1

Adjustments were made to “Traffic control devices” and “Street lighting” because expenditures of \$19,050.00 were misclassified.

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

4. Adjustments (Continued)

2009 - Section 1 (Continued)

Adjustments were made to “Maintenance and repair of roads and bridges” and “Highway construction and rebuilding projects” because expenditures of \$41,038.58 were misclassified.

2009 - Section 2

An adjustment of \$(3,375.00) was made to “State allocation” because this receipt was overstated.

An adjustment of \$15.18 was made to “Interest on investments” because interest earnings were understated.

An adjustment of \$3,375.00 was made to “Miscellaneous” because these receipts were understated.

2009 - Section 3

An adjustment of \$602.30 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2008 - Section 3.

2010 - Section 1

An adjustment of \$6,849.18 made to “Traffic control devices” because these expenditures were misclassified as street lighting.

An adjustment of \$(7,940.18) was made to “Traffic control devices” because expenditures of \$6,849.18 for street lighting were misclassified and check No. 1702 for \$1,091.00 was voided but was included as an expenditure.

2010 - Section 3

An adjustment of \$(72.70) was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

TOWNSHIP OF LOWER CHICHESTER
 DELAWARE COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2008 TO DECEMBER 31, 2010

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>2009</u>
General Fund	County Aid (Finding No. 3)	\$ 6,750.00
General Fund	Reimbursement (Comment)	<u>3,375.00</u>
Total		<u>\$10,125.00</u>



TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 1 - Liquid Fuels Tax Fund Allocation Deposited Into The General Fund

Our examination disclosed that the municipality deposited its 2009 Liquid Fuels Tax Fund allocation of \$56,124.72 into the General Fund on April 30, 2009, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law. On October 15, 2009, the municipality transferred \$56,124.72 from its General Fund to its 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 municipality deposited its 2010 Liquid Fuels Tax Fund allocation into its Liquid Fuels Tax Fund.

Recommendation

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

Management's Response

The secretary stated:

The Liquid Fuels Allocation was incorrectly deposited in the Township's General Fund. Once it was discovered it was correctly transferred to the Liquid Fuels Fund.

Auditor's Conclusion

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

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

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

Our examination disclosed that on August 13, 2010 the township expended \$11,212.00 for the purchase and installation of manhole covers from its Liquid Fuels Tax Fund. Additionally, during 2010 the township expended \$10,619.00 from its Liquid Fuels Tax Fund for the maintenance of street lights. However, the municipality did not advertise for bids for these purchases.

The above purchases were not made in compliance with the advertising, bidding, and contract requirements of *The First Class Township Code*, 53 P.S. § 56802(a), (also found at § 1802(a) of *The First 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 First Class Township Code*, 53 P.S. § 56803, (also found at § 1802.1 of *The First 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 purchases 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 First Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$21,831.00 to its Liquid Fuels Tax Fund.

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

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

Recommendations

We recommend that the township reimburse \$21,831.00 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 First Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The secretary stated:

We have never had a contract with the vendor because expenses are normally for emergency purposes and never exceeded bid requirements on individual jobs. We also did not have a finding in our 2006-07 audit about this issue.

Auditor's Conclusion

The Department of Transportation issued a bulletin on October 1, 2009 stating that maintenance services for street lighting after December 31, 2009, will not be considered professional services and must be competitively bid. Therefore, no findings were issued for prior examination periods or for years 2008 and 2009 during this examination period for the failure to bid maintenance for street lighting. During our next examination period we will determine if the municipality complied without recommendations.

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 3 - Liquid Fuels Money Overexpended On Project

Our examination disclosed that the municipality expended \$41,038.58 of Liquid Fuels Tax Fund money on construction project No. 09-23104-1CA. However, the amount approved to be expended from the Liquid Fuels Tax Fund for this project was \$22,777.70. The difference of \$18,260.88 should have been paid directly from the General Fund. On December 3, 2009 the municipality deposited county aid of \$6,750.00 into its Liquid Fuels Tax Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$11,510.88 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report.

Recommendations

We recommend that the municipality reimburse \$11,510.88 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again further recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Management's Response

The secretary stated:

The Form MS-999 incorrectly showed engineering fees paid from the Liquid Fuels Tax Fund, when it was paid from the General Fund. It is unlikely per your email, that we will be able to get the report revised.

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 3 - Liquid Fuels Money Overexpended On Project (Continued)

Auditor's Conclusion

The Form MS-999 for this project that was submitted by the municipality and approved by the Department of Transportation permitted the municipality to expend \$22,777.70 from its Liquid Fuels Tax Fund for this project. However, the municipality expended \$41,038.58, \$18,260.88 more than the permissible amount. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 4 - Nonpermissible Expenditure

Our examination disclosed that on August 13, 2010, the municipality expended \$6,500.00 from the Liquid Fuels Tax Fund for replacement of sidewalks and curbs, which is a nonpermissible expenditure.

The Liquid Fuels Tax Municipal Allocation Law, 72 P.S. § 2615.4, provides, in part, that monies herein allocated may be used only for construction, reconstruction, maintenance, and repairs of such public roads or streets, including bridges, culverts and drainage structures, for which they are legally responsible. Also permitted are expenditures involving acquisition, maintenance, repairs and operation of street signs, traffic signs, traffic signal control systems, road equipment, and snow fences.

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including the replacement of sidewalks and curbs, are outside the scope of permissible expenditures.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations as noted above could result in the municipality having to reimburse \$6,500.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$6,500.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The secretary stated:

We agree that the street resurfacing and curb inlet work completed by the vendor was not a permissible Liquid Fuels expense.

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Finding No. 4 - Nonpermissible Expenditure (Continued)

Auditor's Conclusion

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

TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

Comment - Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$3,375.00 to its Liquid Fuels Tax Fund for overexpending Liquid Fuels Tax Fund money on a road project. A similar finding was also written in our current examination (see Finding No. 3).

During our current examination we reviewed a letter dated March 18, 2009, from the Department of Transportation informing the municipality to reimburse \$3,375.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on October 15, 2009.

In our prior report we also 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 LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

An exit conference was held April 20, 2012. Those participating were:

TOWNSHIP OF LOWER CHICHESTER

Mr. Joseph Possenti, Jr., Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Stephen P. Stoppie, Auditor

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



TOWNSHIP OF LOWER CHICHESTER
DELAWARE COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2008 TO DECEMBER 31, 2010

This report was initially distributed to:

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

Township of Lower Chichester
Delaware County
1410 Market Street
Linwood, PA 19061

The Honorable Rocco Gaspari Jr.	President of the Board of Commissioners
Mr. Joseph Possenti, Jr.	Secretary

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.