

ATTESTATION ENGAGEMENT

Township of Lenox
Susquehanna County, Pennsylvania
57-219
Liquid Fuels Tax Fund
For the Period
January 1, 2019 to December 31, 2020

June 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Yassmin Gramian, 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 Lenox, Susquehanna County, for the period January 1, 2019 to December 31, 2020. The municipality's management is responsible for presenting the Forms MS-965 in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Independent Auditor's Report (Continued)

As discussed in the Findings And Recommendations section of this report:

- The municipality expended \$11,329.15 during 2019 and \$386.14 during 2020 from the Liquid Fuels Tax Fund for the purchase of Aashto #1, R-4 Rip Rap, R-6 Rip Rap and 9.5MM stone without advertising for bids. In addition, the municipality expended \$1,367.13 during 2019 and \$2,997.54 during 2020 for the purchase of Aashto #57 and 2RC stone for stone purchases that were not made from the lowest responsible bidder (see Finding No. 1).
- The municipality expended \$12,700.00 during 2020 from the Liquid Fuels Tax Fund for a sweeper rental without maintaining documentation for price quotations (see Finding No. 2).

In our opinion, except for the bulleted matters discussed above, 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 Lenox, Susquehanna County, for the period January 1, 2019 to December 31, 2020, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Forms MS-965; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

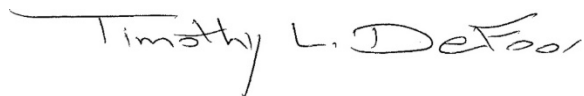
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Lenox, Susquehanna County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Noncompliance With Advertising And Bidding Requirements And Contract Was Awarded To All Bidders.

- Documentation For Price Quotations Was Not Available For Examination.

The purpose of this report is to determine whether the municipality's Liquid Fuels Tax Fund money is spent in accordance with the laws and regulations identified in the Background section of this report and the Department of Transportation's *Publication 9*. This report is not suitable for any other purpose.

We appreciate the courtesy extended by the Township of Lenox, Susquehanna County, to us during the course of our examination. If you have any questions, please feel free to contact the Bureau of County Audits at 717-787-1363.



Timothy L. DeFoor
Auditor General
June 15, 2022

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TOWNSHIP OF LENOX
SUSQUEHANNA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, see also 72 P.S. § 2615.5, et sec., provides municipalities other than counties (i.e., 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 upon: (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.

Title 75 Pa.C.S. § 9511 of the Pennsylvania Vehicle Code 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 allocation of Liquid Fuels Tax funds and annual maintenance payments that it receives into a special fund called either 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 such a 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. Department of Transportation's *Publication 9* includes the policies and procedures for the administration of Act 655, as amended, and the Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

To qualify for the annual allocation of Liquid Fuels Tax funds, *Publication 9* indicates that each municipality shall:

1. Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
2. Make deposits and payments or expenditures in compliance with Act 655 of 1956, as amended. Failure to do so may result in not receiving allocations from PennDOT until all discrepancies are resolved. *Publication 9*, Section 2.6, includes information about investing Liquid Fuels Tax monies, using loan or bond proceeds, and types of receipts into the Liquid Fuels Tax Fund.

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

3. 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.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation’s Financial Consultants.

Criteria

The criteria for the Form MS-965 With Adjustment are described below.

Section 1 of Form MS-965 With Adjustments provides a summary of Liquid Fuels Tax Fund expenditures by category. Categories requiring explanation include:

- Major equipment purchases are purchases of road machinery and road equipment with varying yearly costs in excess of the amounts indicated below:

2017	2018	2019	2020
\$10,700.00	\$10,900.00	\$11,100.00	\$11,300.00

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

2017	2018	2019	2020
\$10,700.00	\$10,900.00	\$11,100.00	\$11,300.00

- Agility projects are exchanges of services with the Department of Transportation.

TOWNSHIP OF LENOX
SUSQUEHANNA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

Section 2 of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is available from the Department of Transportation in March of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- Municipalities that transferred roads from the Commonwealth of Pennsylvania to the municipality through the Highway Transfer Program receive annual turnback allocations in March of each year from the Department of Transportation. Turnback allocations are based on the mileage of the roads transferred.
- Expenditures include the total transferred from Section 1.

Section 3 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.

TOWNSHIP OF LENOX
SUSQUEHANNA COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

Background (Continued)

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 Form MS-965 has 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 Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

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

General Fixed Assets

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

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 2019 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	43,275.00	-	43,275.00
Traffic control devices	249.64	-	249.64
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	194,794.02	-	194,794.02
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 238,318.66</u>	 <u>\$ -</u>	 <u>\$ 238,318.66</u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 2019 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, 2019	\$ 209,247.16	\$ -	\$ 209,247.16
Receipts:			
2. State allocation	164,520.31	-	164,520.31
2a. Turnback allocation	67,360.00	-	67,360.00
2b. Interest on investments	598.11	-	598.11
2c. Miscellaneous	8,597.72	-	8,597.72
3. Total receipts	241,076.14	-	241,076.14
4. Total funds available	450,323.30	-	450,323.30
5. Expenditures (Section 1)	238,318.66	-	238,318.66
6. Balance, December 31, 2019	<u>\$ 212,004.64</u>	<u>\$ -</u>	<u>\$ 212,004.64</u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 2019 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	\$ 209,247.16	\$ -	\$ 209,247.16
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	46,376.06	-	46,376.06
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	255,623.22	-	255,623.22
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>255,623.22</u>	<u>-</u>	<u>255,623.22</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 212,004.64</u>	<u>\$ -</u>	<u>\$ 212,004.64</u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 2020 FORM MS-965 – SECTION 1
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	13,081.50	-	13,081.50
Traffic control devices	248.87	-	248.87
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	2,092.27	-	2,092.27
Maintenance and repair of roads and bridges	214,841.21	-	214,841.21
Highway construction and rebuilding projects	-	-	-
Miscellaneous	80.00	-	80.00
 Total (To Section 2, Line 5)	 <u>\$ 230,343.85</u>	 <u>\$ -</u>	 <u>\$ 230,343.85</u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 2020 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, 2020	\$ 212,004.64	\$ -	\$ 212,004.64
Receipts:			
2. State allocation	160,082.77	-	160,082.77
2a. Turnback allocation	67,360.00	-	67,360.00
2b. Interest on investments	1,024.35	-	1,024.35
2c. Miscellaneous	1,444.97	-	1,444.97
3. Total receipts	229,912.09	-	229,912.09
4. Total funds available	441,916.73	-	441,916.73
5. Expenditures (Section 1)	230,343.85	-	230,343.85
6. Balance, December 31, 2020	<u>\$ 211,572.88</u>	<u>\$ -</u>	<u>\$ 211,572.88</u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 2020 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	\$ 212,004.64	\$ -	\$ 212,004.64
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	45,488.55	-	45,488.55
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	257,493.19	-	257,493.19
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>257,493.19</u>	<u>-</u>	<u>257,493.19</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 211,572.88</u>	<u>\$ -</u>	<u>\$ 211,572.88</u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2020

The following information relates to certain types of transactions for which the Pennsylvania Department of Transportation requested that we provide additional detail.

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>2019</u>	<u>2020</u>
Equipment Fund	Grant to cover expenditures	\$7,250.00	\$ -
Commonwealth of Pennsylvania	Winter maintenance agreement	1,347.72	1,364.97
General Fund	Reimbursement for bank service fees	-	80.00
		<u>-</u>	<u>80.00</u>
Totals		<u>\$8,597.72</u>	<u>\$1,444.97</u>

Miscellaneous Expenditures

On August 31, 2020, the municipality expended \$80.00 from the Liquid Fuels Tax Fund for bank service charges.

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 1 - Noncompliance With Advertising And Bidding Requirements And Contract
 Was Awarded To All Bidders**

Our examination disclosed that the township expended \$19,884.40 in 2019 and \$35,664.96 in 2020 for road materials that were required to be advertised and bid. Included in those totals were expenses of \$11,329.15 during 2019 and \$386.14 during 2020 from the Liquid Fuels Tax Fund for the purchase of Aashto #1, R-4 Rip Rap, R-6 Rip Rap and 9.5MM stone. These stone purchases are like items and were not included in the advertised bid. 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>Total</u>
Various	Various	4666	04/01/2019	\$5,838.97	
7029966	03/28/2019	4674	04/01/2019	284.62	
Various	Various	4689	05/06/2019	<u>5,205.56</u>	
2019 Total					\$11,329.15
Various	Various	4800	Various	<u>386.14</u>	
2020 Total					<u>386.14</u>
Two Year Total					<u>\$11,715.29</u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 1 - Noncompliance With Advertising And Bidding Requirements And Contract
 Was Awarded To All Bidders (Continued)**

In addition, our examination also disclosed that the township expended \$8,555.25 during 2019 and \$35,278.82 during 2020 from the Liquid Fuels Tax Fund for the purchase of Aashto #57 and 2RC stone. In the minutes, the township supervisors made a motion to accept all stone bidders. However, the township did not purchase the stone from the lowest responsible bidder. No documentation was available to justify purchases made from any vendor other than the lowest bidder. 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>Total</u>
Various	Various	4645	03/14/2019	\$ 1,399.31	
Various	Various	4666	04/01/2019	4,180.27	
7029965	03/28/2019	4674	04/01/2019	466.80	
Various	Various	4689	05/06/2019	<u>2,508.87</u>	
2019 Total					\$ 8,555.25
Various	Various	4728	04/06/2020	10,825.74	
Various	Various	4741	05/04/2020	4,614.71	
7300452	05/18/2020	4756	06/01/2020	1,139.62	
7277590	04/03/2020	4769	07/06/2020	980.43	
Various	Various	4782	08/03/2020	5,984.60	
Various	Various	4800	09/08/2020	<u>11,733.72</u>	
2020 Total					<u>35,278.82</u>
Two Year Total					<u><u>\$43,834.07</u></u>

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2020

Finding No. 1 - Noncompliance With Advertising And Bidding Requirements And Contract Was Awarded To All Bidders (Continued)

By purchasing the stone from a vendor that was not the lowest bidder, the township expended \$1,367.13 in 2019 and \$2,997.54 in 2020 more than the contract price with the lower bidder. The difference is as follows:

<u>Product</u>	<u>Invoice Price/Ton</u>	<u>Contract Price/Ton</u>	<u>Difference/ Ton</u>	<u>Tons Purchased</u>	<u>Total Price Difference</u>
2RC	\$ 7.65	\$6.50	\$1.15	1,000.18	\$1,150.20
AASHTO #57	\$12.50	\$9.50	\$3.00	72.31	<u>216.93</u>
2019 Total					1,367.13
2RC	\$ 7.65	\$7.00	\$.65	4,611.61	
2020 Total					<u>2,997.54</u>
Two Year Total					<u><u>\$4,364.67</u></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 \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$20,600.00 for 2019, \$21,000.00 for 2020, \$21,300.00 for 2021, and \$21,900.00 for 2022. *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.

This condition occurred because the municipality was under the impression that awarding the highest bidder was permissible without further documentation on the reason why it was chosen over the lower bids.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$16,079.96 to its Liquid Fuels Tax Fund.

TOWNSHIP OF LENOX
SUSQUEHANNA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 1 - Noncompliance With Advertising And Bidding Requirements And Contract
Was Awarded To All Bidders (Continued)**

Recommendations

We recommend that the township reimburse \$16,079.96 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

Management's Response

The secretary/treasurer stated:

Supervisors have always taken more than one bid for stone due to the fact that plants are on each end of the Township which causes a much better process for picking up the product. It is quicker and eliminates wait time at road site.

Auditor's Conclusion

The municipality should comply with *The Second Class Township Code* awarding bids and making purchases from the lowest responsible bidder when making purchases over the bidding threshold. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF LENOX
 SUSQUEHANNA COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2019 TO DECEMBER 31, 2020

Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that the township expended \$12,700.00 during 2020 from the Liquid Fuels Tax Fund for a sweeper rental. The township was required to obtain three written or telephonic price quotations for these expenditures. However, documentation for price quotations was not available for examination. These purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
N/A	04/30/2020	4740	05/04/2020	\$ 6,850.00
N/A	05/23/2020	4755	06/01/2020	<u>5,850.00</u>
2020 Total				<u><u>\$12,700.00</u></u>

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

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

The thresholds for obtaining price quotations increased to purchases between \$11,100.00 and \$20,600.00 for 2019, \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, and \$11,800.00 and \$21,900.00 for 2022.

TOWNSHIP OF LENOX
SUSQUEHANNA COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination
(Continued)**

The municipality did not realize that the sweeper rental was going to be over the 2020 quotation threshold until after the second rental payment.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$12,700.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$12,700.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

The Department of Transportation will determine if the municipality is required to reimburse \$12,700.00 to its Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF LENOX
SUSQUEHANNA COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

An exit conference was held April 26, 2022. Those participating were:

TOWNSHIP OF LENOX

Ms. Sharon Depew, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Corey Tomasetti, Auditor

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

TOWNSHIP OF LENOX
SUSQUEHANNA COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2019 TO DECEMBER 31, 2020

This report was initially distributed to:

The Honorable Yassmin Gramian, P.E.
Secretary
Department of Transportation

Township of Lenox
Susquehanna County
222 State Route 2016
Nicholson, PA 18446

The Honorable James Taylor
Chairperson of the Board of Supervisors

Ms. Sharon Depew
Secretary/Treasurer

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.