



TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
64-210

LIQUID FUELS TAX FUND  
EXAMINATION REPORT

FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009



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TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

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.





**Department of the Auditor General  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120-0018**

**JACK WAGNER  
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 Ligonier, Westmoreland County, for the three years ended December 31, 2009. 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.

Except as discussed in the fifth paragraph, 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 Ligonier, Westmoreland County's Forms MS-965 for the three years ended December 31, 2009 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

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

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, we were unable to examine the images of the back of the canceled checks from the township's financial institution because the township failed to obtain them from its financial institution. Consequently we were unable to perform procedures to determine whether disbursements were made in accordance with applicable laws and regulations. Additionally, as discussed in Finding No. 2, the township expended \$104,662.92 for paving materials, \$13,176.19 for pug mill machine rental, \$15,748.82 for pipes, and \$59,581.38 for stone from its Liquid Fuels Tax Fund during 2008 without advertising for bids.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine an image of the back of the canceled checks and the effects of the \$193,169.31 that was expended without advertising for bids, 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 Ligonier, Westmoreland County, for the three years ended December 31, 2009, 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.



### Independent Auditor's Report (Continued)

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 Ligonier, Westmoreland 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 Ligonier, Westmoreland County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Ligonier, Westmoreland 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:

- Electronic Imaging Of Canceled Checks From The Bank Did Not Include The Back Of The Checks.

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 Ligonier, Westmoreland 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.

Independent Auditor's Report (Continued)

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

September 20, 2010

JACK WAGNER  
Auditor General

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
2007 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	\$ 51,742.00	\$ -	\$ 51,742.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	66,236.57	-	66,236.57
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	192,743.28	3,278.73	196,022.01
Highway construction and rebuilding projects	-	-	-
Miscellaneous	250.00	(250.00)	-
	<u>250.00</u>	<u>(250.00)</u>	<u>-</u>
Total (To Section 2, Line 5)	<u>\$ 310,971.85</u>	<u>\$ 3,028.73</u>	<u>\$ 314,000.58</u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
2007 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, 2007	\$ 97,177.81	\$ -	\$ 97,177.81
Receipts:			
2. State allocation	259,803.72	-	259,803.72
2a. Turnback allocation	3,840.00	-	3,840.00
2b. Interest on investments (Note 3)	7,572.05	2.01	7,574.06
2c. Miscellaneous (Note 5)	-	3,028.73	3,028.73
3. Total receipts	<u>271,215.77</u>	<u>3,030.74</u>	<u>274,246.51</u>
4. Total funds available	<u>368,393.58</u>	<u>3,030.74</u>	<u>371,424.32</u>
5. Expenditures (Section 1)	<u>310,971.85</u>	<u>3,028.73</u>	<u>314,000.58</u>
6. Balance, December 31, 2007	<u>\$ 57,421.73</u>	<u>\$ 2.01</u>	<u>\$ 57,423.74</u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
2007 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	\$ 57,422.02	\$ 39,755.79	\$ 97,177.81
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	52,728.74	-	52,728.74
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	110,150.76	39,755.79	149,906.55
5. Less: Major equipment expenditures	51,742.00	-	51,742.00
6. Remainder	<u>58,408.76</u>	<u>39,755.79</u>	<u>98,164.55</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 57,421.73</u>	<u>\$ 2.01</u>	<u>\$ 57,423.74</u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
2008 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 57,422.02	\$ -	\$ 57,422.02
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	54,310.36	-	54,310.36
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	213,721.04	-	213,721.04
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 325,453.42</u>	<u>\$ -</u>	<u>\$ 325,453.42</u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND 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	\$ 57,422.02	\$ 1.72	\$ 57,423.74
Receipts:			
2. State allocation	285,966.33	-	285,966.33
2a. Turnback allocation	3,840.00	-	3,840.00
2b. Interest on investments (Note 3)	2,767.47	-	2,767.47
2c. Miscellaneous (Note 5)	7,582.45	(1.72)	7,580.73
3. Total receipts	<u>300,156.25</u>	<u>(1.72)</u>	<u>300,154.53</u>
4. Total funds available	<u>357,578.27</u>	<u>-</u>	<u>357,578.27</u>
5. Expenditures (Section 1)	<u>325,453.42</u>	<u>-</u>	<u>325,453.42</u>
6. Balance, December 31, 2008	<u><u>\$ 32,124.85</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,124.85</u></u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND 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	\$ 57,421.73	\$ 2.01	\$ 57,423.74
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	57,961.26	-	57,961.26
3. PENNDOT approved adjustments	<u>-</u>	<u>-</u>	<u>-</u>
4. Total funds available for equipment acquisition	115,382.99	2.01	115,385.00
5. Less: Major equipment expenditures	<u>57,422.02</u>	<u>-</u>	<u>57,422.02</u>
6. Remainder	<u><u>57,960.97</u></u>	<u><u>2.01</u></u>	<u><u>57,962.98</u></u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u><u>\$ 32,124.85</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,124.85</u></u>

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



TOWNSHIP OF LIGONIER  
WESTMORELAND 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	\$ 13,860.41	\$ -	\$ 13,860.41
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	30,256.92	62,657.35	92,914.27
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	251,842.82	(62,657.35)	189,185.47
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 295,960.15</u>	<u>\$ -</u>	<u>\$ 295,960.15</u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND 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	\$ 32,124.85	\$ -	\$ 32,124.85
Receipts:			
2. State allocation	277,532.08	-	277,532.08
2a. Turnback allocation	3,840.00	-	3,840.00
2b. Interest on investments (Note 3)	500.09	-	500.09
2c. Miscellaneous	-	-	-
3. Total receipts	<u>281,872.17</u>	<u>-</u>	<u>281,872.17</u>
4. Total funds available	<u>313,997.02</u>	<u>-</u>	<u>313,997.02</u>
5. Expenditures (Section 1)	<u>295,960.15</u>	<u>-</u>	<u>295,960.15</u>
6. Balance, December 31, 2009	<u><u>\$ 18,036.87</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,036.87</u></u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND 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	\$ 32,122.69	\$ 2.16	\$ 32,124.85
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	56,274.42	-	56,274.42
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	88,397.11	2.16	88,399.27
5. Less: Major equipment expenditures	13,860.41	-	13,860.41
6. Remainder	<u>74,536.70</u>	<u>2.16</u>	<u>74,538.86</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 18,036.87</u>	<u>\$ -</u>	<u>\$ 18,036.87</u>

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

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

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 LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

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 LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

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 financial institutions. 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, 2009. 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 LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2009 consists of the following:

Cash	<u>\$18,036.87</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$7,574.06 during 2007, \$2,767.47 during 2008, and \$500.09 during 2009, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2007 - Section 1

An adjustment of \$3,278.73 was made to "Maintenance and repair of roads and bridges" because these expenditures were understated.

An adjustment of \$(250.00) was made to "Miscellaneous" because there were no miscellaneous expenditures.

2007 - Section 2

An adjustment of \$2.01 was made to "Interest on investments" because interest earnings were understated.

An adjustment of \$3,028.73 was made to "Miscellaneous" because a reimbursement for a billing error was not reported (see Note 6).

2007 - Section 3

An adjustment of \$39,755.79 was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

4. Adjustments (Continued)

2008 - Section 2

An adjustment of \$1.72 was made to “Balance, January 1, 2008” to reflect the adjustments made in 2007 - Section 1 and 2007 - Section 2.

An adjustment of \$(1.72) was made to “Miscellaneous” because these receipts were overstated.

2008 - Section 3

An adjustment of \$2.01 was made to “Prior year equipment balance” to reflect the adjustments made to the equipment balance in 2007 - Section 1 and 2007 - Section 2.

2009 - Section 1

Adjustments were made to “Winter maintenance services” and “Maintenance and repair of roads and bridges” because expenditures of \$62,657.35 were misclassified.

2009 - Section 3

An adjustment of \$2.16 was made to “Prior year equipment balance” because an incorrect equipment balance was carried forward.

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>2007</u>	<u>2008</u>
Vendor	Reimbursement (Note 6)	\$3,028.73	\$7,411.98
General Fund	Reimbursement (Note 7)	-	168.75
Totals		<u>\$3,028.73</u>	<u>\$7,580.73</u>



TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

6. Billing Error

On June 28, 2007 and July 30, 2007 the municipality expended \$3,028.73 and \$7,411.98, respectively, from the Liquid Fuels Tax Fund in excess of the contracted prices for the purchase of 9.5mm asphalt. The municipality discovered a discrepancy in the unit price as compared to the contracted bid price. On September 11, 2007 and February 26, 2008 the vendor reimbursed the \$3,028.73 and \$7,411.98, respectively, to the Liquid Fuels Tax Fund.

7. Payment In Error

On October 21, 2008 the municipality expended \$168.75 from its Liquid Fuels Tax Fund for Highway Occupancy Permit application for review of water source filling operations in error. On October 31, 2008, the municipality transferred \$168.75 from its General Fund to its Liquid Fuels Tax Fund to correct the payment in error.

8. Bank Loan

On November 5, 2008, the municipality borrowed \$75,000.00 from Commercial Bank & Trust of PA to purchase a JCB wheel loader. The term of the loan was for 60 months at an interest rate of 4.5 percent. Principal and interest payments of \$4,208.65 are due quarterly.

During the current examination period the municipality paid principal of \$70,888.03 and interest of \$394.40 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2008 and 2009 Forms MS-965 - Section 1. Additionally, the municipality paid principal of \$4,111.97 and interest of \$96.68 from the General Fund. The loan was paid-in-full on November 6, 2009.



TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include  
The Back Of The Checks

Our examination disclosed that the imaging of canceled checks from the bank for the Liquid Fuels Tax Fund account was not acceptable because the bank provides only an image of the front side of the canceled checks. For us to properly complete our examination testing, we have to examine the front and back of the canceled checks. Because the test of disbursements was limited, we had to qualify our opinion as stated in the Independent Auditor's Report.

Good internal controls and the Commonwealth of Pennsylvania Management Directive 210.11, dated June 16, 1997, require that imaging systems comply with the provisions of the Internal Revenue Service (IRS) procedures for record keeping with electronic imaging. To be acceptable, the documents provided by the system must meet IRS procedures governing size, content, format, and pattern. Those procedures require that all images produced by the imaging system exhibit a high degree of legibility and readability when displayed on paper. Legibility includes the ability to identify all letters and numerals positively and quickly. Readability includes the ability to recognize a group of letters or numerals as words or completed numbers. Imaged documents must include the front and back of a document in which both the front and back are used.

Further, good internal controls ensure that by having a municipal official review the front and back of the canceled checks, any errors or misappropriations can be detected on a timely basis.

Without this control, the potential exists for errors or misappropriations to go undetected for long periods of time.

Recommendations

We recommend that the municipal officials obtain images of the front and back of canceled checks in accordance with Directive 210.11. Additionally, municipal officials should review the front and back of each canceled check for any errors or misappropriations.

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

Finding No. 1 - Electronic Imaging Of Canceled Checks From The Bank Did Not Include  
The Back Of The Checks (Continued)

Management's Response

The municipal officials stated:

The Township was unaware that the bank was not in compliance with audit requirements. The bank has begun supplying both sides of checks effective January 1, 2010.

Auditor's Conclusion

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

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

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

Our examination disclosed that the township expended \$104,662.92 for paving materials, \$13,176.19 for pug mill machine rental, \$15,748.82 for pipes, and \$59,581.38 for stone from the Liquid Fuels Tax Fund without advertising for bids during 2008. 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>Paving Material</u>				
1244335	06/14/08	1162	08/27/08	\$ 345.21
1268668	07/12/08	1162	08/27/08	323.98
80815006	08/18/08	1163	08/27/08	4,497.79
6543	08/06/08	1165	08/27/08	1,146.11
1245899	06/19/08	1168	09/05/08	323.50
1257100	06/28/08	1168	09/05/08	451.00
1258663	06/30/08	1168	09/05/08	451.00
1267475	07/12/08	1168	09/05/08	1,361.08
1278006	07/25/08	1168	09/05/08	340.53
1288827	08/06/08	1168	09/05/08	124.50
1254698	06/27/08	1169	09/05/08	401.00
1255857	06/27/08	1169	09/05/08	951.00
1272722	07/18/08	1169	09/05/08	336.28
1279474	07/26/08	1169	09/05/08	848.00
1302887	08/21/08	1169	09/05/08	450.00
1305970	08/23/08	1169	09/05/08	348.50
1280615	07/26/08	1170	09/05/08	899.50
1281573	07/26/08	1170	09/05/08	202.00
1283652	07/31/08	1170	09/05/08	336.43
1286866	07/31/08	1170	09/05/08	698.50
7352	08/26/08	1172	09/05/08	55,583.82
7474	08/27/08	1172	09/05/08	18,764.46
1316061	09/06/08	1174	10/21/08	1,699.00
1317474	09/06/08	1174	10/21/08	602.00
1318133	09/10/08	1174	10/21/08	851.00
1321298	09/13/08	1174	10/21/08	4,054.00
80731003	08/01/08	1175	10/21/08	1,935.56
80905001	09/08/08	1175	10/21/08	2,031.67
1332177	09/26/08	1178	10/21/08	4,180.00
1340180	10/04/08	1178	10/21/08	<u>125.50</u>
Total for paving materials				<u>\$104,662.92</u>

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
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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>Pug Mill Machine Rental</u>				
9028	09/30/08	1177	10/21/08	<u>\$13,176.19</u>
<u>Pipes</u>				
0037008-IN	06/20/08	1159	06/27/08	<u>\$15,748.82</u>
<u>Stone</u>				
38488	06/05/08	1157	06/27/08	\$ 493.13
40800	06/20/08	1157	06/27/08	1,619.06
41783	06/26/08	1160	07/31/08	1,554.27
41784	06/26/08	1160	07/31/08	400.01
41785	06/26/08	1160	07/31/08	2,038.59
43009	07/03/08	1160	07/31/08	763.95
44051	07/11/08	1160	07/31/08	747.46
50769	08/22/08	1164	08/27/08	14,935.25
49529	08/14/08	1166	08/27/08	4,289.42
1233139	06/06/08	1168	09/05/08	673.73
1234356	06/06/08	1168	09/05/08	679.30
1273849	07/19/08	1168	09/05/08	671.98
1230459	05/31/08	1169	09/05/08	688.23
1231753	05/31/08	1169	09/05/08	678.27
1239496	06/18/08	1169	09/05/08	673.44
45114	07/18/08	1171	09/05/08	3,167.42
45270	07/25/08	1171	09/05/08	6,338.88
47287	08/01/08	1171	09/05/08	692.52
48463	08/07/08	1171	09/05/08	409.60
49401	08/14/08	1171	09/05/08	3,384.15
51787	08/29/08	1171	09/05/08	1,242.83
1329836	09/25/08	1174	10/21/08	2,984.66
52970	09/04/08	1176	10/21/08	2,557.63
54933	09/19/08	1176	10/21/08	658.70
57122	10/02/08	1176	10/21/08	4,330.96
58352	10/10/08	1176	10/21/08	769.20
59365	10/17/08	1176	10/21/08	487.06
1330976	09/25/08	1178	10/21/08	999.77
1340181	10/04/08	1178	10/21/08	335.98
1341423	10/09/08	1178	10/21/08	<u>315.93</u>
Total for stone				<u>\$59,581.38</u>

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

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

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

In addition, the above 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 Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$193,169.31 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$193,169.31 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.

TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
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DECEMBER 31, 2009

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

Management's Response

The township officials stated:

Road materials for 2008 were not advertised, in error. Bid forms were sent out to all usual annual bidders. However, when the township discovered the omission of this legal notice, we discontinued paying from the Liquid Fuels Tax Fund immediately. Should the state require that the General Fund reimburse the Liquid Fuels account, we respectfully request that the funds be paid back over a period of several years as a one-time hit would hurt the township financially.

Auditor's Conclusion

The Department of Transportation will determine if and how the township must reimburse the \$193,169.31 to its Liquid Fuels Tax Fund. During our next examination we will determine if the township complied with our recommendations.



TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

An exit conference was held September 20, 2010. Those participating were:

TOWNSHIP OF LIGONIER

The Honorable Timothy R. Komar, Chairman of the Board of Supervisors

The Honorable Keith A. Whipkey, Supervisor/Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Peggy J. Denham, Auditor

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



TOWNSHIP OF LIGONIER  
WESTMORELAND COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE THREE YEARS ENDED  
DECEMBER 31, 2009

This report was initially distributed to:

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

Township of Ligonier  
Westmoreland County  
One Municipal Park Drive  
Ligonier, PA 15658

The Honorable Timothy R. Komar

Chairman of the Board of Supervisors

The Honorable Keith A. Whipkey

Supervisor/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](http://www.auditorgen.state.pa.us).