

# ATTESTATION ENGAGEMENT

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Township of Madison  
Columbia County, Pennsylvania  
19-213

Liquid Fuels Tax Fund  
For the Period  
January 1, 2020 to December 31, 2022

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September 2023



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 Michael Carroll  
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 Madison, Columbia County, for the period January 1, 2020 to December 31, 2022. 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. An examination involves performing procedures 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with ethical requirements relating to the engagement.

As described in the Auditor Description Of Select Transactions section of this report, 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 the Findings And Recommendations section of this report:

- The municipality expended \$74,635.00 for full depth reclamation without obtaining the approval of the Department of Transportation (see Finding No. 1).
- On May 10, 2021, the municipality paid \$24,006.24 more than would have been required due to failing to award contracts to the lowest responsible bidder (see Finding No. 2).
- The municipality expended \$4,658.09 during 2021 and \$1,110.00 during 2022 for nonpermissible items. Although the municipality reimbursed \$4,658.09 to its Liquid Fuels Tax Fund during the examination period, the reimbursement of \$1,110.00 to its Liquid Fuels Tax Fund did not occur until February 6, 2023, which was subsequent to our examination period (see Finding No. 3).

In our opinion, except for the bulleted items 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 Madison, Columbia County, for the period January 1, 2020 to December 31, 2022, 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; 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 Township of Madison, Columbia 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*:

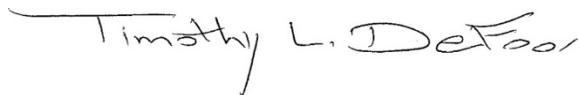
- Failure To Obtain Project Approval.
- Contract Not Awarded To Lowest Responsible Bidder.

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

- Nonpermissible Expenditures.

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 Madison, Columbia 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  
September 8, 2023

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TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

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 MADISON  
 COLUMBIA COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2020 TO DECEMBER 31, 2022

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development’s (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
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:

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

- 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:

2019	2020	2021	2022
\$11,100.00	\$11,300.00	\$11,500.00	\$11,800.00

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

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 MADISION  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

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 MADISON  
COLUMBIA 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	59,700.00	-	59,700.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	436.91	-	436.91
Traffic control devices	668.00	-	668.00
Street lighting	-	-	-
Storm sewers and drains	-	3,797.00	3,797.00
Repairs of tools and machinery	15,148.84	-	15,148.84
Maintenance and repair of roads and bridges	106,001.95	(78,432.00)	27,569.95
Highway construction and rebuilding projects	-	74,635.00	74,635.00
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 181,955.70</u>	 <u>\$ -</u>	 <u>\$ 181,955.70</u>

TOWNSHIP OF MADISON  
COLUMBIA 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	\$ 139,169.12	\$ -	\$ 139,169.12
Receipts:			
2. State allocation	191,045.55	-	191,045.55
2a. Turnback allocation	-	-	-
2b. Interest on investments	807.06	-	807.06
2c. Miscellaneous	-	-	-
3. Total receipts	<u>191,852.61</u>	<u>-</u>	<u>191,852.61</u>
4. Total funds available	<u>331,021.73</u>	<u>-</u>	<u>331,021.73</u>
5. Expenditures (Section 1)	<u>181,955.70</u>	<u>-</u>	<u>181,955.70</u>
6. Balance, December 31, 2020	<u><u>\$ 149,066.03</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 149,066.03</u></u>

TOWNSHIP OF MADISON  
COLUMBIA 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	\$ 139,169.12	\$ -	\$ 139,169.12
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	38,209.11	-	38,209.11
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	177,378.23	-	177,378.23
5. Less: Major equipment expenditures	59,700.00	-	59,700.00
6. Remainder	<u>117,678.23</u>	<u>-</u>	<u>117,678.23</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 117,678.23</u>	<u>\$ -</u>	<u>\$ 117,678.23</u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2021 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 1,275.47	\$ (1,275.47)	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	9,435.63	-	9,435.63
Traffic control devices	2,138.55	-	2,138.55
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	26,235.05	1,275.47	27,510.52
Maintenance and repair of roads and bridges	26,674.00	-	26,674.00
Highway construction and rebuilding projects	93,954.86	-	93,954.86
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 159,713.56</u>	 <u>\$ -</u>	 <u>\$ 159,713.56</u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2021 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, 2021	\$ 149,066.03	\$ -	\$ 149,066.03
Receipts:			
2. State allocation	176,990.12	-	176,990.12
2a. Turnback allocation	-	-	-
2b. Interest on investments	45.22	-	45.22
2c. Miscellaneous	7,158.09	(4,658.09)	2,500.00
3. Total receipts	184,193.43	(4,658.09)	179,535.34
4. Total funds available	333,259.46	(4,658.09)	328,601.37
5. Expenditures (Section 1)	159,713.56	-	159,713.56
6. Balance, December 31, 2021	<u>\$ 173,545.90</u>	<u>\$ (4,658.09)</u>	<u>\$ 168,887.81</u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2021 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	\$ 117,678.23	\$ -	\$ 117,678.23
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	35,398.02	-	35,398.02
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	153,076.25	-	153,076.25
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>153,076.25</u>	<u>-</u>	<u>153,076.25</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 153,076.25</u>	<u>\$ -</u>	<u>\$ 153,076.25</u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2022 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 6,700.00	\$ -	\$ 6,700.00
Computer/Computer related training	-	-	-
Major equipment purchases	73,061.50	-	73,061.50
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	3,860.19	-	3,860.19
Traffic control devices	626.72	-	626.72
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	18,159.96	-	18,159.96
Maintenance and repair of roads and bridges	137,202.75	(64,295.00)	72,907.75
Highway construction and rebuilding projects	-	64,295.00	64,295.00
Miscellaneous	16.00	-	16.00
 Total (To Section 2, Line 5)	 <u>\$ 239,627.12</u>	 <u>\$ -</u>	 <u>\$ 239,627.12</u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2022 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, 2022	\$ 173,545.90	\$ (4,658.09)	\$ 168,887.81
Receipts:			
2. State allocation	176,633.12	-	176,633.12
2a. Turnback allocation	-	-	-
2b. Interest on investments	2,247.46	-	2,247.46
2c. Miscellaneous	1,110.00	3,548.09	4,658.09
3. Total receipts	<u>179,990.58</u>	<u>3,548.09</u>	<u>183,538.67</u>
4. Total funds available	<u>353,536.48</u>	<u>(1,110.00)</u>	<u>352,426.48</u>
5. Expenditures (Section 1)	<u>239,627.12</u>	<u>-</u>	<u>239,627.12</u>
6. Balance, December 31, 2022	<u><u>\$ 113,909.36</u></u>	<u><u>\$ (1,110.00)</u></u>	<u><u>\$ 112,799.36</u></u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
2022 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	\$ 153,076.25	\$ -	\$ 153,076.25
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	35,326.62	-	35,326.62
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	188,402.87	-	188,402.87
5. Less: Major equipment expenditures	73,061.50	-	73,061.50
6. Remainder	<u>115,341.37</u>	<u>-</u>	<u>115,341.37</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 113,909.36</u>	<u>\$ (1,110.00)</u>	<u>\$ 112,799.36</u>

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

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

Adjustments

2020 - Section 1

Adjustments were made to “Storm sewers and drains,” “Maintenance and repair of roads and bridges,” and “Highway construction and rebuilding projects” because expenditures of \$78,432.00 were misclassified.

2021 - Section 1

Adjustments were made to “Minor equipment purchases” and “Repairs of tools and machinery” because expenditures of \$1,275.47 were misclassified.

2021 - Section 2

An adjustment of \$(4,658.09) was made to “Miscellaneous” because these receipts were overstated.

2022 - Section 1

Adjustments were made to “Maintenance and repair of roads and bridges” and “Highway construction and rebuilding projects” because expenditures of \$64,295.00 were misclassified.

2022 - Section 2

An adjustment of \$(4,658.09) was made to “Balance, January 1, 2022” to reflect the adjustment made to the fund balance in 2021 - Section 2.

An adjustment of \$3,548.09 was made to “Miscellaneous” because receipts were understated.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

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>2021</u>	<u>2022</u>
General Fund	Reimbursement (see Summary Of Prior Examination Recommendations)	\$2,500.00	\$ -
General Fund	Reimbursement (see Finding No. 3)	-	4,658.09
Totals		<u>\$2,500.00</u>	<u>\$4,658.09</u>

Miscellaneous Expenditures

During 2022, the municipality expended \$16.00 from the Liquid Fuels Tax Fund for bank service charges.

Lease-Purchase Agreement

On May 24, 2017, the municipality entered into a lease-purchase agreement with First Columbia Bank and Trust to purchase a 2009 Peterbilt 335 dump truck for \$50,000.00. The agreement was for a term of three years at an interest rate of 2.10 percent. Principal and interest payments of \$17,381.69 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$16,317.11 and \$1,064.58, respectively. Additionally, the municipality paid principal of \$16,664.53 and interest of \$717.16 from the General Fund.

During the current examination period, the municipality paid principal of \$17,018.36 and interest of \$246.20 from the General Fund. As of January 27, 2020, the lease-purchase agreement was paid-in-full.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

**Finding No. 1 - Failure To Obtain Project Approval**

Our examination disclosed that the municipality expended \$74,635.00 on September 14, 2020, for full depth reclamation without obtaining the approval of the Department of Transportation. The municipality did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

The Department of Transportation's *Publication 9* contains the policies and procedures for the administration of the Liquid Fuels Tax Fund. *Publication 9*, Chapter Two, Section 2.7.2, states that nonpermissible expenditures include "Construction and reconstruction projects without prior PENNDOT approval."

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

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

Other:	Reconstruction, such as removal and replacement of one inch or more of existing road metal, including base and surface. This would include cold-mill recycling and reclamation work.
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We were unable to determine the cause of this condition.

The failure to comply with the Department of Transportation's *Publication 9* could result in the municipality having to reimburse \$74,635.00 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$74,635.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

**Finding No. 1 - Failure To Obtain Project Approval (Continued)**

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF MADISON  
 COLUMBIA COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
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**Finding No. 2 - Contract Not Awarded To Lowest Responsible Bidder**

Our examination disclosed that on May 10, 2021, the township opened bids for full depth mechanical stabilization. The bids were as follows:

<u>Vendor</u>	<u>Unit Price Sq/Yd</u>
Vendor A	\$2.43
Vendor B	1.95

Although Vendor B was the lowest responsible bidder for the full depth mechanical stabilization, Vendor A was awarded the bid. No reason was given in the township's minute book for not awarding the contract to the lowest responsible bidder. Had the township awarded the contract to Vendor B, it would have saved \$6,963.84 as follows:

<u>Vendor</u>	<u>Unit Price Sq/ Yd</u>	<u>Total Sq./Yd.</u>	<u>Total Cost</u>
Vendor A	\$2.43	14,508	\$35,254.44
Vendor B	1.95	14,508	<u>28,290.60</u>
Price Difference			<u>\$ 6,963.84</u>

On May 10, 2021, the township opened bids for 2B stone which was part of the project. The bids were as follows:

<u>Vendor</u>	<u>Unit Price/Ton</u>
Vendor A	\$24.50
Vendor B	19.20

Although Vendor B was the lowest responsible bidder for the stone, Vendor A was awarded the bid. No reason was given in the township's minute book for not awarding the contract to the lowest responsible bidder. Had the township awarded the contract to Vendor B, it would have saved \$9,063.00 as follows:

<u>Vendor</u>	<u>Unit Price/Ton</u>	<u>Total Tons</u>	<u>Total Cost</u>
Vendor A	\$24.50	1,710	\$41,895.00
Vendor B	19.20	1,710	<u>32,832.00</u>
Price Difference			<u>\$ 9,063.00</u>

TOWNSHIP OF MADISON  
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**Finding No. 2 - Contract Not Awarded To Lowest Responsible Bidder (Continued)**

On May 10, 2021, the township opened bids for E1 Prime oil which was part of the project. The bids were as follows:

<u>Vendor</u>	<u>Unit Price/Gallon</u>
Vendor A	\$1.03
Vendor B	.48

Although Vendor B was the low bidder for the E1 Prime Oil, Vendor A was awarded the bid. No reason was given in the township’s minute book for not awarding the contract to the lowest responsible bidder. Had the township awarded the contract to Vendor B, it would have saved \$7,979.40 as follows.

<u>Vendor</u>	<u>Unit Price/Gallon</u>	<u>Total Tons</u>	<u>Total Cost</u>
Vendor A	1.03	14,508	\$14,943.24
Vendor B	.48	14,508	<u>6,963.84</u>
Price Difference			<u>\$ 7,979.40</u>

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 states:

All contracts or purchases in excess of required advertising amount of eighteen thousand five hundred dollars (\$18,500), except those specifically excluded, shall not be made except with and from the lowest responsible bidder...

The threshold for advertising for bids increased to purchases over \$21,000.00 for 2020, \$21,300.00 for 2021, \$21,900.00 for 2022, and \$22,500.00 for 2023.

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**Finding No. 2 - Contract Not Awarded To Lowest Responsible Bidder (Continued)**

If the lowest bid is not accepted, the township must provide an explanation in the township supervisors' meeting minute book as to why the low bid was not accepted. The township did not provide explanations.

We were unable to determine the cause of this condition.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$24,006.24 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$24,006.24 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

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

TOWNSHIP OF MADISON  
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**Finding No. 3 - Nonpermissible Expenditures**

Our examination disclosed that the municipality expended \$4,658.09 during 2021 and \$1,110.00 during 2022 from the Liquid Fuels Tax Fund for the following nonpermissible items:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Heating oil for garage	\$3,116.84	
Repairs to garage furnace	<u>1,541.25</u>	
2021 Total		\$4,658.09
Road millings	1,100.00	
Rat trap for garage	<u>10.00</u>	
2022 Total		<u>1,110.00</u>
Two Year Total		<u>\$5,768.09</u>

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 heating oil, repairs to a garage furnace, road millings, and rat traps are outside the scope of permissible expenditures.

We were unable to determine the cause of this condition.

On January 31, 2022, the municipality reimbursed \$4,658.09 to the Liquid Fuels Tax Fund.

Additionally, the municipality reimbursed \$1,110.00 to the Liquid Fuels Tax Fund on February 6, 2023, which was subsequent to our examination period.

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**Finding No. 3 - Nonpermissible Expenditure (Continued)**

Recommendation

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

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

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

TOWNSHIP OF MADISON  
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SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
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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 \$2,500.00 to its Liquid Fuels Tax Fund for failing to maintain documentation for expenditures.

During our current examination, we reviewed a letter dated July 14, 2021, from the Department of Transportation directing the municipality to reimburse \$2,500.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 19, 2021.

In our prior report, we also recommended that the municipality ensure good internal controls over expenditures by maintaining adequate documentation to support expenditures.

During our current examination, we did not test any expenditures for which the municipality did not have documentation.

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
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SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
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An exit conference was held July 18, 2023. Those participating were:

TOWNSHIP OF MADISON

Ms. Beverly Lutcavage, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Brian P. Dries, Auditor

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

TOWNSHIP OF MADISON  
COLUMBIA COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2022

This report was initially distributed to:

**The Honorable Michael Carroll**  
Secretary  
Department of Transportation

**Township of Madison**  
Columbia County  
136 Morehead Avenue  
P.O. Box 620  
Millville, PA 17846

**The Honorable Rhonda Stitz**  
Chairperson of the Board of Supervisors

**Ms. Beverly Lutcavage**  
Secretary/Treasurer

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