



TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
09-218

LIQUID FUELS TAX FUND
EXAMINATION REPORT

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

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Barry J. Schoch, P.E.
Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Form MS-965 With Adjustments for the Liquid Fuels Tax Fund of the Township of Northampton, Bucks County, for the period January 1, 2011 to December 31, 2011. The municipality's management is responsible for the Form MS-965. Our responsibility is to express an opinion on the Form MS-965 With Adjustments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. An examination includes examining, on a test basis, evidence supporting the Township of Northampton, Bucks County's Form MS-965 for the period January 1, 2011 to December 31, 2011 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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

As described in Note 4, the adjustments included on the Form 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 and Comment sections of this report:

- The municipality expended \$8,277.93 from the Liquid Fuels Tax Fund for the purchase of asphalt binder without maintaining documentation for price quotations for these expenditures (Finding No. 2).
- The municipality expended \$8,182.76 from its Liquid Fuels Tax Fund in excess of the approved amount for project No. 11-09-218-01 (Finding No. 3).
- During the prior examination period the municipality expended \$18,470.00 for snow plowing during 2009 and 2010 without maintaining documentation for price quotations, \$10,629.48 for the purchase of asphalt binder without advertising for bids, and \$4,145.00 for a nonpermissible expenditure. The municipality reimbursed \$33,244.48 to its Liquid Fuels Tax Fund on March 6, 2012, which was subsequent to our examination period (Comment).

In our opinion, except for the matters discussed in the preceding paragraph, the Form MS-965 With Adjustments presents, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Northampton, Bucks County, for the period January 1, 2011 to December 31, 2011, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Form 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 Form 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 Form 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 Northampton, Bucks 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 Northampton, Bucks County's Form MS-965 that is more than inconsequential will not be prevented or detected by the Township of Northampton, Bucks County's internal control.

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 Form MS-965 will not be prevented or detected by the Township of Northampton, Bucks County's internal control.

Our consideration of internal control over reporting on the Form MS-965 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Form MS-965.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we did note other matters that, while not required to be included in this report by *Government Auditing Standards*, have been included in the findings below:

- Nonpermissible Expenditure.
- Documentation For Price Quotations Was Not Available For Examination.
- Liquid Fuels Money Overexpended On Project.

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 Northampton, Bucks County, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

February 1, 2013

EUGENE A. DEPASQUALE
Auditor General

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TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

The Vehicle Code, Title 75 P.S. § 9511, provides municipalities with annual maintenance payments to be received from the Motor License Fund for functionally local highways that were transferred to a municipality from the Commonwealth of Pennsylvania.

Each municipality must deposit the Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called the Municipal Liquid Fuels Tax Fund or State Fund. A municipality may not deposit any other monies into this fund except when the municipality does not have enough money in the special fund to meet the payments called for by its current annual budget for road and bridge purposes. In this case, the municipality may borrow money or transfer money from its General Fund to its Liquid Fuels Tax Fund.

The Department of Transportation has been given the regulatory authority for the administration of these funds. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
2011 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ 94,618.57	\$ -	\$ 94,618.57
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	402,081.19	70,000.00	472,081.19
Traffic control devices	27,729.47	-	27,729.47
Street lighting	36,315.91	-	36,315.91
Storm sewers and drains	15,667.33	-	15,667.33
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	52,590.36	(8,182.90)	44,407.46
Highway construction and rebuilding projects	282,095.00	8,182.90	290,277.90
Miscellaneous	70,000.00	(70,000.00)	-
 Total (To Section 2, Line 5)	 <u>\$ 981,097.83</u>	 <u>\$ -</u>	 <u>\$ 981,097.83</u>

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

TOWNSHIP OF NORTHAMPTON
 BUCKS COUNTY
 LIQUID FUELS TAX FUND
 2011 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, 2011	\$ 82,728.52	\$ -	\$ 82,728.52
Receipts:			
2. State allocation	856,775.23	-	856,775.23
2a. Turnback allocation	37,240.00	-	37,240.00
2b. Interest on investments (Note 3)	464.00	-	464.00
2c. Miscellaneous (Note 5)	47,911.88	-	47,911.88
3. Total receipts	<u>942,391.11</u>	<u>-</u>	<u>942,391.11</u>
4. Total funds available	<u>1,025,119.63</u>	<u>-</u>	<u>1,025,119.63</u>
5. Expenditures (Section 1)	<u>981,097.83</u>	<u>-</u>	<u>981,097.83</u>
6. Balance, December 31, 2011	<u><u>\$ 44,021.80</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44,021.80</u></u>

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

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
2011 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	\$ 82,728.52	\$ -	\$ 82,728.52
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	178,803.05	-	178,803.05
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	261,531.57	-	261,531.57
5. Less: Major equipment expenditures	94,618.57	-	94,618.57
6. Remainder	<u>166,913.00</u>	<u>-</u>	<u>166,913.00</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 44,021.80</u>	<u>\$ -</u>	<u>\$ 44,021.80</u>

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

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011

1. Criteria

Section 1

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

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

Section 2

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

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

Section 3

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

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011

1. Criteria (Continued)

Section 3 (Continued)

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

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

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

Basis Of Presentation

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The 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.

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011

1. Criteria (Continued)

General Fixed Assets

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

2. Deposits

The Second Class Township Code, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in 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, 2011. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the municipality's name.

TOWNSHIP OF NORTHAMPTON
 BUCKS COUNTY
 LIQUID FUELS TAX FUND
 NOTES TO FORM MS-965 WITH ADJUSTMENTS
 FOR THE PERIOD
 JANUARY 1, 2011 TO DECEMBER 31, 2011

2. Deposits (Continued)

Fund Balance

The fund balance consists of the following:

Cash	\$44,021.80
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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 \$464.00 during 2011, thus providing additional funds for road maintenance and repairs.

4. Adjustments

Section 1

Adjustments were made to “Winter maintenance services” and “Miscellaneous” because expenditures of \$70,000.00 were misclassified.

Adjustments were made to “Maintenance and repair of roads and bridges” and “Highway construction and rebuilding projects” because expenditures of \$8,182.90 were misclassified.

5. Miscellaneous Receipts

The following miscellaneous receipts were deposited into the Liquid Fuels Tax Fund during the examination period:

Source	Description	Amount
Department of Transportation	Winter maintenance agreement	\$28,043.89
Department of Transportation	Winter maintenance agreement	9,848.70
Vendor	Refund of overpayment (Note 6)	322.54
General Fund	Reimbursement for payment in error (Finding No. 1)	9,696.75
Total		\$47,911.88

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORM MS-965 WITH ADJUSTMENTS
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011

6. Overpayment of Invoice

On June 10, 2009, the municipality expended \$76,669.00 from the Liquid Fuels Tax Fund to pay vendor invoice No. 2629 for the purchase of a 2010 International dump truck. However, the amount of the invoice was only \$76,346.46. On January 10, 2011, the municipality deposited \$322.54 into its Liquid Fuels Tax Fund that was received from the vendor to correct the overpayment of the invoice.

7. Lease-Purchase Agreement

On December 10, 2007, the municipality entered into a lease-purchase agreement with John Deere Credit Corporation to purchase a John Deere 544J wheel loader for \$121,016.39. The agreement was for a term of five years at an interest rate of 5.25 percent. Principal and interest payments of \$26,803.07 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$95,581.23 and \$11,631.05, respectively.

During the current examination period the municipality paid principal of \$25,435.16 and interest of \$1,367.91 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2011 Form MS-965 - Section 1. The lease-purchase agreement was paid-in-full on December 7, 2011.

8. Lease-Purchase Agreement

On April 4, 2010, the municipality entered into a lease-purchase agreement with TD Equipment Finance to purchase six vehicles for \$360,044.00. This amount consists of \$56,844.00 for a 2011 Ford F-450 truck, \$169,246.00 for a Schwartz Model A7000 street sweeper, \$38,500.00 for a Stepp MFG crack sealer, \$23,246.00 for a Chevy cargo van, \$31,185.00 for a GMC Sierra 1500 truck, and \$41,023.00 for a 2011 Ford Super Duty F-350 truck. The agreement was for a term of five years at an interest rate of 3.15 percent. Principal and interest payments of \$76,535.97 are due annually. Prior years' principal payment from the Liquid Fuels Tax Fund was \$67,815.50. Additionally, the municipality paid principal of \$8,720.47 from the Park and Recreation Fund.

During the current examination period the municipality paid principal of \$59,917.76 and interest of \$7,897.74 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2011 Form MS-965 - Section 1. Additionally, the municipality paid principal of \$7,701.88 and interest of \$1,018.59 from the Park and Recreation Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2011 was \$215,888.39, plus interest.

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

Finding No. 1 - Nonpermissible Expenditure

Our examination disclosed that the municipality expended \$9,696.75 during 2011 from the Liquid Fuels Tax Fund for snow removal on roads for which the municipality does not receive Liquid Fuels Tax Fund money, which is a nonpermissible expenditure.

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

The Department of Transportation has been statutorily authorized to promulgate regulations concerning the administration of Liquid Fuels Tax Fund money and has determined that certain items, including snow removal on roads for which the municipality does not receive Liquid Fuels Tax Fund money, is outside the scope of permissible expenditures.

The failure to comply with the Liquid Fuels Tax Municipal Allocation Law resulted in the municipality reimbursing \$9,656.75 to its Liquid Fuels Tax Fund on November 18, 2011.

A similar finding was also written in our prior report.

Recommendation

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

Management's Response

The municipal officials offered no formal response at this time.

Auditor's Conclusion

This is a recurring finding. We strongly recommend that the municipality comply with our recommendation.

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

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

Our examination disclosed that the township expended \$8,277.93 during 2011 from the Liquid Fuels Tax Fund for the purchase of asphalt binder. 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. The asphalt binder purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
0087294-IN	07/26/11	1396	08/24/11	\$1,439.64
0087944-IN	08/04/11	1411	10/12/11	1,439.64
0088559-IN	08/16/11	1400	09/07/11	199.95
0088562-IN	08/16/11	1421	11/09/11	1,439.64
0088557-IN	08/24/11	1400	09/07/11	879.78
0089369-IN	09/12/11	1400	09/07/11	1,439.64
0091088-IN	10/17/11	1400	09/07/11	1,439.64
Total				<u><u>\$8,277.93</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 that exceed four thousand dollars (\$4,000.00) but are less than the amount [in excess of \$10,000.00] 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.

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

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

In addition, the above expenditures were not made in compliance with the Department of Transportation's *Publication 9*, Appendix D, Section 449.7(d), which states, in part:

...For material estimates between \$4,000 and \$10,000, three telephone price quotes shall be obtained prior to the selection of a supplier. In lieu of the price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors service the market area within which it is practicable to obtain quotations. If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 or if the cost was between \$4,000 and \$10,000 and three price quotes were not obtained, 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 or be between \$4,000 and \$10,000 as specified above.

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 \$8,277.93 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report.

Recommendations

We recommend that the township reimburse \$8,277.93 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further again recommend that, in the future, the township comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The finance director stated:

The public works secretary was unable to locate information on this issue since the public works director has since retired.

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

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

Auditor's Conclusion

The board of supervisors should ensure that the municipality obtain and maintain documentation for price quotations when required. During our next examination we will determine if the municipality complied with our recommendations.

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

Finding No. 3 - Liquid Fuels Money Overexpended On Project

Our examination disclosed that the municipality expended \$290,277.90 of Liquid Fuels Tax Fund money on construction project No. 11-09-218-01. However, the amount approved to be expended from the Liquid Fuels Tax Fund for this project was \$282,095.14. The difference of \$8,182.76 should have been paid directly from the General Fund.

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

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$8,182.76 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$8,182.76 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The finance director stated:

More milling was necessary upon proceeding with the paving project than when initially bid. The additional milling was done by another service provider.

Auditor's Conclusion

The board of supervisors should ensure that only the approved amount of Liquid Fuels Tax Fund money is expended for road projects. Any additional costs above the approved amount should be paid from other funds. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011

Comment - Summary Of Prior Examination Recommendations

In our prior report we recommended that the Department of Transportation review our examination finding to determine if the municipality should reimburse \$33,244.48 to its Liquid Fuels Tax Fund. This amount consists of \$18,470.00 for snow plowing during 2009 and 2010 without maintaining documentation for price quotations, \$10,629.48 for the purchase of asphalt binder without advertising for bids, and \$4,145.00 for a nonpermissible expenditure. Findings for nonpermissible expenditures and purchases made without documentation for price quotations were also written in our current report (See Finding No. 1 and No. 2).

During our current examination we reviewed a letter dated February 24, 2012, from the Department of Transportation informing the municipality to reimburse \$33,244.48 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on March 6, 2012, which was subsequent to our examination period.

In our prior report we also recommended that the township comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* by advertising for bids for all purchases over \$10,000.00.

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

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

An exit conference was held February 1, 2013. Those participating were:

TOWNSHIP OF NORTHAMPTON

Mr. Robert M. Armelin, Finance Director

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Sandra Gichiengo, Auditor

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

TOWNSHIP OF NORTHAMPTON
BUCKS COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2011 TO DECEMBER 31, 2011

This report was initially distributed to:

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

Township of Northampton
Bucks County
55 Township Road
Richboro, PA 18954

The Honorable Kimberley Rose

Chairman of the Board of Supervisors

Mr. Robert M. Armelin

Finance Director

This report is a matter of public record and is available online at <http://www.auditorgen.state.pa.us>. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.