

ATTESTATION ENGAGEMENT

Township of Palmer
Northampton County, Pennsylvania
48-212
Liquid Fuels Tax Fund
For the Period
January 1, 2020 to December 31, 2022

July 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 Palmer, Northampton 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Forms MS-965 is 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 relevant ethical requirements relating to engagement.

Independent Auditor's Report (Continued)

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

- During 2020 and 2022, the municipality expended \$15,245.20 and \$16,053.30, respectively, from its Liquid Fuels Tax Fund for the purchase of street signs, posts, and lettering. Additionally, during 2021, the municipality expended \$15,249.00 from its Liquid Fuels Tax Fund for a front mount snow blower attachment. All purchases were made without maintaining documentation for price quotations (see Finding No. 1).
- During 2021, the municipality expended \$22,698.01 from its Liquid Fuels Tax Fund for the purchase of street signs, posts, and lettering without advertising for bids (see Finding No. 2).

In our opinion, except for the bulleted matters discussed above, the Forms MS-965 With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Palmer, Northampton 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; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the Forms MS-965. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Forms MS-965 is 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 is 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 Palmer, Northampton 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*:

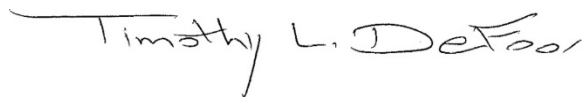
- Documentation For Price Quotations Was Not Available For Examination.
- Noncompliance With Advertising And Bidding Requirements.

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:

- Late Receipt Of Allocation.

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 Palmer, Northampton 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
May 24, 2023

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TOWNSHIP OF PALMER
NORTHAMPTON 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 PALMER
 NORTHAMPTON 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 31st and the Survey of Financial Condition By March 15th.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation’s Financial Consultants.

Criteria

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

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

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

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 PALMER
NORTHAMPTON 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 PALMER
NORTHAMPTON 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 Forms 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 PALMER
NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
2020 FORM MS-965 – SECTION 1
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	41,304.48	-	41,304.48
Traffic control devices	83,836.48	-	83,836.48
Street lighting	109,905.87	-	109,905.87
Storm sewers and drains	199.44	-	199.44
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	5,446.01	-	5,446.01
Highway construction and rebuilding projects	-	-	-
Miscellaneous	149.60	-	149.60
 Total (To Section 2, Line 5)	 <u>\$ 240,841.88</u>	 <u>\$ -</u>	 <u>\$ 240,841.88</u>

TOWNSHIP OF PALMER
 NORTHAMPTON 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	\$ 317,639.97	\$ -	\$ 317,639.97
Receipts:			
2. State allocation	706,399.30	-	706,399.30
2a. Turnback allocation	1,000.00	-	1,000.00
2b. Interest on investments	500.90	-	500.90
2c. Miscellaneous	-	-	-
3. Total receipts	<u>707,900.20</u>	<u>-</u>	<u>707,900.20</u>
4. Total funds available	<u>1,025,540.17</u>	<u>-</u>	<u>1,025,540.17</u>
5. Expenditures (Section 1)	<u>240,841.88</u>	<u>-</u>	<u>240,841.88</u>
6. Balance, December 31, 2020	<u><u>\$ 784,698.29</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 784,698.29</u></u>

TOWNSHIP OF PALMER
 NORTHAMPTON 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	\$ 317,639.97	\$ -	\$ 317,639.97
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	141,479.86	-	141,479.86
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	459,119.83	-	459,119.83
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>459,119.83</u>	<u>-</u>	<u>459,119.83</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 459,119.83</u>	<u>\$ -</u>	<u>\$ 459,119.83</u>

TOWNSHIP OF PALMER
 NORTHAMPTON 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	\$ -	\$ -	\$ -
Computer/Computer related training	-	-	-
Major equipment purchases	50,699.00	-	50,699.00
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	151,576.43	-	151,576.43
Traffic control devices	33,360.43	-	33,360.43
Street lighting	110,163.38	-	110,163.38
Storm sewers and drains	19,070.68	-	19,070.68
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	75,790.22	-	75,790.22
Highway construction and rebuilding projects	807,136.00	-	807,136.00
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 1,247,796.14</u>	 <u>\$ -</u>	 <u>\$ 1,247,796.14</u>

TOWNSHIP OF PALMER
 NORTHAMPTON 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	\$ 784,698.29	\$ -	\$ 784,698.29
Receipts:			
2. State allocation	655,660.00	-	655,660.00
2a. Turnback allocation	1,000.00	-	1,000.00
2b. Interest on investments	143.18	-	143.18
2c. Miscellaneous	-	-	-
3. Total receipts	<u>656,803.18</u>	<u>-</u>	<u>656,803.18</u>
4. Total funds available	<u>1,441,501.47</u>	<u>-</u>	<u>1,441,501.47</u>
5. Expenditures (Section 1)	<u>1,247,796.14</u>	<u>-</u>	<u>1,247,796.14</u>
6. Balance, December 31, 2021	<u><u>\$ 193,705.33</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 193,705.33</u></u>

TOWNSHIP OF PALMER
 NORTHAMPTON 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	\$ 459,119.83	\$ -	\$ 459,119.83
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	131,332.00	-	131,332.00
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	590,451.83	-	590,451.83
5. Less: Major equipment expenditures	50,699.00	-	50,699.00
6. Remainder	<u>539,752.83</u>	<u>-</u>	<u>539,752.83</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 193,705.33</u>	<u>\$ -</u>	<u>\$ 193,705.33</u>

TOWNSHIP OF PALMER
NORTHAMPTON 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	\$ 4,483.00	\$ -	\$ 4,483.00
Computer/Computer related training	-	-	-
Major equipment purchases	111,908.91	-	111,908.91
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	147,196.81	-	147,196.81
Traffic control devices	104,848.89	-	104,848.89
Street lighting	108,715.81	-	108,715.81
Storm sewers and drains	3,489.38	-	3,489.38
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	10,181.88	-	10,181.88
Highway construction and rebuilding projects	-	-	-
Miscellaneous	32,489.47	-	32,489.47
 Total (To Section 2, Line 5)	 <u>\$ 523,314.15</u>	 <u>\$ -</u>	 <u>\$ 523,314.15</u>

TOWNSHIP OF PALMER
 NORTHAMPTON 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	\$ 193,705.33	\$ -	\$ 193,705.33
Receipts:			
2. State allocation	680,105.48	-	680,105.48
2a. Turnback allocation	1,000.00	-	1,000.00
2b. Interest on investments	355.09	-	355.09
2c. Miscellaneous	32,400.94	-	32,400.94
3. Total receipts	713,861.51	-	713,861.51
4. Total funds available	907,566.84	-	907,566.84
5. Expenditures (Section 1)	523,314.15	-	523,314.15
6. Balance, December 31, 2022	<u>\$ 384,252.69</u>	<u>\$ -</u>	<u>\$ 384,252.69</u>

TOWNSHIP OF PALMER
NORTHAMPTON 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	\$ 193,705.33	\$ -	\$ 193,705.33
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	136,221.10	-	136,221.10
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	329,926.43	-	329,926.43
5. Less: Major equipment expenditures	111,908.91	-	111,908.91
6. Remainder	<u>218,017.52</u>	<u>-</u>	<u>218,017.52</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 218,017.52</u>	<u>\$ -</u>	<u>\$ 218,017.52</u>

TOWNSHIP OF PALMER
 NORTHAMPTON 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:

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>2022</u>
Commonwealth of Pennsylvania	Deposit in error	\$ 7,400.94
General Fund	Temporary loan	<u>25,000.00</u>
Totals		<u>\$32,400.94</u>

Miscellaneous Expenditures

The following miscellaneous expenditures were paid from the Liquid Fuels Tax Fund during the examination period:

<u>Payee</u>	<u>Description</u>	<u>2020</u>	<u>2022</u>
Financial Institution	Bank service charges	\$149.60	\$ 88.53
General Fund	Correction of deposit in error	-	7,400.94
General Fund	Repayment of temporary loan	<u>-</u>	<u>25,000.00</u>
Totals		<u>\$149.60</u>	<u>\$32,489.47</u>

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

Deposit In Error

On January 5, 2022, the municipality deposited \$7,400.94 into its Liquid Fuels Tax Fund in error. On March 7, 2022, the municipality transferred this amount from its Liquid Fuels Tax Fund to its General Fund to correct the deposit in error.

Temporary Loan

On April 21, 2022, the municipality loaned \$25,000.00 from its General Fund to its Liquid Fuels Tax Fund. On August 8, 2022, the municipality transferred \$25,000.00 from its Liquid Fuels Tax Fund to its General Fund to repay the temporary loan.

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

Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that the township expended \$15,245.20 during 2020 and \$16,053.30 during 2022 from the Liquid Fuels Tax Fund for the purchase of street signs, posts, and street sign lettering. Additionally, the municipality expended \$15,249.00 during 2021 for a front mount snow blower attachment. The township was required to obtain three written or telephonic price quotations for these expenditures. However, documentation for price quotations was not available for examination. These purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
6164710	01/22/20	1831	02/10/20	\$1,462.50	
Various	02/10/20	1833	02/25/20	6,675.00	
6166548	03/04/20	1836	03/24/20	387.50	
Various	Various	1838	04/06/20	3,597.95	
6167641	04/07/20	1840	04/28/20	279.61	
6168290	05/11/20	1843	05/26/20	775.00	
6171153	07/29/20	1854	08/25/20	1,116.80	
N/A	10/13/20	1957	10/27/20	730.80	
N/A	10/22/20	1958	10/29/20	220.04	
2020 Total					\$15,245.20
01-38278	08/31/21	2021	09/07/21	15,249.00	
2021 Total					15,249.00
6193988	02/24/22	2052	03/07/22	2,971.38	
Various	06/13/22	2076	07/05/22	2,401.75	
6200240	09/01/22	2091	09/27/22	328.68	
Various	Various	2099	11/07/22	1,550.00	
6201764	10/24/22	2102	11/29/22	364.50	
6201901	10/26/22	2104	11/29/22	8,436.99	
2022 Total					16,053.30
Three Year Total					\$46,547.50

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

Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination
(Continued)

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

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

The thresholds for obtaining price quotations increased to purchases between \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, \$11,800.00 and \$21,900.00 for 2022, and \$12,200.00 and \$22,500.00 for 2023.

The Director of Public Works stated that this condition occurred because the township did not know how many street signs and parts that they would end up buying. Additionally, the township didn't realize that the street signs and parts and the front mount snow blower attachment were not purchased through a COSTARS contract. COSTARS is a program that permits municipalities to make purchases from state contracts.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$46,547.50 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$46,547.50 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* as noted in this finding.

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

Finding No. 1 - Documentation For Price Quotations Was Not Available For Examination
(Continued)

Management's Response

The Director of Public Services stated:

Snow blower was a special-order piece of equipment which we had purchased GSA type equipment from. Learned later that this item was not on COSTARS or a similar type of government bid from the vendor.

2020 and 2022 sign material purchases: We thought that [the vendor we made the purchase from] was a COSTARS (sic) vendor and they are, but no longer for sign materials. The township orders sign materials as we use them, and we have no idea how much materials we need month to month, year to year. In the future, we will order street sign materials from a "COSTARS" like contract.

Auditor's Conclusion

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

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

Finding No. 2 - Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the township expended \$22,698.01 during 2021 from the Liquid Fuels Tax Fund for the purchase of street signs, posts, and street sign lettering without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
6178307	01/12/21	1970	01/29/21	\$ 3,880.00
Various	Various	1988	04/05/21	10,401.58
N/A	04/09/21	1993	04/27/21	506.25
Various	Various	1994	05/03/21	4,896.87
6184340	06/04/21	2007	06/29/21	1,236.00
6185780	07/13/21	2013	07/27/21	250.00
Various	Various	2024	09/13/21	447.92
Various	Various	2034	11/08/21	1,079.39
2021 Total				<u>\$22,698.01</u>

The above expenditures were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$21,000.00 for 2020, \$21,300.00 for 2021, \$21,900.00 for 2022, and \$22,500.00 for 2023. *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.

The Director of Public Works stated that this condition occurred because the township incorrectly thought it was making the purchases from a COSTARS vendor.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$22,698.01 to its Liquid Fuels Tax Fund.

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

Finding No. 2 - Noncompliance With Advertising And Bidding Requirements (Continued)

Recommendations

We recommend that the township reimburse \$22,698.01 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* as noted in this finding.

Management's Response

The Director of Public Services stated:

For 2021, we purchased street sign materials from [a vendor] and we thought they were on COSTARS (they are, but no longer for given materials). Typically, the township replaces the sign materials as we use them, so until the reflectometry device discovers inadequate signs, we don't know how much we need month to month, year to year. In the future, we plan to use a COSTARS, or similar type vendor, to purchase sign materials.

Auditor's Conclusion

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

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

Finding No. 3 - Late Receipt Of Allocation

Our examination disclosed that the 2022 Liquid Fuels Tax Fund allocation of \$680,105.48, which should have been distributed from the Department of Transportation to the municipality during the first week of March of that year, was not received until July 5, 2022, because the municipality failed to comply with the Department of Transportation's *Publication 9*, Chapter Two, Section 2.4, which states:

To qualify for the annual liquid fuels tax allocation, a municipality shall:

- Submit annual reports (MS-965, Actual Use Report, MS-965P, Project and Miscellaneous Receipts, and MS-965S, Record of Checks).
- Make deposits and payments or expenditures in compliance with the Act 655. Failure to do so may result in not receiving allocations from PENNDOT until all discrepancies are resolved.
- Submit the Pennsylvania Department of Community and Economic Development's (DCED) Report of Elected and Appointed Officials by January 31st and the Survey of Financial Condition by March 15th.
- Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
- 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.

Because the municipality failed to file documents and information timely as noted above, the municipality did not have use of the 2022 allocation for four months. Furthermore, had the allocation been received timely, money may have been available for investment purposes, potentially earning interest income which could have been used for road maintenance and repairs.

Although the municipality submitted its Form MS-965 timely, this condition occurred because the municipality originally submitted an incomplete form to the Department of Transportation. The form was not approved by the Department of Transportation until May 31, 2022. It was due on January 31, 2022.

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

Finding No. 3 - Late Receipt Of Allocation (Continued)

Recommendation

We recommend that, in the future, the municipality comply with the Department of Transportation's *Publication 9* to ensure that the allocations are received during the first week in March as outlined above.

Management's Response

The Director of Public Services stated:

The PennDOT MS-965 was submitted on time but was not approved because of some missing information. When we found out in mid-March, we went after the missing information and supplied it. The Liquid Fuels check was not received until early July, so we supplied an anticipation fund from the General Fund until the Liquid Fuels check arrived, and then reimbursed the General Fund.

Auditor's Conclusion

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

TOWNSHIP OF PALMER
NORTHAMPTON COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF ONSITE CLOSEOUT MEETING
FOR THE PERIOD
JANUARY 1, 2020 TO DECEMBER 31, 2022

An onsite closeout meeting was held March 20, 2023. Those participating were:

TOWNSHIP OF PALMER

Mr. Thomas Adams, Director of Public Services

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Corey Tomasetti, Auditor

TOWNSHIP OF PALMER
NORTHAMPTON 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 Palmer
Northampton County
3 Weller Place
Palmer, PA 18045

The Honorable Michael Brett
Chairman of the Board of Supervisors

Mr. Thomas Adams
Director of Public Services

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