



PIKE COUNTY
51-000

LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
EXAMINATION REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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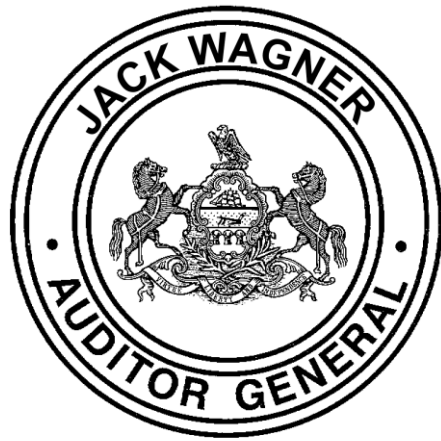
PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
BACKGROUND
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Background

The Vehicle Code makes provisions and provides funding for County Liquid Fuels and Act 44 Programs. The Pennsylvania Department of Transportation has regulatory administration and oversight of the funds supporting these county programs. Counties are required to comply with those provisions and to report annually.

The Vehicle Code imposes a state tax on liquid fuels and fuels used or sold and delivered by distributors within the Commonwealth (75 Pa. C.S. § 9004(a)). One-half cent of the tax collected on each gallon of liquid fuels is deposited in the Commonwealth's Liquid Fuels Tax Fund. The Vehicle Code further provides for the disposition and use of this tax, including the allocations to counties in June and December of each year to fund construction, reconstruction, maintenance and repair of county roads, streets and bridges. The allocation to the respective counties is made in the ratio that the average amount returned to each county during the three preceding years bears to the average amount returned to all counties during the three preceding years (75 Pa C.S. § 9010).

The Vehicle Code, as recently amended by Act 44 of 2007 (July 18, 2007, P.L.169), requires the Pennsylvania Turnpike Commission to make annual contributions for the benefit of the Pennsylvania Department of Transportation's Motor License Fund, and further requires the Department of Transportation to distribute \$5,000,000 of the annual contribution to counties (75 Pa. C.S. § 8915.6). The annual distribution to counties is determined based upon the ratio of square footage of deck area of a county's county-owned bridges to the total square footage of deck area of county-owned bridges throughout the Commonwealth. The reporting of the square footage of deck area of a county's county-owned bridges is required as part of the National Bridge Inspection Standards Program.





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

**JACK WAGNER
AUDITOR GENERAL**

Independent Auditor's Report

Mr. Barry J. Schoch
Acting Secretary
Department of Transportation
Harrisburg, PA 17120

We examined the accompanying Forms MS-991 With Adjustments for the Liquid Fuels Tax Fund and the Reports of Act 44 Tax Fund With Adjustments of Pike County for the two years ended December 31, 2009. The county's management is responsible for the Forms MS-991 and the Reports of Act 44 Tax Fund. Our responsibility is to express an opinion on the Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund 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 Pike County's Forms MS-991 and Reports of Act 44 Tax Fund for the two years ended December 31, 2009 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each county'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 reports of Act 44 Tax Fund With Adjustments are made by the Department of the Auditor General.

Independent Auditor's Report (Continued)

As discussed in Finding No. 1, the county expended \$13,980.00 during 2008 and \$11,350.00 during 2009 from the Liquid Fuels Tax Fund for snow plowing and ice control without advertising for bids. Additionally, as discussed in Finding No. 2, the county expended \$4,875.00 for snowplowing and ice control on Brooks Road, Stone Quarry Road, and Tower Road. However, the proposal was for a lump sum bid.

In our opinion, except for the matters discussed in the preceding paragraph, the Forms MS-991 With Adjustments and the Reports of Act 44 Tax Fund With Adjustments present, in all material respects, the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund and Act 44 Tax Fund of Pike County for the two years ended December 31, 2009, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-991 and the Reports of Act 44 Tax Fund and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Forms MS-991 and the Reports of Act 44 Tax Fund are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund or on compliance and other matters; accordingly, we express no such opinions.

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 Pike 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 Pike County's Forms MS-991 and the Reports of Act 44 Tax Fund that is more than inconsequential will not be prevented or detected by Pike 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 Forms MS-991 and the Reports of Act 44 Tax Fund will not be prevented or detected by Pike County's internal control.

Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Forms MS-991 and the Reports of Act 44 Tax Fund 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 Forms MS-991 and the Reports of Act 44 Tax Fund.

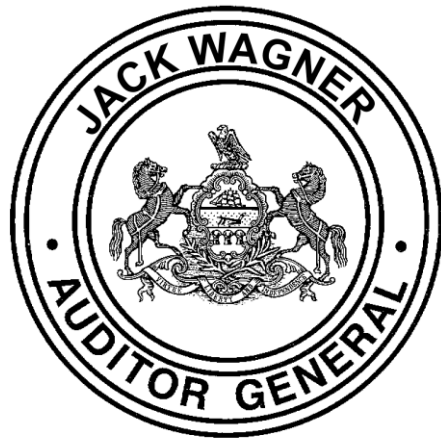
The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.
- Lump Sum Bidding Without Approval Of The Department Of Transportation.

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

August 11, 2010

JACK WAGNER
Auditor General



PIKE COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2008	\$ 171,223.15	\$ -	\$ 171,223.15
<u>Receipts:</u>			
State allocations	38,846.97	-	38,846.97
Interest (Note 3)	4,998.90	-	4,998.90
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>43,845.87</u>	<u>-</u>	<u>43,845.87</u>
Total funds available	<u>215,069.02</u>	<u>-</u>	<u>215,069.02</u>
<u>Expenditures:</u>			
Construction	125,915.00	-	125,915.00
Maintenance and repair	50,083.95	-	50,083.95
Administrative	1,407.85	-	1,407.85
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>177,406.80</u>	<u>-</u>	<u>177,406.80</u>
Balance, December 31, 2008	37,662.22	-	37,662.22
Unpaid encumbrances	-	-	-
Unencumbered balance, December 31, 2008	<u><u>\$ 37,662.22</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,662.22</u></u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

PIKE COUNTY
LIQUID FUELS TAX FUND
2009 FORM MS-991 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2009	\$ 37,662.22	\$ -	\$ 37,662.22
<u>Receipts:</u>			
State allocations	36,826.05	-	36,826.05
Interest (Note 3)	473.35	-	473.35
Reimbursable agreements	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>37,299.40</u>	<u>-</u>	<u>37,299.40</u>
Total funds available	<u>74,961.62</u>	<u>-</u>	<u>74,961.62</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	45,130.17	-	45,130.17
Administrative	126.05	-	126.05
Grants to political subdivisions	-	-	-
Miscellaneous	-	-	-
Total expenditures	<u>45,256.22</u>	<u>-</u>	<u>45,256.22</u>
Balance, December 31, 2009	29,705.40	-	29,705.40
Unpaid encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered balance, December 31, 2009	<u>\$ 29,705.40</u>	<u>\$ -</u>	<u>\$ 29,705.40</u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

PIKE COUNTY
 ACT 44 TAX FUND
 2008 REPORT OF ACT 44 TAX FUND
 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Balance, January 1, 2008	\$ -	\$ -	\$ -
<u>Receipts:</u>			
Act 44 Funds	69,658.93	(50,698.72)	18,960.21
Interest (Note 3)	11.92	-	11.92
Miscellaneous (Note 5)	-	50,698.72	50,698.72
Total receipts	<u>69,670.85</u>	<u>-</u>	<u>69,670.85</u>
Total funds available	<u>69,670.85</u>	<u>-</u>	<u>69,670.85</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	56,587.12	-	56,587.12
Miscellaneous	-	-	-
Total expenditures	<u>56,587.12</u>	<u>-</u>	<u>56,587.12</u>
Balance, December 31, 2008	<u>\$ 13,083.73</u>	<u>\$ -</u>	<u>\$ 13,083.73</u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

PIKE COUNTY
 ACT 44 TAX FUND
 2009 REPORT OF ACT 44 TAX FUND
 WITH ADJUSTMENTS

	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Balance, January 1, 2009	\$ 13,083.73	\$ -	\$ 13,083.73
<u>Receipts:</u>			
Act 44 Funds	18,929.48	-	18,929.48
Interest (Note 3)	350.64	-	350.64
Miscellaneous	-	-	-
Total receipts	<u>19,280.12</u>	<u>-</u>	<u>19,280.12</u>
Total funds available	<u>32,363.85</u>	<u>-</u>	<u>32,363.85</u>
<u>Expenditures:</u>			
Construction	-	-	-
Maintenance and repair	159.30	-	159.30
Miscellaneous	-	-	-
Total expenditures	<u>159.30</u>	<u>-</u>	<u>159.30</u>
Balance, December 31, 2009	<u>\$ 32,204.55</u>	<u>\$ -</u>	<u>\$ 32,204.55</u>

Notes to Forms MS-991 and Reports of Act 44 Tax Fund With Adjustments are an integral part of this report.

PIKE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991
AND REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

1. Criteria

A. *The Vehicle Code* prescribes criteria for liquid fuels program funds (75 Pa C.S. § 9010). The Pennsylvania Department of Transportation's *Publication 9* provides more specific policies and procedures to counties for the administration and reporting of the liquid fuels program funds. In the event of any discrepancies between the two, the legislation governs.

(1) Funds received by the counties must be deposited in a special fund designated as the County Liquid Fuels Tax Fund and no other money may be deposited and commingled. Money should be invested to earn interest until expended.

- For purposes of payments under (2), below, the county may borrow and place in the special fund money not in excess of the liquid fuels tax funds to be received during the current calendar year.

(2) Payments from the special fund may be used for:

- construction, reconstruction, maintenance and repair of roads, highways, bridges and curb ramps from a road or highway to provide for access by individuals with disabilities consistent with Federal and State law;
- property damages and compensation of viewers for services in eminent domain proceedings involving roads, highways, and bridges;
- construction, reconstruction, operation and maintenance of publicly owned ferryboat operations;
- interest and principal payments on road, bridge, or publicly owned ferryboat operation bonds or sinking fund charges;
- acquisition, maintenance, repair and operation of traffic signs and signals;
- erection and maintenance of stop and go signal lights, blinkers and other like traffic control devices;
- indirect costs, including benefit costs, overhead and other administrative charges for those county employees directly engaged in eligible projects, not to exceed 10 percent of the yearly allocation to the county; and

PIKE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991
AND REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
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1. Criteria (Continued)

- individual vehicle liability insurance for equipment purchased under the fund, not to exceed 10 percent of the yearly allocation to the county.
- (3) Counties may not make expenditures from the special fund for new construction on roads, bridges, curb ramps, or publicly owned ferryboat operations without the approval of the plans for construction by the Pennsylvania Department of Transportation. And, counties may not allocate money from the special fund to political subdivisions within the county until the application and the contracts or plans for the proposed expenditures have been made on a form prescribed by the Pennsylvania Department of Transportation.
- (4) Counties may encumber current funds for future road and bridge construction, reconstruction, and maintenance projects including viable municipal projects. Counties must redistribute any unencumbered balance in the special fund to political subdivisions if the unencumbered balance is more than the county's receipts during the preceding twelve month period.
- (5) Counties must submit a report to the Pennsylvania Department of Transportation by January 15 for the period ending December 31 on prescribed Form MS-991, The Report of County Liquid Fuels Tax Fund, showing the receipts and expenditures of the money received by the county from the Commonwealth. Upon failure to file the report or instances of any non-compliant payments, allocations, or expenditures, the Pennsylvania Department of Transportation will withhold further funding until the delinquent report is filed, the money is allocated, or the expenditures for the prior 12 months are approved.
- B. *The Vehicle Code*, as recently amended by Act 44 of 2007 (July 18, 2007, P.L. 169), prescribes the Pennsylvania Department of Transportation with oversight authority of the Act 44 funds distributed to the counties from the Pennsylvania Turnpike Commission's annual contribution of \$5,000,000 to the Commonwealth's Motor License Fund. The County's Act 44 Tax Fund is used to account for the distribution made to the county from the Department of Transportation and the payments made for construction and maintenance of county-owned bridges.

Basis Of Presentation

In accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation, the Report of County Liquid Fuels Tax Fund With Adjustments and the

PIKE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991
AND REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
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Basis Of Presentation (Continued)

Report of Act 44 Tax Fund With Adjustments do not constitute complete financial presentations of the county's assets, liabilities, expenses, and fund balance but include the receipts, expenditures, and fund balances of the County Liquid Fuels Tax Fund and the County Act 44 Tax Fund, respectively.

The Pennsylvania Department of Transportation prescribes that the county report the following on the MS-991 form, *Report of County Liquid Fuels Tax Fund*:

- A. The balance in the County Liquid Fuels Tax Fund at the beginning of the report calendar year.
- B. Receipts which must be itemized and include interest, reimbursable agreements, and miscellaneous items such as loans, sale of salvageable material, and damage claims to road or bridge property.

Refer to the related Notes: Note 3, Interest Earnings; and Note 5, Miscellaneous Receipts.

- C. Accounts receivable (to be realized within 60 days of the year end).
- D. Total Liquid Fuels Tax funds available for expenditure and encumbrances.
- E. Expenditures for county-owned roads, highways, and bridges.
- F. Accounts payable (accrued wages, accrued payroll taxes, and accounts payable vendors to be realized within 60 days of the year end).
- G. The balance in the fund at the close of the report calendar year.
- H. Encumbered and unencumbered balances on hand at the close of the report calendar year.

PIKE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991
AND REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

2. Deposits

The County Code, Title 16 P.S § 17067, authorizes the county 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 from institutions having their principal place of business in or outside the Commonwealth of Pennsylvania that are insured by the FDIC or other like insurance. 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 a financial institution. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

There were no deposits exposed to custodial credit risk as of December 31, 2009. Custodial credit risk, as defined by GASB No. 40, includes deposits that are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the county's name.

PIKE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991
AND REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

2. Deposits (Continued)

Fund Balance

The fund balance for the Liquid Fuels Tax Fund as of December 31, 2009 consists of the following:

Cash	\$ 29,705.40
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The fund balance for the Act 44 Tax Fund as of December 31, 2009 consists of the following:

Cash	\$32,204.55
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3. Interest Earnings

Our examination disclosed that the county deposited idle liquid fuels tax money in an interest-bearing account which earned \$4,998.90 during 2008, and \$473.35 during 2009, thus providing additional funds for road maintenance and repairs.

Additionally, the county deposited idle Act 44 tax money in an interest-bearing account which earned \$11.92 during 2008, and \$350.64 during 2009, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 Report Of Act 44 Tax Fund

Adjustments were made to “Act 44 Funds” and “Miscellaneous” because receipts of \$50,698.72 were misclassified.

PIKE COUNTY
LIQUID FUELS TAX FUND AND ACT 44 TAX FUND
NOTES TO FORMS MS-991
AND REPORTS OF ACT 44 TAX FUND WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
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5. Miscellaneous Receipts

The following miscellaneous receipts were deposited in the Act 44 Tax Fund during the examination period:

<u>Source</u>	<u>Description</u>	<u>2008</u>
Commonwealth of Pennsylvania	Bridge reimbursements (Note 6)	\$45,024.26
Various municipalities	Reimbursement for bridge inspections	<u>5,674.46</u>
Total		<u>\$50,698.72</u>

6. Reimbursable Agreements

During our examination, we noted that the county entered into a reimbursement agreement with Commonwealth of Pennsylvania for bridge inspections. During our current examination period, the county received \$45,024.26 in 2008 as a result of this agreement.

PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the county expended \$13,980.00 during 2008 and \$11,350.00 during 2009 from the Liquid Fuels Tax Fund for snow plowing and ice control 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>	<u>Totals</u>
1618	01/03/08	1056	01/09/08	\$ 920.00	
1626	01/15/08	1057	01/23/08	4,675.00	
1625	01/15/08	1058	01/23/08	460.00	
1638	01/30/08	1060	02/06/08	250.00	
1648	02/04/08	1061	02/13/08	250.00	
1654	02/14/08	1062	02/20/08	1,170.00	
1662	02/25/08	1063	03/05/08	920.00	
1672	03/03/08	1064	03/12/08	460.00	
1970	11/19/08	1082	11/26/08	4,875.00	
2008 Total					\$13,980.00
1986	01/06/09	1086	01/14/09	\$ 970.00	
1994	01/12/09	1087	01/21/09	215.00	
1999	01/20/09	1088	01/26/09	970.00	
2003	01/22/09	1089	01/28/09	440.00	
2001	01/22/09	1090	01/28/09	4,875.00	
2005	01/25/09	1092	02/04/09	1,940.00	
2008	01/29/09	1091	02/04/09	485.00	
2017	02/18/09	1094	02/25/09	1,455.00	
2009 Total					11,350.00
Two Year Total					\$25,330.00

PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

The above purchases were not made in compliance with the advertising, bidding and contract requirements of *The County Code*, 53 P.S. § 1802(b), (also found at § 1802(b) of *The County Code* as published by the Local Government Commission), which requires that purchases over \$10,000.00 made after September 8, 1990 must be advertised, bid and awarded by contract. *The County Code*, 53 P.S. § 1803, (also found at § 1803 of *The County Code* as published by the Local Government Commission) further states that advertising, bidding, and contract requirements should not be evaded through piecemeal purchases.

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

Each municipality shall make an annual estimate of its requirements of road construction and maintenance materials, and shall advertise for bids on all items and groups of like items ordinarily supplied by a single supplier . . . which are estimated to exceed \$10,000 for the year If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 . . . the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 . . .

The failure to comply with *The County Code* and the Department of Transportation's *Publication 9* could result in the county having to reimburse \$25,330.00 to its Liquid Fuels Tax Fund.

The county properly advertised for bids for snow plowing and ice control for roads leading to county parks for the 2009-2010 snow plowing season.

Recommendations

We recommend that the county reimburse \$25,330.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the county continue to comply with *The County Code* and the Department of Transportation's *Publication 9* as noted in this finding.

PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
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Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding
Requirements (Continued)

Management's Response

The county officials stated:

With regard to the finding concerning the winter maintenance of County Park roads, this was a carryover contract from 2008. It was for the 2008/2009 winter. We have now advertised for bids and will continue to advertise for future contracts.

PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
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FOR THE TWO YEARS ENDED
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Finding No. 2 - Lump Sum Bidding Without Approval Of The Department Of Transportation

Our examination disclosed that on December 21, 2009, the municipality expended \$4,875.00 for snow plowing and ice control on Brooks Road, Stone Quarry Road, and Tower Road. Although the county advertised for bids for this service, the only proposal received for the service was for a lump sum bid of \$9,750.00 for the 2009-2010 winter season with \$4,875.00 due on both December 1, 2009 and February 1, 2010. Lump sum bids are not permitted unless approved by the Department of Transportation. The county did not obtain the approval of the Department of Transportation to use lump sum bid for the snow plowing and ice control.

The above purchase was not made in compliance with the Department of Transportation's Publication 9, Appendix D, Section 449.8, which states, in part:

A contract in excess of \$10,000 for the rental of equipment shall be advertised, bid, and bonded and a contract between \$4,000 and \$10,000 shall be awarded only after three telephone price quotes are obtained, unless the work is performed by the municipality's own employee forces. For contracts between \$4,000 and \$10,000, 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 until a satisfactory audit of the contract is completed by the Department of the Auditor General.

- (1) The advertisement shall contain a reasonably complete description of the type of equipment, approximate length of time the equipment will be required, and whether the equipment shall be provided with operators.
- (2) The proposal shall contain the approximate number of hours, and days, that the equipment will be required, as reasonably estimated by the municipality.

Additionally, because lump sum bidding was not approved by the Department of Transportation this expenditure did not comply with the Department of Transportation's *Publication 9*, Appendix D, § 449.9(c), which states:

(c)Proposal.

The proposal shall contain the approximate number of tons or square yards of materials for metric equivalents required, as reasonably estimated by the municipality. The bidder shall insert:

PIKE COUNTY
LIQUID FUELS TAX FUND
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FINDINGS AND RECOMMENDATIONS
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Finding No. 2 - Lump Sum Bidding Without Approval Of The Department Of Transportation
(Continued)

- (1) The unit price for each item.
- (2) The total price for each item (quantity x price).
- (3) The total price for any group of items, as to which the proposal requires a total or subtotal.

Lump sum bids.

In special cases, the Director of the Bureau of Municipal Service of the Department may approve lump sum bids in lieu of the procedure set forth in subsection (c).

The failure to comply with the Department of Transportation's *Publication 9* could result in the county having to reimburse \$4,875.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the county reimburse \$4,875.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the county comply with the Department of Transportation's *Publication 9* as noted in this finding.

PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 2 - Lump Sum Bidding Without Approval Of The Department Of Transportation
(Continued)

Management's Response

The county officials stated:

We put this out to bid and only received one bid. No one else wanted to bid on these roads by the hourly or a flat fee.

Auditor's Conclusion

In its advertisement the county did not request bids that included an hourly rate for snow plowing. It only requested sealed bids for snow plowing. In the future the county should request an hourly rate. The Department of Transportation's *Publication 9* does not permit lump sum bids unless it is approved by the Department of Transportation. The Department of Transportation did not approve the use of lump sum bids.

PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

An exit conference was held August 11, 2010. Those participating were:

PIKE COUNTY

Mr. Gary R. Orben, Chief Clerk

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Jerome Werner, Auditor

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



PIKE COUNTY
LIQUID FUELS TAX FUND
AND ACT 44 TAX FUND
REPORT DISTRIBUTION
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

This report was initially distributed to:

Mr. Barry J. Schoch
Acting Secretary
Department of Transportation

Pike County
506 Broad Street
Milford, PA 18337

The Honorable Richard A. Caridi	Chairman of the Board of Commissioners
Mr. Gary R. Orben	Chief Clerk
The Honorable John Gilpin	Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. To view this report online or to contact the Department of the Auditor General, please access our web site at www.auditorgen.state.pa.us.