

# ATTESTATION ENGAGEMENT

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Township of Salem  
Clarion County, Pennsylvania  
16-220  
Liquid Fuels Tax Fund  
For the Period  
January 1, 2019 to December 31, 2021

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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 Salem, Clarion County, for the period January 1, 2019 to December 31, 2021. 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 are presented in accordance with the criteria described above, in all material respects. An examination involves performing procedures to obtain evidence about the Forms MS-965. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the Forms MS-965, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

As described in the Auditor Description of Select Transactions section of this report, the adjustments included on the Forms MS-965 With Adjustments are made by the Department of the Auditor General.

### Independent Auditor's Report (Continued)

As discussed in the Findings and Recommendations and Summary Of Prior Examination Recommendations sections of this report:

- The municipality did not maintain documentation to support a transfer of \$10,000.00 from the Liquid Fuels Tax Fund to the General Fund on March 21, 2019, for winter maintenance services (see Finding No. 1).
- The municipality expended \$39,274.80 for a dirt and gravel project without obtaining the approval of the Department of Transportation during 2020 (see Finding No. 2).
- The municipality expended \$16,679.60 during 2021 from the Liquid Fuels Tax Fund for the purchase of antiskid. However, documentation for price quotations was not available for examination (see Finding No. 3).
- The municipality expended \$4,224.00 during 2021 from the Liquid Fuels Tax Fund for salt brine used for dust control, which is a nonpermissible expenditure. This amount was reimbursed to the Liquid Fuels Tax Fund on November 8, 2022, which was subsequent to our examination period (see Finding No. 4).
- During our prior examination we cited the municipality for failing to maintain documentation for transfers of \$119,213.90 and for expending \$37,126.17 without maintaining documentation for price quotations. The Department of Transportation required reimbursement of \$37,126.17 to its Liquid Fuels Tax Fund. During our current examination period, the municipality reimbursed \$27,088.08 to the Liquid Fuels Tax Fund, leaving \$10,038.09 due as of December 31, 2021 (see Summary Of Prior Examination Recommendations).

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 Salem, Clarion County, for the period January 1, 2019 to December 31, 2021, in accordance with the criteria described in the Background section of this report and the Department of Transportation's *Publication 9*.

## Independent Auditor's Report (Continued)

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 are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

*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.

Our consideration of internal control was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the finding listed below, that we consider to be a material weakness in internal control:

- Documentation Supporting A Transfer to the General Fund Was Not Available for Examination - Recurring.

## Independent Auditor's Report (Continued)

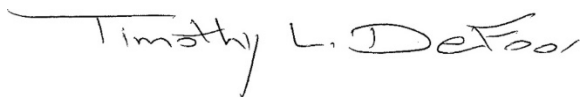
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Salem, Clarion County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of amounts on the Forms MS-965. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*:

- Failure To Obtain Project Approval.
- Documentation For Price Quotations Was Not Available For Examination - Recurring.
- Nonpermissible Expenditure.

One of the findings in this report cites a condition that existed in the operation of the municipality during the previous engagement period and was not corrected during the current examination period. The municipality should strive to comply with the recommendations noted in this report.

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 Salem, Clarion 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  
June 6, 2023

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TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 SALEM  
 CLARION COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2019 TO DECEMBER 31, 2021

Background (Continued)

3. Submit the Pennsylvania Department of Community and Economic Development’s (DCED) Report of Elected and Appointed Officials by January 31<sup>st</sup> and the Survey of Financial Condition By March 15<sup>th</sup>.
4. Ensure resolution of all Contractor Responsibility Program (CRP) holds and blocks imposed by the Department of Revenue and the Department of Labor and Industry.
5. Ensure resolution of all reimbursements required as a result of audits performed by the Department of the Auditor General or monitoring reviews performed by the Department of Transportation’s Financial Consultants.

*Criteria*

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

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

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

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

- 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:

2018	2019	2020	2021
\$10,900.00	\$11,100.00	\$11,300.00	\$11,500.00

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



TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

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 SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

Background (Continued)

*Basis of Presentation*

The financial activities of the municipality are accounted for in separate funds. The Liquid Fuels Tax Fund is used to account for state aid revenues from the Pennsylvania Department of Transportation used primarily for building and improving local roads and bridges. The Form MS-965 has been prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation as a result of the Fuels Tax Act 655, dated 1956 and as amended, which does not constitute a complete presentation of the entity's assets, liabilities, expenses, and fund balance. Accordingly, the presentation of Form MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

*Basis Of Accounting*

The accompanying Form MS-965 With Adjustments is prepared in accordance with reporting requirements prescribed by the Pennsylvania Department of Transportation. Under this method, revenues are recognized when received and expenditures are recorded when paid.

*General Fixed Assets*

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

TOWNSHIP OF SALEM  
 CLARION COUNTY  
 LIQUID FUELS TAX FUND  
 2019 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments</u>	<u>Adjusted Amount</u>
Minor equipment purchases	\$ 16,962.73	\$ -	\$ 16,962.73
Computer/Computer related training	1,066.94	-	1,066.94
Major equipment purchases	81,140.23	-	81,140.23
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	30,414.65	-	30,414.65
Traffic control devices	744.59	-	744.59
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	14,144.33	-	14,144.33
Maintenance and repair of roads and bridges	63,938.51	-	63,938.51
Highway construction and rebuilding projects	35,370.74	-	35,370.74
Miscellaneous	46,709.34	(46,013.12)	696.22
	<u>46,709.34</u>	<u>(46,013.12)</u>	<u>696.22</u>
Total (To Section 2, Line 5)	<u>\$ 290,492.06</u>	<u>\$ (46,013.12)</u>	<u>\$ 244,478.94</u>

TOWNSHIP OF SALEM  
 CLARION COUNTY  
 LIQUID FUELS TAX FUND  
 2019 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, 2019	\$ 129,037.22	\$ -	\$ 129,037.22
Receipts:			
2. State allocation	112,482.26	-	112,482.26
2a. Turnback allocation	45,560.00	-	45,560.00
2b. Interest on investments	2,737.96	544.27	3,282.23
2c. Miscellaneous	46,557.39	(46,557.39)	-
3. Total receipts	<u>207,337.61</u>	<u>(46,013.12)</u>	<u>161,324.49</u>
4. Total funds available	<u>336,374.83</u>	<u>(46,013.12)</u>	<u>290,361.71</u>
5. Expenditures (Section 1)	<u>290,492.06</u>	<u>(46,013.12)</u>	<u>244,478.94</u>
6. Balance, December 31, 2019	<u><u>\$ 45,882.77</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 45,882.77</u></u>

TOWNSHIP OF SALEM  
 CLARION COUNTY  
 LIQUID FUELS TAX FUND  
 2019 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	\$ 105,281.43	\$ -	\$ 105,281.43
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	31,608.45	-	31,608.45
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	136,889.88	-	136,889.88
5. Less: Major equipment expenditures	81,140.23	-	81,140.23
6. Remainder	<u>55,749.65</u>	<u>-</u>	<u>55,749.65</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 45,882.77</u>	<u>\$ -</u>	<u>\$ 45,882.77</u>

TOWNSHIP OF SALEM  
 CLARION 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	25,800.42	-	25,800.42
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	7,098.18	-	7,098.18
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	19,206.93	-	19,206.93
Maintenance and repair of roads and bridges	135,856.78	-	135,856.78
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 187,962.31</u>	 <u>\$ -</u>	 <u>\$ 187,962.31</u>

TOWNSHIP OF SALEM  
 CLARION 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	\$ 45,882.77	\$ -	\$ 45,882.77
Receipts:			
2. State allocation	109,443.13	-	109,443.13
2a. Turnback allocation	45,560.00	-	45,560.00
2b. Interest on investments	428.92	-	428.92
2c. Miscellaneous	27,088.08	-	27,088.08
3. Total receipts	<u>182,520.13</u>	<u>-</u>	<u>182,520.13</u>
4. Total funds available	<u>228,402.90</u>	<u>-</u>	<u>228,402.90</u>
5. Expenditures (Section 1)	<u>187,962.31</u>	<u>-</u>	<u>187,962.31</u>
6. Balance, December 31, 2020	<u><u>\$ 40,440.59</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,440.59</u></u>

TOWNSHIP OF SALEM  
 CLARION 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	\$ 45,882.77	\$ -	\$ 45,882.77
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	31,000.63	-	31,000.63
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	76,883.40	-	76,883.40
5. Less: Major equipment expenditures	25,800.42	-	25,800.42
6. Remainder	<u>51,082.98</u>	<u>-</u>	<u>51,082.98</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 40,440.59</u>	<u>\$ -</u>	<u>\$ 40,440.59</u>



TOWNSHIP OF SALEM  
 CLARION 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	25,550.42	-	25,550.42
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	32,649.57	-	32,649.57
Traffic control devices	650.75	-	650.75
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	12,635.96	-	12,635.96
Maintenance and repair of roads and bridges	64,427.88	-	64,427.88
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 135,914.58</u>	 <u>\$ -</u>	 <u>\$ 135,914.58</u>

TOWNSHIP OF SALEM  
 CLARION 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	\$ 40,440.59	\$ -	\$ 40,440.59
Receipts:			
2. State allocation	101,572.82	-	101,572.82
2a. Turnback allocation	45,560.00	-	45,560.00
2b. Interest on investments	14.22	-	14.22
2c. Miscellaneous	-	-	-
3. Total receipts	<u>147,147.04</u>	<u>-</u>	<u>147,147.04</u>
4. Total funds available	<u>187,587.63</u>	<u>-</u>	<u>187,587.63</u>
5. Expenditures (Section 1)	<u>135,914.58</u>	<u>-</u>	<u>135,914.58</u>
6. Balance, December 31, 2021	<u><u>\$ 51,673.05</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,673.05</u></u>

TOWNSHIP OF SALEM  
 CLARION 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	\$ 40,440.59	\$ -	\$ 40,440.59
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	29,426.56	-	29,426.56
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	69,867.15	-	69,867.15
5. Less: Major equipment expenditures	25,550.42	-	25,550.42
6. Remainder	<u>44,316.73</u>	<u>-</u>	<u>44,316.73</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 44,316.73</u>	<u>\$ -</u>	<u>\$ 44,316.73</u>

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

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

Adjustments

2019 - Section 1

An adjustment of \$(46,013.12) was made to “Miscellaneous” because the purchase of a certificate of deposit for \$46,709.34 was incorrectly reported as an expenditure and an early withdrawal penalty for a certificate of deposit of \$696.22 was not reported.

2019 - Section 2

An adjustment of \$544.27 was made to “Interest on investments” because interest earned on a certificate of deposit was misclassified as miscellaneous.

An adjustment of \$(46,557.39) was made to “Miscellaneous” because the principal of a redeemed certificate of deposit of \$46,013.12 was incorrectly reported as a receipt and interest earned on the certificate of deposit of \$544.27 was misclassified.

Miscellaneous Expenditures

On August 16, 2019, the municipality incurred an early withdrawal penalty for a certificate of deposit of \$696.22.

Local Government Project Loan

On July 30, 2014, the municipality purchased a 2014 JCB Backhoe loader plus equipment for \$99,558.80. The municipality made a down payment of \$49,558.80 from Liquid Fuels Tax Fund. On December 5, 2014, the municipality borrowed the remaining \$50,000.00 from the Commonwealth of Pennsylvania and deposited the proceeds into its Liquid Fuels Tax Fund. The term of the loan was for five years at an interest rate of 2.0 percent. The first annual principal and interest payment of \$2,647.21 was due March 1, 2015. Thereafter remaining principal and interest payments of \$2,633.32 are due quarterly. Prior years’ principal and interest payments from the Liquid Fuels Tax Fund were \$39,597.03 and \$2,549.98, respectively.

During the current examination period, the municipality paid principal of \$10,191.47 and interest of \$328.76 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2019 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2021 was \$211.50, plus interest.

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

Lease-Purchase Agreement

On August 7, 2020, the municipality entered into a lease-purchase agreement with NCL Government Capital to purchase a 2016 JCB Hydradigger for \$135,000.00. The agreement was for a term of six years at an interest rate of 5.19 percent. Principal and interest payments of \$25,550.42 are due annually.

During the current examination period, the municipality paid principal of \$44,790.25 and interest of \$6,310.59 and a processing fee of \$250.00 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2020 and 2021 Forms MS-965 - Section 1. The outstanding balance of the lease-purchase agreement as of December 31, 2021 was \$90,209.75, plus interest.

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

**Finding No. 1 - Documentation Supporting A Transfer To General Fund Was Not Available  
For Examination - Recurring**

Our examination disclosed that the municipality did not maintain documentation, such as invoices or payroll records, to support a transfer of \$10,000.00 from the Liquid Fuels Tax Fund to the General Fund on March 21, 2019, for winter maintenance services.

Good internal control procedures ensure that there is documentation to support all transfers.

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 transfers made without supporting documentation, are outside the scope of permissible expenditures.

We could not determine the cause of this condition because the current secretary was not employed at the time.

The failure to maintain documentation to support a transfer could result in the municipality having to reimburse \$10,000.00 to its Liquid Fuels Tax Fund.

As similar finding was also written in our prior report. However, we did not note any instances of the municipality failing to maintain documentation for transfers during 2020 and 2021.

**Recommendations**

We recommend that the municipality reimburse \$10,000.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality continues to maintain adequate documentation to support all transfers.

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

**Finding No. 1 - Documentation Supporting A Transfer To General Fund Was Not Available  
For Examination (Continued)**

Management's Response

The township secretary stated:

I wasn't the secretary during this time period. I have tried to help as much as I can.

Auditor's Conclusion

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

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

**Finding No. 2 - Failure To Obtain Project Approval**

Our examination disclosed that the municipality expended \$39,274.80 during 2020 for a dirt and gravel project without obtaining the approval of the Department of Transportation. Before starting a dirt and gravel road project, the municipality must obtain the approval of the Department of Transportation. However, the municipality did not file an application with the Department of Transportation for the project and also failed to submit specifications for approval.

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

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

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

We could not determine the cause of this condition because the current secretary was not employed at the time.

The failure to comply with the Department of Transportation's *Publication 9* could result in the municipality having to reimburse \$39,274.80 to its Liquid Fuels Tax Fund.

**Recommendations**

We recommend that the municipality reimburse \$39,274.80 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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



TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

**Finding No. 2 - Failure To Obtain Project Approval (Continued)**

Management's Response

The township secretary stated:

I wasn't the secretary during this time period. I have tried to help as much as I can.

Auditor's Conclusion

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

TOWNSHIP OF SALEM  
 CLARION COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2019 TO DECEMBER 31, 2021

**Finding No. 3 - Documentation For Price Quotations Was Not Available For Examination - Recurring**

We cited the municipality for failing to maintain documentation for price quotations in our prior report for the period January 1, 2015 to December 31, 2018. Our current examination disclosed that the township expended \$16,679.60 during 2021 from the Liquid Fuels Tax Fund for the purchase of antiskid. The township was required to obtain three written or telephonic price quotations for expenditures. However, documentation for price quotations was not available for examination. The antiskid purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
2110560	01/29/21	1598	02/01/21	\$ 2,738.84
2110176	01/28/21	1598	02/01/21	4,024.46
2121681	02/19/21	1602	03/01/21	1,880.77
2122036	02/20/21	1602	03/01/21	1,838.16
2457286	10/07/21	1654	11/13/21	3,066.49
2459093	10/08/21	1654	11/31/21	3,130.88
Total				<u><u>\$16,679.60</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 [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 \$11,100.00 and \$20,600.00 for 2019, \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, \$11,800 and \$21,900.00 for 2022, and \$12,200.00 and \$22,500.00 for 2023.

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

**Finding No. 3 - Documentation For Price Quotations Was Not Available For Examination -  
Recurring (Continued)**

We could not determine the cause of this condition because the current secretary was not employed at the time.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$16,679.60 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$16,679.60 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We again further recommend that, in the future, the township complies with *The Second Class Township Code* as noted in this finding.

Management's Response

The township secretary stated:

I wasn't the secretary during this time period. I have tried to help as much as I can.

Auditor's Conclusion

This is a recurring finding. The municipality should strive to comply with the recommendations and corrective actions noted in this report. During our next examination, we will determine whether the municipality complied with our recommendations.

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

**Finding No. 4 - Nonpermissible Expenditure**

Our examination disclosed that the municipality expended \$4,224.00 during 2021 from the Liquid Fuels Tax Fund for salt brine used for dust control, 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 salt brine for dust control, are outside the scope of permissible expenditures.

We could not determine the cause of this condition because the current secretary was not employed at the time.

The municipality reimbursed \$4,224.00 to the Liquid Fuels Tax Fund on November 8, 2022, which was subsequent to our examination period.

Recommendation

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

Management's Response

The township secretary stated:

I wasn't the secretary during this time period. I have tried to help as much as I can.

Auditor's Conclusion

During our next examination, will determine whether the township complied with our recommendations.

TOWNSHIP OF SALEM  
 CLARION COUNTY  
 LIQUID FUELS TAX FUND  
 SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
 FOR THE PERIOD  
 JANUARY 1, 2019 TO DECEMBER 31, 2021

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 \$156,340.07 to its Liquid Fuels Tax Fund. This amount consisted of \$119,213.90 for failing to maintain documentation supporting transfers and \$37,126.17 for failing to maintain documentation for price quotations.

During our current examination, we reviewed a letter dated April 28, 2020, from the Department of Transportation directing the municipality to reimburse \$37,126.17 of the \$156,340.07 to its Liquid Fuels Tax Fund. We noted that the municipality and the Department of Transportation agreed to a payment plan as follows:

Date Due	Amount	Date Reimbursed
12/31/19	\$17,050.00	02/11/20
12/31/20	10,038.08	12/02/20
12/31/21	10,038.09	Unpaid
	\$37,126.17	

As of December 31, 2021, \$10,038.09 was due to Liquid Fuels Tax Fund.

In our prior report, we also recommended that the municipality:

- Ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.
- Establish and implements internal controls to ensure that transfers are reviewed timely to reduce the risk of transfers in error occurring or remaining undetected.
- Comply with *The Second Class Township Code* by obtaining price quotations for all purchases between \$10,500.00 and \$19,400.00. The thresholds for obtaining price quotations increased to purchases between \$11,100.00 and \$20,600.00 for 2019, \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, \$11,800 and \$21,900 for 2022, and \$12,200.00 and \$22,500.00 for 2023.

During our current examination, we noted that the municipality did not comply with our first two bulleted recommendations in 2019 but maintained adequate documentation to support transfers for expenditures in 2020 and 2021 (see Finding No. 1). We also noted that the municipality did not comply with our last bulleted recommendation (see Finding No. 3).

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

An exit conference was held May 23, 2023. Those participating were:

TOWNSHIP OF SALEM

Ms. Wendy Simpson, Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mr. Nicholas Slagle, Auditor

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

TOWNSHIP OF SALEM  
CLARION COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2019 TO DECEMBER 31, 2021

This report was initially distributed to:

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

**Township of Salem**  
Clarion County  
57 Community Road  
P. O. Box 70  
Lamartine, PA 16375

**The Honorable Derek Wade**  
Chairman of the Board of Supervisors

**Ms. Wendy Simpson**  
Secretary

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).