

# ATTESTATION ENGAGEMENT

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## Township of South Union

Fayette County, Pennsylvania

26-218

Liquid Fuels Tax Fund

For the Period

January 1, 2020 to December 31, 2021

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December 2022



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 Yassmin Gramian, P.E.  
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 South Union, Fayette County, for the period January 1, 2020 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.

## Independent Auditor's Report (Continued)

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

- The municipality expended \$188,848.00 during 2020 for the purchase of a recycling truck and \$52,300.00 during 2021 for repairs to sewer drains from the Liquid Fuels Tax Fund, which are nonpermissible expenditures. On July 20, 2021, the municipality reimbursed \$188,848.00 to the Liquid Fuels Tax Fund. The municipality reimbursed \$52,300.00 to the Liquid Fuels Tax Fund on February 8, 2022, which was subsequent to our examination period. (see Finding No. 1).
- During 2021 the municipality expended \$14,276.82 from the Liquid Fuels Tax Fund for the purchase of anti-skid. However, documentation for price quotations was not available for examination (see Finding No. 2).
- On January 11, 2021, the municipality expended \$9,592.45 from the Liquid Fuels Tax Fund for a December 2019 street lighting invoice, which is a retroactive expenditure (see Finding No. 3).

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 South Union, Fayette County, for the period January 1, 2020 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*.

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 internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Forms MS-965 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose of expressing an opinion on whether the Forms MS-965 are presented in accordance with the criteria described above and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our engagement we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

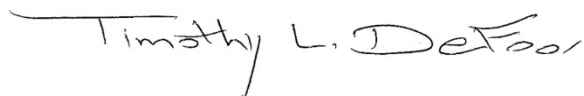
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of South Union, Fayette County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*:

- Nonpermissible Expenditures.
- Documentation For Price Quotations Was Not Available For Examination - Recurring.
- Retroactive Expenditure.

The examination finding for documentation for price quotations not being available for examination contained 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 South Union, Fayette 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  
December 16, 2022

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TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 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 SOUTH UNION  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 BACKGROUND  
 FOR THE PERIOD  
 JANUARY 1, 2020 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 SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 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 SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE PERIOD  
JANUARY 1, 2020 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 SOUTH UNION  
 FAYETTE 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	188,848.00	(188,848.00)	-
Agility projects	-	-	-
Cleaning streets and gutters	19,668.42	-	19,668.42
Winter maintenance services	53,092.59	-	53,092.59
Traffic control devices	11,674.00	-	11,674.00
Street lighting	110,957.58	-	110,957.58
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	1,545.56	-	1,545.56
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	188,848.00	188,848.00
 Total (To Section 2, Line 5)	 <u>\$ 385,786.15</u>	 <u>\$ -</u>	 <u>\$ 385,786.15</u>

TOWNSHIP OF SOUTH UNION  
 FAYETTE 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	\$ 328,370.09	\$ -	\$ 328,370.09
Receipts:			
2. State allocation	397,759.86	-	397,759.86
2a. Turnback allocation	7,560.00	-	7,560.00
2b. Interest on investments	6,387.93	-	6,387.93
2c. Miscellaneous	-	-	-
3. Total receipts	<u>411,707.79</u>	<u>-</u>	<u>411,707.79</u>
4. Total funds available	<u>740,077.88</u>	<u>-</u>	<u>740,077.88</u>
5. Expenditures (Section 1)	<u>385,786.15</u>	<u>-</u>	<u>385,786.15</u>
6. Balance, December 31, 2020	<u><u>\$ 354,291.73</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 354,291.73</u></u>

TOWNSHIP OF SOUTH UNION  
 FAYETTE 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	\$ 184,125.61	\$ -	\$ 184,125.61
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	81,063.97	-	81,063.97
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	265,189.58	-	265,189.58
5. Less: Major equipment expenditures	188,848.00	(188,848.00)	-
6. Remainder	<u>76,341.58</u>	<u>188,848.00</u>	<u>265,189.58</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 76,341.58</u>	<u>\$ 188,848.00</u>	<u>\$ 265,189.58</u>

TOWNSHIP OF SOUTH UNION  
 FAYETTE 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	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	92,512.16	-	92,512.16
Traffic control devices	9,882.58	-	9,882.58
Street lighting	108,736.97	9,592.45	118,329.42
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	209,387.73	-	209,387.73
Miscellaneous	61,892.45	(9,592.45)	52,300.00
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total (To Section 2, Line 5)	<u>\$ 482,411.89</u>	<u>\$ -</u>	<u>\$ 482,411.89</u>

TOWNSHIP OF SOUTH UNION  
 FAYETTE 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	\$ 354,291.73	\$ -	\$ 354,291.73
Receipts:			
2. State allocation	369,192.79	-	369,192.79
2a. Turnback allocation	7,560.00	-	7,560.00
2b. Interest on investments	4,231.33	-	4,231.33
2c. Miscellaneous	230,106.76	-	230,106.76
3. Total receipts	611,090.88	-	611,090.88
4. Total funds available	965,382.61	-	965,382.61
5. Expenditures (Section 1)	482,411.89	-	482,411.89
6. Balance, December 31, 2021	<u>\$ 482,970.72</u>	<u>\$ -</u>	<u>\$ 482,970.72</u>

TOWNSHIP OF SOUTH UNION  
 FAYETTE 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	\$ 76,341.58	\$ 188,848.00	\$ 265,189.58
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	75,350.56	-	75,350.56
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	151,692.14	188,848.00	340,540.14
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>151,692.14</u>	<u>188,848.00</u>	<u>340,540.14</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 151,692.14</u>	<u>\$ 188,848.00</u>	<u>\$ 340,540.14</u>

TOWNSHIP OF SOUTH UNION  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
 FOR THE PERIOD  
 JANUARY 1, 2020 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

2020 - Section 1

Adjustments were made to “Major equipment purchases” and “Miscellaneous” because expenditures of \$188,848.00 were misclassified.

2020 - Section 3

An adjustment of (\$188,848.00) was made to “Major equipment expenditures” to reflect the adjustment made to major equipment purchases in 2020 – Section 1.

2021 - Section 1

Adjustments were made to “Miscellaneous” and “Street lighting” because expenditures of \$9,592.45 were misclassified.

2021 - Section 3

An adjustment of \$188,848.00 was made to “Prior year equipment balance” to reflect the adjustment made to the equipment balance in 2020 - Section 3.

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>2020</u>	<u>2021</u>
General Fund	Reimbursement for share of traffic signals	\$-	\$ 1,655.18
General Fund	Reimbursement (Finding No. 1)	-	188,848.00
General Fund	Reimbursement (Summary Of Prior Examination Recommendations)	-	39,603.58
	Totals	<u>\$-</u>	<u>\$230,106.76</u>



TOWNSHIP OF SOUTH UNION  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 AUDITOR DESCRIPTION OF SELECT TRANSACTIONS  
 FOR THE PERIOD  
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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>2021</u>
Vendor	Equipment purchase (Finding No. 1)	\$188,848.00	\$ -
Vendor	Sewer repair (Finding No. 1)	-	52,300.00
	Totals	<u>\$188,848.00</u>	<u>\$52,300.00</u>

TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 1 - Nonpermissible Expenditures**

Our examination disclosed that the municipality expended \$188,848.00 during 2020 for the purchase of a recycling truck and \$52,300.00 during 2021 for sewer repairs from the Liquid Fuels Tax Fund, which are nonpermissible expenditures:

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 a recycling truck and sewer drains, are outside the scope of permissible expenditures.

We were unable to determine why these expenditures were made from the Liquid Fuels Tax Fund.

On July 20, 2021, the municipality reimbursed \$188,848.00 to the Liquid Fuels Tax Fund. Additionally, the municipality reimbursed \$52,300.00 to the Liquid Fuels Tax Fund on February 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.

TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
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**Finding No. 1 - Nonpermissible Expenditures (Continued)**

Management's Response

The Supervisor/Secretary stated:

The township and its staff have a procedure in place to talk about invoices received so they do not get paid out of the incorrect account. Discussions are held prior to check signing and invoices are more thoroughly reviewed.

Auditor's Conclusion

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

TOWNSHIP OF SOUTH UNION  
 FAYETTE COUNTY  
 LIQUID FUELS TAX FUND  
 FINDINGS AND RECOMMENDATIONS  
 FOR THE PERIOD  
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**Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination - Recurring**

We cited the municipality for documentation for price quotations not being available for examination in our prior examination for the period January 1, 2018 to December 31, 2019. Our current examination disclosed that the township expended \$14,276.82 during 2021 from the Liquid Fuels Tax Fund for the purchase of anti-skid. 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.

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
Various	Various	1615	01/22/21	\$ 2,035.23
764510	01/26/21	1617	02/11/21	2,694.68
Various	Various	1620	02/19/21	5,435.33
Various	Various	1621	02/24/21	2,735.51
764738	02/19/21	1624	03/03/21	<u>1,376.07</u>
2021 Total				<u>\$14,276.82</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.

TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

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

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, and \$11,800.00 and \$21,900.00 for 2022.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$14,276.82 to its Liquid Fuels Tax Fund.

This condition occurred because new staff was unaware of quote threshold requirements.

Recommendations

We recommend that the township reimburse \$14,276.82 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The Supervisor/Secretary stated:

Due to staff turnover and inexperience of new staff, quotes were not obtained for material. Correction of documenting dates of quotes for upcoming year and bids have been recorded in the township community work calendar. Therefore, should new staff enter the workforce, there will be complete documenting for them to follow. The previous new staff has become seasoned and learned requirements and has created procedures to obtain quotes.

Auditor's Conclusion

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

TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

**Finding No. 3 - Retroactive Expenditure**

Our examination disclosed that the municipality transferred \$9,592.45 from its Liquid Fuels Tax Fund to its General Fund on January 11, 2021, for the reimbursement expenditures incurred on December 4, 2019, which are retroactive expenditures.

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, in relevant part:

Examples of what Liquid Fuels Tax Fund monies may not be expended for are:

16. Retroactive expenditures or repayment of other funds for prior period expenditures.

Because these expenditures were paid from the General Fund on December 11, 2019, and were not reimbursed with Liquid Fuels Tax Fund money until January 11, 2021, the expenditures incurred were not reimbursed in a reasonable period of time. Therefore, the municipality did not comply with the Department of Transportation's *Publication 9*.

The failure to follow the Department of Transportation's *Publication 9* as noted above could result in the municipality having to reimburse \$9,592.45 to its Liquid Fuels Tax Fund.

This finding occurred because the new assistant secretary did not know expenditures must be paid timely from the Liquid Fuels account.

**Recommendations**

We recommend that the municipality reimburse \$9,592.45 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality complies with the Department of Transportation's *Publication 9* as noted above.

TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

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

Management's Response

The Supervisor/Secretary stated:

An electric bill that was paid erroneously from the General Fund was transferred during a review of records. That invoice was then transferred in a different calendar year. The new staff has learned this is not correct and will not do this in the future.

Auditor's Conclusion

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

TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS  
FOR THE PERIOD  
JANUARY 1, 2020 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 \$39,603.58 to its Liquid Fuels Tax Fund. This amount consists of \$245.27 for vendor overcharges, \$25,950.71 for bids awarded that were not documented in the Board of Supervisors' meeting minutes, and \$13,652.87 for a failure to maintain documentation for price quotations. The vendor overcharge reimbursement is included with the amount for the documentation for price quotations not being available.

During our current examination, we reviewed a letter dated August 20, 2021, from the Department of Transportation directing the municipality to reimburse \$39,603.58 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on August 31, 2021.

In our prior report we also recommended that:

- The municipality compare invoice prices to contract prices prior to making payments on vendor invoices and contact the vendor as soon as possible to obtain reimbursement if an overcharge occurred.
- The Board of Supervisors ensure that bids awarded during public meetings are documented in the minute book.
- The municipality comply with *The Second Class Township Code* by obtaining price quotations for all purchases between \$11,100.00 and \$20,600.00. The thresholds for obtaining price quotations increased to purchases between 2018, \$11,100.00 and \$20,600.00 for 2019, and \$11,300.00 and \$21,000.00 for 2020, \$11,500.00 and \$21,300.00 for 2021, and \$11,800 to \$21,900 for 2022.

During our current examination, we noted that the municipality complied with our first two bulleted recommendations but did not comply with the third bulleted recommendation (see Finding No. 2).



TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

An exit conference was held July 26, 2022. Those participating were:

TOWNSHIP OF SOUTH UNION

The Honorable Robert Schiffbauer, Supervisor/Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Michele Simpson, Auditor

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

TOWNSHIP OF SOUTH UNION  
FAYETTE COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE PERIOD  
JANUARY 1, 2020 TO DECEMBER 31, 2021

This report was initially distributed to:

**The Honorable Yassmin Gramian, P.E.**  
Secretary  
Department of Transportation

**Township of South Union**  
Fayette County  
151 Township Drive  
Uniontown, PA 15401

**The Honorable Jason Scott**  
Chairman of the Board of Supervisors

**The Honorable Rick Vernon**  
Supervisor/Treasurer

**The Honorable Robert Schiffbauer**  
Supervisor/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).