

ATTESTATION ENGAGEMENT

Township of Sparta
Crawford County, Pennsylvania
20-222
Liquid Fuels Tax Fund
For the Period
January 1, 2018 to December 31, 2019

May 2021



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

Yassmin Gramian, P.E.
Acting 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 Sparta, Crawford County, for the period January 1, 2018 to December 31, 2019. 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 mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each municipality's Liquid Fuels Tax Fund to ensure that funds received are expended in accordance with applicable laws and regulations. *Government Auditing Standards* issued by the Comptroller General of the United States include attestation engagements as a separate type of audit. An attestation engagement performed pursuant to *Government Auditing Standards* involves additional standards that exceed the standards provided by the American Institute of Certified Public Accountants. Accordingly, this attestation engagement complies with both *Government Auditing Standards* and Section 403 of *The Fiscal Code*.

Independent Auditor's Report (Continued)

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

- During 2019 the municipality paid an invoice for \$3,888.35 twice from its Liquid Fuels Tax Fund (Finding No. 1).
- The municipality expended \$17,670.51 in 2018 and \$11,244.87 in 2019 from its Liquid Fuels Tax Fund for lease-purchase agreement payments toward the purchase of a 2012 BOMAG BW 213 Roller without advertising for bids (Finding No. 2).
- The municipality expended \$5,902.85 during 2018 for the purchase of dolo stone. However, the dolo stone was not certified by the Materials Unit of the Department of Transportation (Finding No. 3).
- During our current examination, we reviewed a letter dated September 12, 2019, from the Department of Transportation directing the municipality to reimburse \$9,222.00 to its Liquid Fuels Tax Fund as a result of findings in our prior examination. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on January 17, 2020, which was subsequent to our current examination period (Summary Of Prior Examination Recommendations).

In our opinion, except for the bulleted matters discussed above, the Forms MS-965 With Adjustments, in all material respects, present the information required by the Pennsylvania Department of Transportation for the Liquid Fuels Tax Fund of the Township of Sparta, Crawford County, for the period January 1, 2018 to December 31, 2019, 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 the internal control over reporting on the Forms MS-965 or on compliance and other matters; accordingly, we express no such opinions.

Independent Auditor's Report (Continued)

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 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. 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. We did identify certain deficiencies in internal control, described in the third finding listed below, that we consider to be a significant deficiency in internal control:

- Duplicate Payment of Invoice.

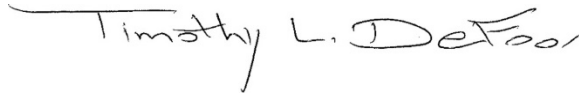
As part of obtaining reasonable assurance about whether the Forms MS-965 are free from material misstatement, we performed tests of the Township of Sparta, Crawford County's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

- Noncompliance With Advertising And Bidding Requirements - Recurring.
- Purchase of Uncertified Stone - Recurring.

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.

Independent Auditor's Report (Continued)

We appreciate the courtesy extended by the Township of Sparta, Crawford 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

April 7, 2021

Timothy L. DeFoor
Auditor General

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TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Background

The Liquid Fuels Tax Municipal Allocation Law, Act 655 of 1956, as amended, (72 P.S. § 2615.5 et seq.), provides municipalities other than counties (townships, boroughs, cities, towns, home rule, and optional plan governments) with an annual allocation of liquid fuels taxes from the state's Motor License Fund to be used for the maintenance and repair of streets, roads, and bridges for which the municipality is responsible. The allocation of these funds to municipalities is based: (1) 50 percent on the municipality's proportion of local road mileage to the total local road mileage in the state, and (2) 50 percent on the proportion of a municipality's population to the total population in the state.

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

Each municipality must deposit the 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 SPARTA
 CRAWFORD COUNTY
 LIQUID FUELS TAX FUND
 BACKGROUND
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2019

Background (Continued)

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

Criteria

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

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

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

2015/2016	2017	2018	2019
\$10,500.00	\$10,700.00	\$10,900.00	\$11,100.00

- 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:

2015/2016	2017	2018	2019
\$10,500.00	\$10,700.00	\$10,900.00	\$11,100.00

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

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

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 SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
BACKGROUND
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

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 SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2018 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	36,321.78	-	36,321.78
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	15,026.34	-	15,026.34
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	32,941.36	-	32,941.36
Maintenance and repair of roads and bridges	144,806.36	-	144,806.36
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 229,095.84</u>	 <u>\$ -</u>	 <u>\$ 229,095.84</u>

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
2018 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, 2018	\$ 87,686.09	\$ -	\$ 87,686.09
Receipts:			
2. State allocation	186,125.16	-	186,125.16
2a. Turnback allocation	11,960.00	-	11,960.00
2b. Interest on investments	2,954.07	-	2,954.07
2c. Miscellaneous	-	-	-
3. Total receipts	<u>201,039.23</u>	<u>-</u>	<u>201,039.23</u>
4. Total funds available	<u>288,725.32</u>	<u>-</u>	<u>288,725.32</u>
5. Expenditures (Section 1)	<u>229,095.84</u>	<u>-</u>	<u>229,095.84</u>
6. Balance, December 31, 2018	<u><u>\$ 59,629.48</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 59,629.48</u></u>

TOWNSHIP OF SPARTA
 CRAWFORD COUNTY
 LIQUID FUELS TAX FUND
 2018 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	\$ 76,030.83	\$ -	\$ 76,030.83
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	39,617.03	-	39,617.03
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	115,647.86	-	115,647.86
5. Less: Major equipment expenditures	36,321.78	-	36,321.78
6. Remainder	<u>79,326.08</u>	<u>-</u>	<u>79,326.08</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 59,629.48</u>	<u>\$ -</u>	<u>\$ 59,629.48</u>

TOWNSHIP OF SPARTA
CRAWFORD 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	\$ 1,275.14	\$ -	\$ 1,275.14
Computer/Computer related training	-	-	-
Major equipment purchases	49,714.37	-	49,714.37
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	16,848.48	-	16,848.48
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	6,781.21	-	6,781.21
Maintenance and repair of roads and bridges	159,785.75	-	159,785.75
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
 Total (To Section 2, Line 5)	 <u>\$ 234,404.95</u>	 <u>\$ -</u>	 <u>\$ 234,404.95</u>

TOWNSHIP OF SPARTA
 CRAWFORD 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	\$ 59,629.48	\$ -	\$ 59,629.48
Receipts:			
2. State allocation	190,465.28	-	190,465.28
2a. Turnback allocation	11,960.00	-	11,960.00
2b. Interest on investments	2,545.77	-	2,545.77
2c. Miscellaneous	-	-	-
3. Total receipts	<u>204,971.05</u>	<u>-</u>	<u>204,971.05</u>
4. Total funds available	<u>264,600.53</u>	<u>-</u>	<u>264,600.53</u>
5. Expenditures (Section 1)	<u>234,404.95</u>	<u>-</u>	<u>234,404.95</u>
6. Balance, December 31, 2019	<u><u>\$ 30,195.58</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,195.58</u></u>

TOWNSHIP OF SPARTA
CRAWFORD 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	\$ 59,629.48	\$ -	\$ 59,629.48
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	40,485.06	-	40,485.06
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	100,114.54	-	100,114.54
5. Less: Major equipment expenditures	49,714.37	-	49,714.37
6. Remainder	<u>50,400.17</u>	<u>-</u>	<u>50,400.17</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 30,195.58</u>	<u>\$ -</u>	<u>\$ 30,195.58</u>

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

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

Lease-Purchase Agreement

On July 12, 2011, the municipality entered into a lease-purchase agreement with John Deere Financial to purchase a 2011 John Deere 524K Wheel Loader for \$127,900.00. The municipality received a trade-in allowance of \$18,000.00 for a John Deere Loader and was charged a \$300 document fee and a \$168.00 lease processing fee. The total amount to be financed was \$110,368.00. The agreement was for a term of seven years at an interest rate of 4.3 percent. Principal and interest payments of \$18,651.27 are due annually. Prior years' principal and interest payments from the General Fund were \$92,499.45 and \$19,408.17, respectively.

During the current examination period, the municipality paid principal of \$17,867.60 and interest of \$783.67 from the Liquid Fuels Tax Fund. This amount is reflected in the major equipment purchases 2018 MS-956 Form Section - 1. Additionally, the municipality paid principal of \$0.95 and interest of \$0.05 from the General Fund. The lease-purchase agreement was paid-in-full on October 23, 2018.

Lease-Purchase Agreement

On November 20, 2015, the municipality entered into a lease-purchase agreement with John Deere Financial to purchase a 2016 John Deere 672GX Motor Grader for \$234,900.00. The municipality received a trade-in allowance of \$57,000.00 for a John Deere grader and was charged a \$168.00 lease processing fee. The total amount to be financed was \$178,068.00. The agreement was for a term of five years at an interest rate of 2.5 percent. Principal and interest payments of \$38,469.50 are due annually. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$34,814.86 and \$3,654.64, respectively. Additionally, the municipality paid principal of \$33,439.58 and interest of \$5,029.92 from the General Fund.

During the current examination period, the municipality paid principal of \$35,694.63 and interest of \$2,774.87 from the Liquid Fuels Tax Fund. This amount is reflected in major equipment purchases on the 2019 Form MS-965 - Section 1. Additionally, the municipality paid principal of \$36,596.58 and interest of \$1,872.92 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2019 was \$37,522.35, plus interest.

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
AUDITOR DESCRIPTION OF SELECT TRANSACTIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Lease-Purchase Agreement

On January 31, 2017, the municipality entered into a lease-purchase agreement with John Deere Financial to purchase a 2012 BOMAG BW 213 Roller for \$88,900.00. The municipality received a rental allowance of \$3,200.00 and was charged a \$300.00 document fee and a \$168.00 lease processing fee. The total amount to be financed was \$86,168.00. The agreement was for a term of five years at an interest rate of 4.5 percent. Principal and interest payments of \$1,606.41 are due monthly. Prior years' principal and interest payments from the Liquid Fuels Tax Fund were \$3,996.69 and \$822.54, respectively. Additionally, the municipality paid principal of \$11,724.29 and interest of \$2,733.40 from the General Fund.

During the current examination period, the municipality paid principal of \$24,945.94 and interest of \$3,969.44 from the Liquid Fuels Tax Fund. These amounts are reflected in major equipment purchases on the 2018 and 2019 MS-965 Section - 1. Additionally, the municipality paid principal of \$7,232.95 and interest of \$799.10 from the General Fund. The outstanding balance of the lease-purchase agreement as of December 31, 2019 was \$38,268.13, plus interest. Because the municipality failed to advertise for bids for the roller, future payments are not eligible to be made from the Liquid Fuels Tax Fund (see Finding No. 2).

TOWNSHIP OF SPARTA
 CRAWFORD COUNTY
 LIQUID FUELS TAX FUND
 FINDINGS AND RECOMMENDATIONS
 FOR THE PERIOD
 JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 1 - Duplicate Payment Of Invoice

Our examination disclosed that during 2019 the municipality paid the following invoice twice:

<u>Invoice Number</u>	<u>First Check No.</u>	<u>First Date Paid</u>	<u>Second Check No.</u>	<u>Second Date Paid</u>	<u>Invoice Amount</u>
61679	843	02/08/19	847	03/08/19	<u>\$3,888.35</u>

The Secretary/Treasurer informed us that the vendor reimbursed the municipality for the duplicate payment. However, the reimbursement check was deposited into the General Fund. Although this money should be reimbursed to the Liquid Fuels Tax Fund, the primary concern is the inadequate internal controls which enabled the duplicate payment to occur and for the reimbursement of \$3,888.35 to be deposited into the General Fund.

Good internal controls ensure that all invoices are reviewed timely to avoid duplicate payments. The failure to follow this procedure increases the possibility that duplicate payments can be made on vendor invoices and go undetected for long periods of time. Additionally, the municipality should review any reimbursements received to determine that they are deposited into the proper fund. The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

Recommendations

We recommend that the municipality reimburse \$3,888.35 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality establish and implement internal controls to ensure vendor invoices are reviewed timely to avoid duplicate payments and that any refunds received for duplicate payments are deposited into the proper fund.

Management Response

The Secretary/Treasurer stated:

The vendor was relocating their accounts receivable department from Erie to Cleveland and would not provide additional product, even though payment had been made to Erie. A refund check was issued and was deposited in error to the township's General Fund.

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 1 - Duplicate Payment Of Invoice

Auditor's Conclusion

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

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 2 - Noncompliance With Advertising And Bidding Requirements - Recurring

Our prior examination disclosed that on January 31, 2017, the municipality entered into a lease-purchase agreement with John Deere Financial to purchase a 2012 BOMAG BW 213 Roller for \$86,168.00 without advertising for bids (see Lease-Purchase Agreement in Auditor Description Of Select Transactions on page 12). During our current examination, the municipality paid principal and interest payments of \$17,670.51 during 2018 and \$11,244.87 during 2019 from the Liquid Fuels Tax Fund. These expenditures were as follows:

<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
02/26/18	757	02/09/18	\$1,606.41	
03/26/18	765	02/10/18	1,606.41	
04/26/18	766	03/09/18	1,606.41	
05/26/18	774	05/11/18	1,606.41	
06/26/18	780	06/08/18	1,606.41	
07/26/18	788	07/13/18	1,606.41	
08/26/18	790	08/10/18	1,606.41	
09/26/18	802	09/11/18	1,606.41	
10/26/18	807	10/12/18	1,606.41	
11/26/18	819	11/09/18	1,606.41	
12/26/18	822	12/14/18	1,606.41	
2018 Total				\$17,670.51
<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	
01/26/19	838	01/07/19	\$1,606.41	
02/26/19	839	02/08/19	1,606.41	
03/26/19	849	03/08/19	1,606.41	
04/26/19	855	04/12/19	1,606.41	
05/26/19	859	05/10/19	1,606.41	
06/26/19	863	06/14/19	1,606.41	
07/26/19	864	07/12/19	1,606.41	
2019 Total				11,244.87
Two-year total				<u>28,915.38</u>

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

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

The above expenditures were not made in compliance with the advertising, bidding, and contract requirements of *The Second Class Township Code*, 53 P.S. § 68102(a), (also found at § 3102(a) of *The Second Class Township Code* as published by the Local Government Commission), which requires that purchases over \$18,500.00 during 2012 must be advertised, bid, and awarded by contract. The bidding threshold increased to purchases over \$20,100.00 for 2018, \$20,600.00 for 2019, \$21,000.00 for 2020, and \$21,300.00 for 2021. *The Second Class Township Code*, 53 P.S. § 68104(a), (also found at § 3104(a) of *The Second Class Township Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

The failure to comply with *The Second Class Township Code* could result in the township having to reimburse \$28,915.38 to its Liquid Fuels Tax Fund.

The municipality discontinued making lease-purchase payments from its Liquid Fuels Tax Fund after municipality officials were informed about this condition at the exit conference of our prior examination on August 9, 2019.

Recommendations

We recommend that the township reimburse \$28,915.38 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The Secretary/Treasurer stated:

The BOMAG Roller was rented for an emergency washout and then purchased without advertising.

Auditor's Conclusion

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

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 3 - Purchase Of Uncertified Stone - Recurring

Our current examination disclosed that the municipality expended \$5,902.85 during 2018 from the Liquid Fuels Tax Fund for the purchase of dolo stone. However, the dolo stone was not certified by the Materials Unit of the Department of Transportation. These expenditures are as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Total Amount</u>
93647922	06/14/18	782	07/13/18	\$ 412.34
93647923	06/14/18	782	07/13/18	417.76
93647924	06/14/18	782	07/13/18	413.64
93647925	06/14/18	782	07/13/18	424.30
93647926	06/14/18	782	07/13/18	427.11
93647927	06/14/18	782	07/13/18	405.04
93647926	06/14/18	782	07/13/18	410.28
93651902	06/14/18	782	07/13/18	429.35
93651903	06/14/18	782	07/13/18	427.30
93651904	06/14/18	782	07/13/18	425.61
93651905	06/14/18	782	07/13/18	431.60
93652635	06/14/18	782	07/13/18	428.98
93652636	06/14/18	782	07/13/18	.37
93652637	06/14/18	782	07/13/18	428.79
93652638	06/14/18	782	07/13/18	420.38
Total				<u>\$5,902.85</u>

The above purchases were not in compliance with the Department of Transportation’s *Publication 408*, Section 106.02 (a), which states:

Have each material and material source of supply listed on Form CS-2000 (Source of Supply – Materials) or Form CS-201 (Source of Supply – Traffic Control Devices) and approved before delivery to project....

The failure to follow the Department of Transportation’s *Publication 408* could result in the municipality having to reimburse \$5,902.85 to its Liquid Fuels Tax Fund.

A similar finding was also written in our prior report. However, we did not note any uncertified stone purchases paid from the Liquid Fuels Tax Fund during 2019.

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Finding No. 3 - Purchase Of Uncertified Stone - Recurring (Continued)

Recommendations

We recommend that the municipality reimburse \$5,902.85 to it Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We recommend that, in the future, the municipality continues to only purchase stone that is approved by the Department of Transportation.

Management's Response

The Secretary/Treasurer stated:

The Supervisors utilized the dolo stone during an emergency situation immediately after heavy rains caused a road washout. This stone helped keep tree limbs and other debris from clogging up the ditches and culverts again and causing another washout.

Auditor's Conclusion

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

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF PRIOR EXAMINATION RECOMMENDATIONS
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

Summary Of Prior Examination Recommendations

In our prior report, we recommended that the Department of Transportation review our examination findings to determine if the municipality should reimburse \$9,222.00 to its Liquid Fuels Tax Fund. This amount consists of \$4,819.23 for failing to advertise for bids and \$4,402.77 for the purchase of uncertified stone.

During our current examination, we reviewed a letter dated September 12, 2019, from the Department of Transportation directing the municipality to reimburse \$9,222.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on January 17, 2020, which was subsequent to our current examination period.

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

- Comply with *The Second Class Township Code* by advertising for bids for all purchases over \$19,700.00. The threshold for advertising for bids increased to purchases over \$20,100.00 for 2018, \$20,600.00 for 2019, \$21,000.00 for 2020, and \$21,300.00 for 2021.
- Purchase stone that is approved by the Department of Transportation.

During our current examination, we noted that the municipality complied with our first bulleted recommendation. However, the municipality did make payments on a lease-purchase agreement for the purchase of a 2012 BOMAG BW 213 Roller that was not bid during our prior examination period (see Finding No. 2). Additionally, the municipality did not comply with our second bulleted recommendation in 2018, but did comply during 2019 (see Finding No. 3).

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

An exit conference was held December 2, 2020. Those participating were:

TOWNSHIP OF SPARTA

Mrs. Susan C. Jewell, Secretary/Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Mr. R.J. Zonna, Auditor

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

TOWNSHIP OF SPARTA
CRAWFORD COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE PERIOD
JANUARY 1, 2018 TO DECEMBER 31, 2019

This report was initially distributed to:

Yassmin Gramian, P.E.
Acting Secretary
Department of Transportation

Township of Sparta
Crawford County
24650 Highway 89
Spartansburg, PA 16434

The Honorable Norman Maynard
Chairman of the Board of Supervisors

Mrs. Susan C. Jewell
Secretary/Treasurer

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