



TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
09-227

LIQUID FUELS TAX FUND  
EXAMINATION REPORT

FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

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TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
BACKGROUND  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Background

The Liquid Fuels Tax Municipal Allocation Law, Title 72 P.S. § 2615.5, 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 Liquid Fuels Tax Fund money and annual maintenance payments that it receives into a special fund called 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 this 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. To qualify for its annual allocation, each municipality shall submit the following documents and information to the Department of Transportation:

1. Evidence that the treasurer is bonded in accordance with the law, or that its treasurer is a bank requiring no bond by January 31 of each year.
2. A report indicating the manner in which its liquid fuels tax allocation was expended in the previous year (Form MS-965) by January 31 of each year.
3. A report of elected and appointed officials by January 31 of each year.
4. A Survey of Financial Condition by March 15 of each year.

Department of Transportation *Publication 9* contains the policies and procedures that govern the use of Liquid Fuels Tax Fund money. However, if there is a difference between *Publication 9* and any legislation, the legislation shall govern.





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

**JACK WAGNER  
AUDITOR GENERAL**

Independent Auditor's Report

The Honorable Barry J. Schoch, 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 Warrington, Bucks County, for the two years ended December 31, 2009. The municipality's management is responsible for the Forms MS-965. 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. An examination includes examining, on a test basis, evidence supporting the Township of Warrington, Bucks County's Forms MS-965 for the two years ended December 31, 2009 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We are mandated by Section 403 of *The Fiscal Code*, 72 P.S. § 403, to audit each 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*.

As described in Note 4, 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 section of this report:

- The municipality did not maintain documentation to support \$22,455.78 of a \$114,000.00 transfer to the General Fund (Finding No. 1).
- The municipality expended \$115,503.50 from its Liquid Fuels Tax Fund during 2009 for snow removal without advertising for bids (Finding No. 3).
- The municipality transferred \$100,000.00 from its Liquid Fuels Tax Fund to its General Fund, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law (Finding No. 4).
- The municipality expended \$4,009.95 during 2009 from the Liquid Fuels Tax Fund for the purchase of calcium chloride. However, documentation for price quotations was not available for examination (Finding No. 5).
- The municipality expended \$2,333.12 from its Liquid Fuels Tax Fund in excess of the approved amount for project No. 09-09-227-01 (Finding No. 6).

In our opinion, except for the matters discussed in the preceding paragraph, 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 Warrington, Bucks County, for the two years ended December 31, 2009, in conformity with the criteria set forth in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Forms MS-965 and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Forms MS-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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Warrington, Bucks County's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria such that there is more than a remote likelihood that a misstatement of the Township of Warrington, Bucks County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Township of Warrington, Bucks County's internal control. We consider the deficiencies described in the findings below to be a significant deficiencies in internal control over reporting on the Forms MS-965:

- Documentation Supporting Portion Of Transfer Was Not Available For Examination.
- Documentation Supporting The Payment Of Payroll Taxes Was Not Available For Examination.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Township of Warrington, Bucks County's internal control. Our consideration of the internal control over reporting on the Forms MS-965 would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the first bulleted deficiency to be a material weakness.

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

- Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements.
- Liquid Fuels Money Transferred To The General Fund.
- Documentation For Price Quotations Was Not Available For Examination.
- Liquid Fuels Money Overexpended On Project.



Independent Auditor's Report (Continued)

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

January 24, 2011

JACK WAGNER  
Auditor General

TOWNSHIP OF WARRINGTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2008 FORM MS-965 – SECTION 1  
 WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	-	-	-
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	-	-	-
Miscellaneous (Note 5)	-	368.03	368.03
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ -</u>	<u>\$ 368.03</u>	<u>\$ 368.03</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF WARRINGTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2008 FORM MS-965 – SECTION 2  
 WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2008	\$ 109,144.07	\$ -	\$ 109,144.07
Receipts:			
2. State allocation	412,993.74	-	412,993.74
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	9,440.30	368.03	9,808.33
2c. Miscellaneous	-	-	-
3. Total receipts	<u>422,434.04</u>	<u>368.03</u>	<u>422,802.07</u>
4. Total funds available	<u>531,578.11</u>	<u>368.03</u>	<u>531,946.14</u>
5. Expenditures (Section 1)	<u>-</u>	<u>368.03</u>	<u>368.03</u>
6. Balance, December 31, 2008	<u><u>\$ 531,578.11</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 531,578.11</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF WARRINGTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 2008 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	\$ 109,144.07	\$ -	\$ 109,144.07
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	82,598.75	-	82,598.75
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	191,742.82	-	191,742.82
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>191,742.82</u>	<u>-</u>	<u>191,742.82</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 191,742.82</u>	<u>\$ -</u>	<u>\$ 191,742.82</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2009 FORM MS-965 – SECTION 1  
WITH ADJUSTMENTS

<u>Expenditure Summary</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
Major equipment purchases	\$ -	\$ -	\$ -
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	-	-	-
Winter maintenance services	219,971.93	(3.00)	219,968.93
Traffic control devices	-	-	-
Street lighting	-	-	-
Storm sewers and drains	-	-	-
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	-	-	-
Highway construction and rebuilding projects	497,671.76	-	497,671.76
Miscellaneous (Note 5)	-	122,827.02	122,827.02
	<u>-</u>	<u>122,827.02</u>	<u>122,827.02</u>
Total (To Section 2, Line 5)	<u>\$ 717,643.69</u>	<u>\$ 122,824.02</u>	<u>\$ 840,467.71</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2009 FORM MS-965 – SECTION 2  
WITH ADJUSTMENTS

<u>Fund Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Balance, January 1, 2009	\$ 531,578.11	\$ -	\$ 531,578.11
Receipts:			
2. State allocation	398,915.05	-	398,915.05
2a. Turnback allocation	-	-	-
2b. Interest on investments (Note 3)	6,693.32	371.26	7,064.58
2c. Miscellaneous	2,333.12	(2,333.12)	-
3. Total receipts	<u>407,941.49</u>	<u>(1,961.86)</u>	<u>405,979.63</u>
4. Total funds available	<u>939,519.60</u>	<u>(1,961.86)</u>	<u>937,557.74</u>
5. Expenditures (Section 1)	<u>717,643.69</u>	<u>122,824.02</u>	<u>840,467.71</u>
6. Balance, December 31, 2009	<u><u>\$ 221,875.91</u></u>	<u><u>\$ (124,785.88)</u></u>	<u><u>\$ 97,090.03</u></u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
2009 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	\$ 191,742.82	\$ -	\$ 191,742.82
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	79,783.01	-	79,783.01
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	271,525.83	-	271,525.83
5. Less: Major equipment expenditures	-	-	-
6. Remainder	<u>271,525.83</u>	<u>-</u>	<u>271,525.83</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 221,875.91</u>	<u>\$ (124,785.88)</u>	<u>\$ 97,090.03</u>

Notes to Forms MS-965 With Adjustments are an integral part of this report.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

1. Criteria

Section 1

This section 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 that cost in excess of \$4,000.00.
- Minor equipment purchases are purchases of road machinery and road equipment that cost \$4,000.00 or less.
- Agility projects are exchanges of services with the Department of Transportation.

Section 2

This section of Form MS-965 With Adjustments provides information on the fund balance. Categories requiring explanation include:

- The state allocation is generally received from the Department of Transportation during the first week in April of each year. The amount the municipality receives is based half on its population and half on its road mileage.
- The turnback allocation is generally received from the Department of Transportation during the first week in April of each year. A municipality receives a yearly turnback allocation based on road mileage for all roads that were transferred to the municipality from the Commonwealth of Pennsylvania through the Highway Transfer Program.
- Expenditures include the total transferred from Section 1.

Section 3

This section 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.



TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

1. Criteria (Continued)

Section 3 (Continued)

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.

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 Forms MS-965 have 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 Forms MS-965 With Adjustments is restricted to the Liquid Fuels Tax Fund, which represents a segment of the entity.

Basis Of Accounting

The accompanying Forms MS-965 With Adjustments are 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.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

1. Criteria (Continued)

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.

2. Deposits

*The Second Class Township Code*, Title 53 P.S. § 68204, authorizes the township to deposit its funds in the following:

- Deposits in savings accounts or time deposits, other than certificates of deposit or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania and insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance. For any amount above the insured maximum, the depository shall pledge approved collateral.
- Certificates of deposit purchased from institutions insured by the FDIC or other like insurance to the extent that such accounts are so insured. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets minus liabilities.

Deposits consist of receipts and deposits in financial institutions. Pennsylvania statutes require all deposits to be insured and, for any amount above the insured maximum, to be secured with approved collateral as defined.

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

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

2. Deposits (Continued)

Fund Balance

The fund balance as of December 31, 2009 consists of the following:

Cash	<u>\$97,090.03</u>
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3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$9,808.33 during 2008, and \$7,064.58 during 2009, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 1

An adjustment of \$368.03 was made to "Miscellaneous" because bank service charges were not reported.

2008 - Section 2

An adjustment of \$368.03 was made to "Interest on investments" because interest earned was understand.

TOWNSHIP OF WARRINGTON  
 BUCKS COUNTY  
 LIQUID FUELS TAX FUND  
 NOTES TO FORMS MS-965 WITH ADJUSTMENTS  
 FOR THE TWO YEARS ENDED  
 DECEMBER 31, 2009

4. Adjustments (Continued)

2009 - Section 1

An adjustment of \$(3.00) was made to “Winter maintenance services” because these expenditures were overstated.

An adjustment of \$122,827.02 was made to “Miscellaneous” because these expenditures were not reported.

2009 - Section 2

An adjustment of \$371.26 was made to “Interest on investments” because interest earned was understated.

An adjustment of \$(2,333.12) was made to “Miscellaneous” because there were no miscellaneous receipts.

5. 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>2008</u>	<u>2009</u>
Financial institution	Bank service charges	\$368.03	\$ 371.24
General Fund	Transfer (Finding No. 1)	-	22,455.78
General Fund	Transfer (Finding No. 4)	-	<u>100,000.00</u>
Totals		<u>\$368.03</u>	<u>\$122,827.02</u>



TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 1 - Documentation Supporting Portion Of Transfer Was Not Available For Examination

Our examination disclosed that on December 30, 2009, the municipality transferred \$114,000.00 from its Liquid Fuels Tax Fund to its General Fund for the reimbursement of expenditures paid on behalf of the Liquid Fuels Tax Fund. However, the municipality did not maintain documentation, such as invoices or time sheets, to support \$22,455.78 of the transfer.

Good internal control procedures ensure that there is documentation to support all 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 expenditures made without supporting documentation, are outside the scope of permissible expenditures.

Without adequate documentation, we could not determine if the expenditures were permissible according to the Liquid Fuels Tax Municipal Allocation Law and the Department of Transportation's Regulations.

The failure to maintain documentation to support expenditures could result in the municipality having to reimburse \$22,455.78 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$22,455.78 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that the municipality ensure good internal control over expenditures by maintaining adequate documentation to support all expenditures.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 1 - Documentation Supporting Portion Of Transfer Was Not Available For Examination (Continued)

Management's Response

The treasurer stated:

We reimbursed the Liquid Fuels Tax Fund during 2011.

Auditor's Conclusion

As of the date of this report, we were not provided with documentation that \$22,455.78 was reimbursed to the Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 2 - Documentation Supporting The Payment Of Payroll Taxes Was Not Available  
For Examination

Our examination disclosed that the municipality did not maintain quarterly payroll tax records identifying that the federal, state, and local taxes have been remitted to the proper agencies.

Good internal control procedures over payroll ensure that there is adequate documentation supporting payroll payments.

The failure to maintain this documentation significantly weakens internal controls over these funds and we could not determine if these funds were remitted to the proper agencies.

Recommendation

We recommend that the municipality ensure good internal control over payroll by maintaining quarterly tax records.

Management's Response

The treasurer stated:

The township will discuss with ADP and will provide.

Auditor's Conclusion

As of the date of this report the municipality had not provided us with documentation that payroll taxes that were deducted from employee's checks were remitted to the proper agencies. During our next examination we will determine if the municipality complied with our recommendation.



TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 3 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements

Our examination disclosed that the township expended \$115,503.50 during 2009 from the Liquid Fuels Tax Fund for snow removal without advertising for bids.

These 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 \$10,000.00 must be advertised, bid, and awarded by contract. *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* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$115,503.50 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$115,503.50 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

Recommendations (Continued)

We further recommend that, in the future, the township comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

Management's Response

The treasurer stated:

We will look into this matter further.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 3 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements (Continued)

Auditor's Conclusion

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

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 4 - Liquid Fuels Money Transferred To The General Fund

Our examination disclosed that the municipality transferred \$100,000.00 from its Liquid Fuels Tax Fund into its General Fund on October 28, 2009, which is in noncompliance with the Liquid Fuels Tax Municipal Allocation Law.

The practice of transferring liquid fuels money into any account other than the Liquid Fuels Tax Fund account is contrary to the Act of June 1, 1956, P.L. (1955) 1944, 72 P.S. § 2615.5, known as the Liquid Fuels Tax Municipal Allocation Law, which states:

. . . each city, borough, town and township, shall . . . Establish and maintain a special fund into which the moneys [liquid fuels tax funds] . . . shall be deposited and into which no other moneys may be deposited or commingled . . .

The risk that Liquid Fuels Tax Fund money may be used for unauthorized purposes increases when liquid fuels money is commingled with other funds.

The failure to follow the Liquid Fuels Tax Municipal Allocation Law as noted above could result in the municipality having to reimburse \$100,000.00 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$100,000.00 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality discontinue the practice of transferring Liquid Fuels Tax Fund money to any other funds, except for the repayment of expenditures paid on behalf of the Liquid Fuels Tax Fund.

Management's Response

The treasurer stated:

This was corrected in 2011.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 4 - Liquid Fuels Money Transferred To The General Fund (Continued)

Auditor's Conclusion

As of the date of this report we were not provided with documentation that the \$100,000.00 was returned to the Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 5 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that the township expended \$4,009.95 during 2009 from the Liquid Fuels Tax Fund for the purchase of calcium chloride. The township was required to obtain three written or telephonic price quotations for this expenditure. However, documentation for price quotations was not available for examination. The calcium chloride purchase was as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
78606	01/13/09	37842	01/13/09	<u>\$4,009.95</u>

The above expenditure was 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 that exceed four thousand dollars (\$4,000.00) but are less than the amount [in excess of \$10,000.00] 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 failure to comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* could result in the township having to reimburse \$4,009.95 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the township reimburse \$4,009.95 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the township comply with *The Second Class Township Code* and the Department of Transportation's *Publication 9* as noted in this finding.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 5 - Documentation For Price Quotations Was Not Available For Examination  
(Continued)

Management's Response

The treasurer stated:

I will discuss this with the public works department.

Auditor's Conclusion

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

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

Finding No. 6 - Liquid Fuels Money Overexpended On Project

Our examination disclosed that the municipality expended \$497,671.76 of Liquid Fuels Tax Fund money on construction project No. 09-09-227-01. However, the amount approved to be expended from the Liquid Fuels Tax Fund for this project was \$495,338.64. The difference of \$2,333.12 should have been paid directly from the General Fund.

The Department of Transportation's Regulations do not permit a municipality to expend Liquid Fuels Tax Fund money in excess of the amount approved on Municipal Services Completion Report Form MS-999.

The failure to comply with the Department of Transportation's Regulations could result in the municipality having to reimburse \$2,333.12 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the municipality reimburse \$2,333.12 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

We further recommend that, in the future, the municipality expend only the approved amount of Liquid Fuels Tax Fund money on road construction projects.

Management's Response

The treasurer stated:

We reimbursed the Liquid Fuels Tax Fund in 2011.

Auditor's Conclusion

As of the date of this report we were not provided with documentation that \$2,333.12 was reimbursed to the Liquid Fuels Tax Fund. During our next examination we will determine if the municipality complied with our recommendations.

TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
SUMMARY OF EXIT CONFERENCE  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

An exit conference was held January 24, 2011. Those participating were:

TOWNSHIP OF WARRINGTON

Mrs. Vivian S. Bell, Treasurer

DEPARTMENT OF THE AUDITOR GENERAL

Ms. Sandra Gichiengo, Auditor

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





TOWNSHIP OF WARRINGTON  
BUCKS COUNTY  
LIQUID FUELS TAX FUND  
REPORT DISTRIBUTION  
FOR THE TWO YEARS ENDED  
DECEMBER 31, 2009

This report was initially distributed to:

The Honorable Barry J. Schoch, P.E.  
Secretary  
Department of Transportation

Township of Warrington  
Bucks County  
852 Easton Road  
Warrington, PA 18976

The Honorable John A. Paul

Chairman of the Board of Supervisors

Mrs. Vivian S. Bell

Treasurer

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