



BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
28-406

LIQUID FUELS TAX FUND
EXAMINATION REPORT

FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

CONTENTS

	<u>Page</u>
Background.....	1
Independent Auditor’s Report.....	3
Financial Section:	
2008 Form MS-965 With Adjustments	7
2009 Form MS-965 With Adjustments	10
Notes To Forms MS-965 With Adjustments.....	13
Findings And Recommendations:	
Finding No. 1 - Purchases Over \$10,000.00 In Noncompliance With Advertising And Bidding Requirements	19
Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination	22
Comment.....	25
Summary Of Exit Conference.....	26
Report Distribution	27

BOROUGH OF WAYNESBORO
FRANKLIN 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

Mr. Barry J. Schoch
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 Borough of Waynesboro, Franklin 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 Borough of Waynesboro, Franklin 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 Finding No. 1, the township expended a total of \$17,413.06 from its Liquid Fuels Tax Fund for the purchase of safety signs without advertising for bids. Additionally, as discussed in Finding No. 2, the township expended \$5,426.00 for the purchase of road paint in 2008 and \$9,142.37 for the purchase of safety signs in 2009 without maintaining documentation for price quotations.

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 Borough of Waynesboro, Franklin 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.

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 Borough of Waynesboro, Franklin 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 Borough of Waynesboro, Franklin County's Forms MS-965 that is more than inconsequential will not be prevented or detected by the Borough of Waynesboro, Franklin County's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the Forms MS-965 will not be prevented or detected by the Borough of Waynesboro, Franklin County's internal control.

Independent Auditor's Report (Continued)

Our consideration of internal control over reporting on the Forms MS-965 was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any significant deficiencies or material weaknesses, as defined above, in internal control over reporting on the Forms MS-965.

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.
- Documentation For Price Quotations Was Not Available For Examination.

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

September 28, 2010

JACK WAGNER
Auditor General



BOROUGH OF WAYNESBORO
FRANKLIN 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	\$ 4,235.00	\$ -	\$ 4,235.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	47,973.63	-	47,973.63
Winter maintenance services	18,117.79	-	18,117.79
Traffic control devices	77,632.70	-	77,632.70
Street lighting	-	-	-
Storm sewers and drains	61,709.16	-	61,709.16
Repairs of tools and machinery	-	5,680.45	5,680.45
Maintenance and repair of roads and bridges	20,998.37	(5,680.45)	15,317.92
Highway construction and rebuilding projects	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total (To Section 2, Line 5)	<u>\$ 230,666.65</u>	<u>\$ -</u>	<u>\$ 230,666.65</u>

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

BOROUGH OF WAYNESBORO
FRANKLIN 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	\$ 97,479.38	\$ (594.00)	\$ 96,885.38
Receipts:			
2. State allocation	199,321.00	(206.96)	199,114.04
2a. Turnback allocation	5,600.00	-	5,600.00
2b. Interest on investments (Note 3)	1,150.91	11.00	1,161.91
2c. Miscellaneous (Note 5)	13,116.81	880.00	13,996.81
3. Total receipts	<u>219,188.72</u>	<u>684.04</u>	<u>219,872.76</u>
4. Total funds available	<u>316,668.10</u>	<u>90.04</u>	<u>316,758.14</u>
5. Expenditures (Section 1)	<u>230,666.65</u>	<u>-</u>	<u>230,666.65</u>
6. Balance, December 31, 2008	<u>\$ 86,001.45</u>	<u>\$ 90.04</u>	<u>\$ 86,091.49</u>

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

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
2008 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 57,267.56	\$ (11,932.58)	\$ 45,334.98
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	40,984.20	(41.39)	40,942.81
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	98,251.76	(11,973.97)	86,277.79
5. Less: Major equipment expenditures	4,235.00	-	4,235.00
6. Remainder	<u>94,016.76</u>	<u>(11,973.97)</u>	<u>82,042.79</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 86,001.45</u>	<u>\$ (3,958.66)</u>	<u>\$ 82,042.79</u>

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

BOROUGH OF WAYNESBORO
FRANKLIN 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	\$ 14,785.00	\$ -	\$ 14,785.00
Minor equipment purchases	-	-	-
Computer/Computer related training	-	-	-
Agility projects	-	-	-
Cleaning streets and gutters	38,397.05	-	38,397.05
Winter maintenance services	22,769.64	-	22,769.64
Traffic control devices	35,848.98	(81.24)	35,767.74
Street lighting	-	-	-
Storm sewers and drains	73,711.72	(65,397.23)	8,314.49
Repairs of tools and machinery	-	-	-
Maintenance and repair of roads and bridges	15,832.49	(1,309.57)	14,522.92
Highway construction and rebuilding projects	-	66,706.80	66,706.80
Miscellaneous	21.29	(21.29)	-
 Total (To Section 2, Line 5)	 <u>\$ 201,366.17</u>	 <u>\$ (102.53)</u>	 <u>\$ 201,263.64</u>

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

BOROUGH OF WAYNESBORO
FRANKLIN 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	\$ 86,001.45	\$ 90.04	\$ 86,091.49
Receipts:			
2. State allocation	191,774.91	-	191,774.91
2a. Turnback allocation	5,600.00	-	5,600.00
2b. Interest on investments (Note 3)	265.80	-	265.80
2c. Miscellaneous (Note 5)	1,631.94	(624.19)	1,007.75
3. Total receipts	<u>199,272.65</u>	<u>(624.19)</u>	<u>198,648.46</u>
4. Total funds available	<u>285,274.10</u>	<u>(534.15)</u>	<u>284,739.95</u>
5. Expenditures (Section 1)	<u>201,366.17</u>	<u>(102.53)</u>	<u>201,263.64</u>
6. Balance, December 31, 2009	<u>\$ 83,907.93</u>	<u>\$ (431.62)</u>	<u>\$ 83,476.31</u>

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

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
2009 FORM MS-965 – SECTION 3
WITH ADJUSTMENTS

<u>Equipment Balance</u>	<u>Reported</u>	<u>Adjustments (Note 4)</u>	<u>Adjusted Amount</u>
1. Prior year equipment balance	\$ 86,001.45	\$ (3,958.66)	\$ 82,042.79
2. Add: Current year equipment allocation (20% of Lines 2 + 2a, Section 2)	39,474.98	-	39,474.98
3. PENNDOT approved adjustments	-	-	-
4. Total funds available for equipment acquisition	125,476.43	(3,958.66)	121,517.77
5. Less: Major equipment expenditures	14,785.00	-	14,785.00
6. Remainder	<u>110,691.43</u>	<u>(3,958.66)</u>	<u>106,732.77</u>
7. Equipment balance available for subsequent year (Lesser of Line 6 or Section 2 balance, but not less than zero)	<u>\$ 83,907.93</u>	<u>\$ (431.62)</u>	<u>\$ 83,476.31</u>

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

BOROUGH OF WAYNESBORO
FRANKLIN 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.

BOROUGH OF WAYNESBORO
FRANKLIN 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.

BOROUGH OF WAYNESBORO
FRANKLIN 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 Borough Code, Title 53 P.S § 46316, authorizes the borough 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 loans 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.

BOROUGH OF WAYNESBORO
FRANKLIN 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>\$83,476.31</u>
------	--------------------

3. Interest On Investments

Our examination disclosed that the municipality deposited idle liquid fuels tax money in interest-bearing accounts which earned \$1,161.91 during 2008, and \$265.80 during 2009, thus providing additional funds for road maintenance and repairs.

4. Adjustments

2008 - Section 1

Adjustments were made to “Repairs of tools and machinery” and “Maintenance and repair of roads and bridges” because expenditures of \$5,680.45 were misclassified.

2008 - Section 2

An adjustment of \$(594.00) was made to “Balance, January 1, 2008” because of prior report adjustments that were not carried forward in the fund balance.

An adjustment of \$(206.96) was made to “State allocation” because this receipt was overstated.

An adjustment of \$11.00 was made to “Interest on investments” because interest earnings were understated.

An adjustment of \$880.00 was made to “Miscellaneous” because these receipts were understated.

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

4. Adjustments (Continued)

2008 - Section 3

An adjustment of \$(11,932.58) was made to "Prior year equipment balance" because adjustments made in the prior report were not carried forward in the equipment balance.

An adjustment of \$(41.39) was made to "Current year equipment allocation" because the state allocation from 2008 - Section 2, which is used to calculate this figure, was overstated.

2009 - Section 1

An adjustment of \$(81.24) was made to "Traffic control devices" because these expenditures were overstated.

Adjustments were made to "Storm sewers and drains," "Maintenance and repair of roads and bridges," and "Highway construction and rebuilding projects" because expenditures of \$66,706.80 were misclassified.

An adjustments of \$(21.29) was made to "Miscellaneous" because these expenditures were overstated.

2009 - Section 2

An adjustment of \$90.04 was made to "Balance, January 1, 2009" to reflect the adjustments made in 2008 - Section 2.

An adjustment of \$(624.19) was made to "Miscellaneous" because these receipts were overstated.

2009 - Section 3

An adjustment of \$(3,958.66) was made to "Prior year equipment balance" because an incorrect equipment balance was carried forward.

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
NOTES TO FORMS MS-965 WITH ADJUSTMENTS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

5. 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>2008</u>	<u>2009</u>
General Fund	Reimbursement for disputed invoice (Note 6)	\$12,600.00	\$ -
Washington Township Supervisors	Electricity for shared traffic signal	796.81	1,007.75
General Fund	Reimbursement (Comment)	<u>600.00</u>	<u>-</u>
Total		<u>\$13,996.81</u>	<u>\$1,007.75</u>

6. Disputed Invoice

During our examination, we noted that on November 16, 2007 the borough transferred \$12,600.00 from its Liquid Fuels Tax Fund to its General Fund to reimburse its General Fund for check No. 045347. We further noted that check No. 045347 was voided due to a dispute over the amount charged on the invoice. On January 17, 2008, the borough transferred \$12,600.00 from its General Fund to its Liquid Fuels Tax Fund.

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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

Our examination disclosed that the borough expended \$17,413.06 in 2008 from the Liquid Fuels Tax Fund for the purchase of safety signs without advertising for bids. These expenditures were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>
696840	01/18/08	4371	02/06/08	\$456.42
698432	02/21/08	4378	03/27/08	272.40
699844	03/20/08	4378	03/27/08	115.50
701387	04/17/08	4383	04/24/08	1,644.28
701778	04/24/08	4386	05/01/08	499.68
702276	05/05/08	4387	05/07/08	535.72
702277	05/05/08	4387	05/07/08	444.60
703315	05/22/08	4394	06/19/08	695.60
703583	05/29/08	4394	06/19/08	146.41
705935	07/17/08	4397	08/01/08	741.10
707038	08/07/08	4399	09/10/08	866.25
707408	08/14/08	4399	09/10/08	205.98
707409	08/14/08	4399	09/10/08	1,438.08
707542	08/19/08	4399	09/10/08	103.10
708189	08/29/08	4399	09/10/08	196.71
708882	09/12/08	4403	09/26/08	751.12
709008	09/16/08	4403	09/26/08	157.44
709553	09/25/08	4405	10/31/08	1,261.80
709930	10/02/08	4405	10/31/08	104.59
711770	11/06/08	4407	11/18/08	1,563.39
712922	12/01/08	4411	12/17/08	1,886.07
712923	12/01/08	4411	12/17/08	777.00
712924	12/01/08	4411	12/17/08	559.20
713781	12/10/08	4411	12/17/08	140.72
713912	12/11/08	4411	12/17/08	1,849.90
Total				<u>\$17,413.06</u>

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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

The above purchases were not made in compliance with the advertising, bidding, and contract requirements of *The Borough Code*, 53 P.S. § 46402(a), (also found at § 1402(a) of *The Borough Code* as published by the Local Government Commission), which requires that purchases made after September 8, 1990, over \$10,000.00 must be advertised, bid, and awarded by contract. *The Borough Code*, 53 P.S. § 46403(a), (also found at § 1403(a) of *The Borough Code* as published by the Local Government Commission) further states that advertising, bidding and contract requirements should not be evaded through piecemeal purchases.

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

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

The failure to comply with *The Borough Code* and the Department of Transportation's *Publication 9* could result in the borough having to reimburse \$17,413.06 to its Liquid Fuels Tax Fund.

Recommendations

We recommend that the borough reimburse \$17,413.06 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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

Management's Response

The borough manager stated:

We reserve the right to further explore this finding when our maintenance supervisor returns from sick leave.

Auditor's Conclusion

We did not receive an updated response from the borough. During our next examination we will determine if the borough complied with our recommendations.

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Finding No. 2 - Documentation For Price Quotations Was Not Available For Examination

Our examination disclosed that the borough expended \$5,426.00 from the Liquid Fuels Tax Fund for the purchase of road paint in 2008 and \$9,142.37 for the purchase of safety signs in 2009. The borough was required to obtain three written or telephonic price quotations for these purchases. However, documentation for price quotations was not available for examination. The purchases were as follows:

<u>Invoice Number</u>	<u>Invoice Date</u>	<u>Check Number</u>	<u>Check Date</u>	<u>Amount</u>	<u>Totals</u>
4387-7	02/11/08	4378	03/28/08	\$ 40.76	
4545-2	02/15/08	4378	03/28/08	39.95	
7309-8	05/06/08	4394	06/12/08	204.53	
7319-7	05/06/08	4394	06/12/08	132.15	
7618-2	05/15/08	4394	06/12/08	132.15	
9125-6	06/24/08	4397	07/16/08	3,213.75	
0964-7	08/08/08	4403	09/26/08	1,285.00	
1018-1	08/11/08	4403	09/26/08	2.71	
1415-9	08/21/09	4403	09/26/08	250.00	
1936-4	09/03/08	4405	10/10/09	125.00	
2008 Total					\$ 5,426.00
717172	02/26/09	4419	03/11/09	362.88	
718179	03/19/09	4422	04/09/09	341.55	
718180	03/19/09	4422	04/09/09	1,600.29	
718552	03/26/09	4422	04/09/09	610.50	
718955	04/02/09	4422	04/02/09	1,315.21	
719736	04/20/09	4427	05/29/09	120.39	
720111	04/27/09	4427	05/29/09	68.91	
720464	05/04/09	4427	05/29/09	94.15	
720508	05/05/09	4427	05/29/09	113.72	
722081	06/08/09	4431	06/18/09	164.57	
723447	07/09/09	4437	07/20/09	87.33	
724053	07/23/09	4440	08/10/09	519.20	
726008	09/03/09	4444	09/10/09	810.61	
726712	09/21/09	4446	09/21/09	1,231.62	
730463	12/09/09	4459	12/22/09	1,424.75	
730586	12/11/09	4459	12/22/09	276.69	
2009 Total					9,142.37
Two Year Total					<u>\$14,568.37</u>

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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

The above purchases were not made in compliance with the contract requirements of *The Borough Code*, 53 P.S. § 46402(a.1), (also found at § 1402(a.1) of *The Borough 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.

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

...For material estimates between \$4,000 and \$10,000, three telephone price quotes shall be obtained prior to the selection of a supplier. In lieu of the price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors service the market area within which it is practicable to obtain quotations. If the cost during the year of an unadvertised item or group of like items ordinarily supplied by a single supplier exceeds \$10,000 or if the cost was between \$4,000 and \$10,000 and three price quotes were not obtained, the entire cost shall be ineligible for payment from the Liquid Fuels Tax Fund unless it can be shown to the satisfaction of the Secretary [of the Department of Transportation] that it was reasonably believed that the cost of the year's requirements of that item or group of like items would not exceed \$10,000 or be between \$4,000 and \$10,000 as specified above.

The failure to comply with *The Borough Code* and the Department of Transportation's *Publication 9* could result in the borough having to reimburse \$14,568.37 to its Liquid Fuels Tax Fund.

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

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

Recommendations

We recommend that the borough reimburse \$14,568.37 to its Liquid Fuels Tax Fund upon official notification by the Department of Transportation.

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

Management's Response

The borough manager stated:

We exceeded the \$4,000.00 limit on the purchase of the paint. However, due to the illness of our maintenance supervisor, I do not have access to his records. He may have gotten three telephonic quotes. I reserve the right to submit additional information.

It is difficult to anticipate the volume of signage to be used in a year and the type of signs. This is not an item we have historically bid. We will research this or use COSTARS.

Auditor's Conclusion

We did not receive an updated response from the borough. During our next examination we will determine if the borough complied with our recommendations.

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
COMMENT
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

Comment - 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 \$600.00 to its Liquid Fuels Tax Fund for transfers to the General Fund in excess of Liquid Fuels Tax Fund expenditures.

During our current examination we reviewed a letter dated May 20, 2009, from the Department of Transportation informing the municipality to reimburse \$600.00 to its Liquid Fuels Tax Fund. We noted that the municipality reimbursed this amount to its Liquid Fuels Tax Fund on October 1, 2008.

In our prior report we also recommended that the municipality only disburse funds from the Liquid Fuels Tax Fund for expenditures incurred.

During our current examination we noted that the municipality complied with our recommendation.

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
SUMMARY OF EXIT CONFERENCE
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

An exit conference was held September 28, 2010. Those participating were:

BOROUGH OF WAYNESBORO

Mr. Lloyd R. Hamberger, Borough Manager/Secretary

DEPARTMENT OF THE AUDITOR GENERAL

Mrs. Diane A. Bowman, Auditor

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

BOROUGH OF WAYNESBORO
FRANKLIN COUNTY
LIQUID FUELS TAX FUND
REPORT DISTRIBUTION
FOR THE TWO YEARS ENDED
DECEMBER 31, 2009

This report was initially distributed to:

Mr. Barry J. Schoch
Acting Secretary
Department of Transportation

Borough of Waynesboro
Franklin County
57 East Main Street
P. O. Box 3010
Waynesboro, PA 17268

The Honorable Craig Newcomer

President of Council

Mr. Lloyd R. Hamberger

Borough Manager/Secretary

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.